

JOHNSON CONTROLS INC

Form DEF 14A

December 05, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

JOHNSON CONTROLS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**Johnson Controls, Inc.**  
**5757 North Green Bay Ave.**  
**Post Office Box 591**  
**Milwaukee, Wisconsin 53201-0591**

**Notice of 2009**  
**Annual Meeting**  
**and Proxy Statement**

Date of Notice: December 5, 2008

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**NOTICE OF THE 2009  
ANNUAL MEETING OF SHAREHOLDERS**

Johnson Controls, Inc. will hold the Annual Meeting of Shareholders on Wednesday, January 21, 2009, at 1:00 P.M. CST, at Discovery World at Pier Wisconsin, 500 N. Harbor Drive, Milwaukee, Wisconsin. The purposes of the Annual Meeting are as follows:

1. To elect three directors, with the following as the Board's nominees:  
Dennis W. Archer  
Richard Goodman  
Southwood J. Morcott
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009.
3. To consider a shareholder proposal requiring shareholder approval of survivor benefits.
4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

**The Board of Directors recommends a vote FOR items 1 and 2 and AGAINST item 3. The persons named as proxies will use their discretion to vote on other matters that may properly arise at the Annual Meeting.**

If you were a shareholder of record at the close of business on November 20, 2008, you are entitled to vote at the Annual Meeting.

If you have any questions about the Annual Meeting, please contact:

Johnson Controls, Inc.  
Shareholder Services X-76  
5757 North Green Bay Ave.  
Post Office Box 591  
Milwaukee, WI 53201-0591  
(414) 524-2363  
(800) 524-6220

**By Order of the Board of Directors**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING TO BE HELD ON JANUARY 21, 2009.**

**Our proxy statement and our 2008 annual report to shareholders are available at  
*<http://www.johnsoncontrols.com/proxy>*.**

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Johnson Controls, Inc.  
5757 North Green Bay Avenue  
Post Office Box 591  
Milwaukee, WI  
53201-0591

December 5, 2008

Dear Shareholder:

The Johnson Controls Annual Shareholders Meeting will convene on Wednesday, January 21, 2009, at 1:00 P.M. CST at Discovery World at Pier Wisconsin, 500 N. Harbor Drive, Milwaukee, Wisconsin. We are mailing our proxy statement, which details the business we will conduct at the Annual Shareholders Meeting, to shareholders on or about December 5, 2008, together with the Company's Annual Report on Form 10-K for fiscal year 2008. Shareholders are not to regard the Annual Report on Form 10-K, which contains our audited financial statements, as proxy solicitation material.

We are pleased to once again offer multiple options for voting your shares. As detailed in the Questions and Answers section of this proxy statement, you can vote your shares via the Internet, by telephone, by mail or by written ballot at the Annual Meeting. We encourage you to use the Internet to vote your shares as it is the most cost-effective method.

Thank you for your continued support of Johnson Controls.

Sincerely,

JOHNSON CONTROLS, INC.

Stephen A. Roell  
Chairman and Chief Executive Officer

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\* *Agenda items for the Annual Meeting*

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**QUESTIONS AND ANSWERS**

**Q: What am I voting on?**

**A:** You are voting on THREE proposals:

1. Election of three directors for a term of three years, with the following as the Board's nominees:  
Dennis W. Archer  
Richard Goodman  
Southwood J. Morcott
2. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009.
3. Shareholder proposal requiring shareholder approval of survivor benefits.

**Q: What are the voting recommendations of the Board?**

**A:** The Board of Directors is soliciting this proxy and recommends the following votes:

FOR each of the director nominees;

FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009; and

AGAINST the shareholder proposal requiring shareholder approval of survivor benefits.

**Q: Will any other matters be voted on?**

**A:** We are not aware of any other matters that you will be asked to vote on at the Annual Meeting. If other matters are properly brought before the Annual Meeting, the proxy holders will use their discretion to vote on these matters as they may arise. Furthermore, if a nominee cannot or will not serve as director, then the proxy holders will vote for a person whom they believe will carry out our present policies.

**Q: Who can vote?**

**A:** If you hold shares of our Common Stock, CUSIP No. 478366107, as of the close of business on November 20, 2008, then you are entitled to one vote per share at the Annual Meeting. There is no cumulative voting.

**Q: How do I vote?**

**A:** There are four ways to vote:

by Internet at <http://www.eproxy.com/jci/>

We encourage you to vote this way as it is the most cost-effective method;

by toll-free telephone at 1-800-560-1965;

by completing and mailing your proxy card; or

by written ballot at the Annual Meeting.



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**Q: What is the effect of not voting?**

A: It will depend on how your share ownership is registered.

If you own shares in street name through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. In the absence of your voting instructions, your broker may or may not vote your shares at its discretion depending on the proposals before the meeting. Your broker may vote your shares at its discretion and your shares will count toward the quorum requirement on routine matters. Your broker may not, however, vote your shares on proposals determined to be non-routine. In such cases, the absence of voting instructions results in a broker non-vote. Broker non-voted shares are counted toward the quorum requirement but they do not affect the determination of whether a non-routine matter is approved or rejected. We believe that Proposals One and Two are routine matters on which brokers will be permitted to vote on behalf of their clients if no voting instructions are furnished. Because we believe that Proposal Three is a non-routine matter, broker non-voted shares will not affect the determination of whether it is approved or rejected.

If shares you own are registered in your name and you do not vote, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. In the case of a non-routine proposal, if a quorum is obtained, your unvoted shares will not affect whether the proposal is approved or rejected. We believe that Proposal Three is a non-routine matter.

If you own shares through a Johnson Controls retirement or employee savings and investment plan [401(k)], and you do not direct the trustee of the 401(k) plan to vote your shares, or if the trustee does not receive your proxy card by January 15, 2009, then the trustee will vote the shares credited to your account in the same proportion as the voting of shares for which the trustee receives direction from other participants.

If you sign and return a proxy card for your shares but you do not indicate a voting direction, then the shares you hold will be voted FOR each of the nominees listed in Proposal One, FOR Proposal Two, AGAINST Proposal Three, and in the discretion of the persons named as proxies, upon such other matters that may properly come before the meeting or any adjournments thereof.

**Q: Can I change my vote?**

A: Yes. You can change your vote or revoke your proxy any time before the Annual Meeting by:

- entering a new vote by Internet or phone;
- returning a later-dated proxy card;
- notifying Jerome D. Okarma, Vice President, Secretary and General Counsel, by written revocation letter addressed to the Milwaukee address listed on the front page; or
- completing a written ballot at the Annual Meeting.

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**Q: What vote is required to approve each proposal?**

A: Provided a quorum is present at the Annual Meeting, shareholders will elect the three director nominees receiving the greatest number of votes. Also provided a quorum is present, the votes shareholders cast for must exceed the votes shareholders cast against to approve the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2009. An affirmative vote of the majority of votes cast by the shareholders is required to approve the shareholder proposal.

**Q: Is my vote confidential?**

A: Yes. Only the election inspectors and certain individuals, independent of our company, who help with the processing and counting of the vote have access to your vote. Our directors and employees may see your vote only if we need to defend ourselves against a claim or in the event of a proxy solicitation by someone other than our company.

**Q: Who will count the vote?**

A: Wells Fargo Bank, N.A. will count the vote. Its representatives will serve as the inspectors of the election.

**Q: What shares are covered by my proxy card?**

A: The shares covered by your proxy card represent the shares of our Common Stock that you own that are registered with our company and our transfer agent, Wells Fargo Bank, N.A., including those shares you own through our dividend reinvestment plan and employee stock purchase plan. Additionally, shares our employees and retirees own that are credited to our employee retirement and savings and investment plans [401(k)] are also covered by your proxy card. The trustee of these plans will vote these shares as directed.

**Q: What does it mean if I get more than one proxy card?**

A: It means your shares are held in more than one account. You should vote the shares on all your proxy cards using one of the four ways to vote. To provide better shareholder services, we encourage you to have all your non-broker account shares registered in the same name and address. You may do this by contacting our transfer agent, Wells Fargo Bank, N.A., toll-free at 1-877-602-7397.

**Q: Who can attend the Annual Meeting?**

A: All shareholders of record as of the close of business on November 20, 2008, can attend the meeting. Seating, however, is limited. Attendance at the Annual Meeting will be on a first-arrival basis.

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**Q: What do I need to do to attend the Annual Meeting?**

**A:** To attend the Annual Meeting, please follow these instructions:

If shares you own are registered in your name or if you own shares through a Johnson Controls retirement or employee savings and investment plan, bring your proof of ownership of our Common Stock and a form of identification; or

If a broker or other nominee holds your shares, bring proof of your ownership of our Common Stock through such broker or nominee and a form of identification.

**Q: Will there be a management presentation at the Annual Meeting?**

**A:** Management will give a brief presentation at the Annual Meeting.

**Q: Can I bring a guest?**

**A:** While bringing a guest is not prohibited, please be aware that seating availability at the Annual Meeting is limited.

**Q: What is the quorum requirement of the Annual Meeting?**

**A:** A majority of the shares outstanding on November 20, 2008, constitutes a quorum for voting at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum, but neither will be counted as votes cast FOR or AGAINST any of the proposals. On the record date, 594,199,549 shares of our Common Stock were outstanding.

**Q: How much did this proxy solicitation cost?**

**A:** We will primarily solicit proxies by mail and we will cover the expense of such solicitation. Georgeson Inc. will help us solicit proxies from all brokers and nominees at a cost of \$10,000 plus expenses. Our officers and employees may also solicit proxies for no additional compensation. We may reimburse brokers or other nominees for reasonable expenses they incur in sending these proxy materials to you if a broker or other nominee holds your shares.

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**Q: How do I recommend or nominate someone to be considered as a director for the 2010 Annual Meeting?**

A: You may recommend any person as a candidate for director by writing to Jerome D. Okarma, our Vice President, Secretary and General Counsel. The Corporate Governance Committee reviews all submissions of recommendations from shareholders. The Corporate Governance Committee will determine whether the candidate is qualified to serve on our Board of Directors by evaluating the candidate using the criteria contained under the Director Qualifications and Selection section of the Company's Corporate Governance Guidelines, which is discussed under Proposal One: Election of Directors Nominating Committee Disclosure.

If shares you own are registered in your name and you are entitled to vote at the Annual Meeting, then you may nominate any person for director by writing to Mr. Okarma. Your letter must include all the information required by our By-Laws including, but not limited to, your intention to nominate a person as a director, the candidate's name, biographical data, and qualifications, as well as the written consent of the person to be named in our proxy statement as a nominee and to serve as a director. Under our current By-Laws, to nominate a person as a director for the 2010 Annual Meeting, a shareholder must send written notice not less than 90 days and not more than 120 days prior to the first anniversary of the 2009 Annual Meeting. Therefore, because the 2009 Annual Meeting will take place on January 21, 2009, we must receive notice of shareholder intent to nominate a person as a director no sooner than September 23, 2009, and no later than October 23, 2009. A copy of the Corporate Governance Guidelines is provided at our website at <http://www.johnsoncontrols.com/governance>, or you may request a copy of these materials by contacting Shareholder Services at the address or phone number provided in the Questions and Answers section of this Proxy Statement and they will be mailed to you at no cost.

**Q: When are shareholder proposals due for the 2010 Annual Meeting?**

A: Pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, we must receive shareholder proposals by August 7, 2009, to consider them for inclusion in our proxy materials for the 2010 Annual Meeting.

**Q: What are the requirements for proposing business other than by a shareholder proposal at the 2010 Annual Meeting?**

A: A shareholder who intends to propose business at the 2010 Annual Meeting, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, must comply with the requirements set forth in our By-Laws. Among other things, a shareholder must give written notice of the intent to propose business before the Annual Meeting to us during the 30-day timeframe described above relating to nominating a person as a director. Therefore, based upon the Annual Meeting Date of January 21, 2009, Mr. Okarma, the Company's Secretary, must receive notice of shareholder intent to propose business before the 2010 Annual Meeting, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, no sooner than September 23, 2009, and no later than October 23, 2009.

If the notice is received after October 23, 2009, then the notice will be considered untimely and we are not required to present the shareholder information at the 2010 Annual Meeting. If the Board of Directors chooses to present any information submitted after October 23, 2009, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, at the 2010 Annual Meeting, then the persons named in proxies solicited by the Board of Directors for the 2010 Annual Meeting may exercise discretionary voting power with respect to such information.

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**Q: Where can I find Corporate Governance materials for Johnson Controls?**

A: We have provided our Corporate Governance Guidelines, Ethics Policy, Disclosure Policy, Communication Policy, Insider Trading Policy, and the Charters for the Audit, Compensation, Corporate Governance, Executive, Finance, and Qualified Legal Compliance Committees of our Board of Directors, as well as our Disclosure Committee, on our website at <http://www.johnsoncontrols.com/governance>. Our Securities and Exchange Commission, or SEC, filings (including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Section 16 insider trading transactions) are available at <http://www.johnsoncontrols.com/investors>.

The Ethics Policy is applicable to the members of the Board of Directors and to all of our employees, including, but not limited to, the principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing similar functions. Any amendments to, or waivers of, the Ethics Policy that the Board of Directors approves will be disclosed on our website. We are not including the information contained on our website as part of, or incorporating it by reference into, this Proxy Statement.

**Q: How can I obtain Corporate Governance materials for Johnson Controls if I do not have access to the Internet?**

A: You may receive a copy of our Corporate Governance materials free of charge by:  
contacting Shareholder Services at 1-800-524-6220; or  
writing to:

Johnson Controls, Inc.  
Attn: Shareholder Services X-76  
5757 North Green Bay Ave.  
Post Office Box 591  
Milwaukee, WI 53201-0591

**Q: What is the process for reporting possible violations of Johnson Controls policies?**

A: Employees may anonymously report a possible violation of our policies by calling 866-444-1313 in the U.S. and Canada, or 678-250-7578 if located elsewhere. Reports of possible violations of the Ethics Policy may also be made to Jerome D. Okarma, our Vice President, Secretary and General Counsel, at [Jerome.D.Okarma@jci.com](mailto:Jerome.D.Okarma@jci.com) or to the attention of Mr. Okarma at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of financial or accounting policies may be made to the Chairman of the Audit Committee, Robert A. Cornog, at [Robert.A.Cornog@jci.com](mailto:Robert.A.Cornog@jci.com) or to the attention of Mr. Cornog at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of the Ethics Policy that the complainant wishes to go directly to the Board may be addressed to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at [Robert.L.Barnett@jci.com](mailto:Robert.L.Barnett@jci.com) or to the attention of Mr. Barnett at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591.

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**Q: How do I obtain more information about Johnson Controls, Inc.?**

A: To obtain additional information about our company, you may contact Shareholder Services by:  
calling 1-800-524-6220;  
visiting the website at <http://www.johnsoncontrols.com>; or  
writing to:

Johnson Controls, Inc.  
Attn: Shareholder Services X-76  
5757 North Green Bay Ave.  
Post Office Box 591  
Milwaukee, WI 53201-0591

**Q: Is the proxy statement available online?**

A: Yes, we have provided the proxy statement on our website at <http://www.johnsoncontrols.com/proxy>.

**Q: If more than one shareholder lives in my household, how can I obtain an extra copy of this proxy statement?**

A: Pursuant to the rules of the SEC, services that deliver our communications to shareholders who hold their stock through a broker or other nominee may deliver to multiple shareholders sharing the same address a single copy of our proxy statement. Upon written or oral request, we will mail a separate copy of the proxy statement to any shareholder at a shared address to which a single copy of each document was delivered. You may contact us with your request by calling or writing to Shareholder Services at the address or phone number provided above. We will mail materials you request at no cost. You can also access the proxy statement online at [www.johnsoncontrols.com/proxy](http://www.johnsoncontrols.com/proxy).

**PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.**

**Promptly returning your proxy card or voting via telephone or the Internet  
will help to reduce the cost of this solicitation.**

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**PROPOSAL ONE: ELECTION OF DIRECTORS**

**Election of Richard Goodman:**

Pursuant to our By-Laws and Corporate Governance Guidelines, the Board of Directors elected Richard Goodman as a director on January 23, 2008. Mr. Goodman was nominated for director by the Corporate Governance Committee and evaluated pursuant to the process described in the Nominating Committee Disclosure section of this proxy. The Board determined that Mr. Goodman was qualified to serve as a director based upon the standards outlined in the Director Qualifications and Selection section of the Corporate Governance Guidelines. The Board also determined that Mr. Goodman was independent based on the New York Stock Exchange listing standards and our Corporate Governance Guidelines.

**Retirements of John M. Barth and Richard F. Teerlink:**

Mr. John M. Barth will not seek reelection to the Board of Directors at the conclusion of his term on December 31, 2008. He has served as a director since 1997 and previously served as Johnson Controls chairman and chief executive officer.

Mr. Richard F. Teerlink will retire as a director on December 31, 2008, after having reached our mandatory director retirement age of 72. He has served as a director since 1994 and is currently in the class whose term expires at the 2010 Annual Meeting.

Our Board of Directors has not at this time taken formal action to nominate candidates to serve as directors after Messrs. Barth's and Teerlink's retirements, but the Corporate Governance Committee is in the process of identifying and qualifying appropriate candidates.

**Board Structure:**

As a result of these retirements, the size of our Board of Directors will decrease to ten effective January 1, 2009. This action did not require a By-laws amendment because our current By-laws provide for a range of no less than nine nor more than thirteen members. Directors are divided into three classes. At each Annual Meeting, the term of one class expires. Directors in each class serve three-year terms, or until the director's earlier retirement pursuant to the Board of Directors Retirement Policy, or until his or her successor is duly qualified and elected.

**Shareholder and Other Interested Party Communication with the Board:**

We encourage shareholder and other interested party communication with directors. General communication with any member of the board may be sent to his or her attention at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. You may send communications regarding financial or accounting policies to the Chairman of the Audit Committee, Robert A. Cornog, at *Robert.A.Cornog@jci.com* or to the attention of Mr. Cornog at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. You may send other communications to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at *Robert.L.Barnett@jci.com* or to the attention of Mr. Barnett at the address noted above. We screen these communications for security purposes.

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<b>Director Attendance at the Annual Meeting:</b>	We have a long-standing policy of director attendance at the Annual Meeting. All of the directors attended the 2008 Annual Meeting of Shareholders.
<b>Nominating Committee Disclosure:</b>	<p>The Corporate Governance Committee serves the nominating committee role. We describe the material terms of this role in the committee's Charter, a description of which appears under the Board Committees section of this proxy statement. The committee's Charter, the Corporate Governance Guidelines, and the committee's procedures are published at <a href="http://www.johnsoncontrols.com/governance">http://www.johnsoncontrols.com/governance</a>. The Committee Independence section of the Corporate Governance Guidelines requires that all members of the committee be independent, as defined by the New York Stock Exchange listing standards and the Company's Corporate Governance Guidelines. The committee has a process under which the committee identifies and evaluates all director candidates, regardless of whether nominated as required by the By-laws, or recommended. In order to identify director candidates, the committee maintains a file of recommended potential director nominees (including those recommended by shareholders), solicits candidates from current directors, evaluates recommendations and nominations by shareholders and will, if deemed appropriate, retain for a fee recruiting professionals to identify and evaluate candidates. The committee uses the following criteria, among others, to evaluate any candidate's capabilities to serve as a member of the Board: skill sets, professional experience, independence, other time demands (including service on other boards), diversity, technical capabilities, and international and industry experience. Further, the committee reviews the qualifications of any candidate with those of current directors to determine coverage and gaps in experience in related industries, such as automotive and electronics, and in functional areas, such as finance, manufacturing, technology, labor, employment and investing. The Chairman of the Board and the Chairperson of the committee will also lead an evaluation of each candidate who may stand for reelection based upon the preceding criteria before recommending such director for reelection. The committee will evaluate all director candidates in a similar manner regardless of how each director was identified, recommended, or nominated.</p>



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**BOARD NOMINEES**

At the Annual Meeting, three directors will be elected for terms expiring in 2012. The Corporate Governance Committee has recommended and the Board of Directors has selected the following nominees for election: Dennis W. Archer, Richard Goodman, and Southwood J. Morcott, all of whom are current directors of our company. Each person that shareholders elect as a director will serve until the Annual Meeting of Shareholders in 2012, or until his or her successor has been duly qualified and elected. Brief biographies of the director nominees and continuing directors as of September 30, 2008 follow.

**The Board recommends that you vote FOR the election of Dennis W. Archer,  
Richard Goodman, and Southwood J. Morcott.**

**Dennis W. Archer**

Director since 2002

Age 66

Chairman, Dickinson Wright PLLC, Detroit, Michigan since 2002 (law firm). Mr. Archer served as president of the American Bar Association from 2003 to 2004. Mr. Archer served as Mayor of Detroit from 1994 to 2001. Mr. Archer is a director of Compuware Corp. and Masco Corp. Mr. Archer also serves on the Audit Committee of Masco Corp.

**Richard Goodman**

Director since 2008

Age 60

Chief Financial Officer, PepsiCo, Inc., Purchase, New York since 2006 (food and beverage producer). Prior to that, Mr. Goodman served in a variety of senior financial positions at PepsiCo, including CFO of PepsiCo International, CFO of PepsiCo Beverages International, and General Auditor.

**Southwood J. Morcott**

Director since 1993

Age 70

Retired Chairman of the Board, President, and Chief Executive Officer, Dana Corp., Toledo, Ohio (vehicular and industrial systems manufacturer).

**THE BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF ITS NOMINEES.**

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**CONTINUING DIRECTORS**

**Terms Expire at the 2010 Annual Meeting:**

**Robert L. Barnett**

Director since 1986

Age 68

Retired Executive Vice President, Motorola, Inc., Schaumburg, Illinois (manufacturer of electronics products). Mr. Barnett served as Executive Vice President of Motorola from 2003 to 2005. Prior to that, he served as President and Chief Executive Officer, Commercial, Government and Industrial Solutions Sector, Motorola, Inc., from 1998 to 2002. Mr. Barnett is a director of Central Vermont Public Service Corp., USG Corp., and EF Johnson Technologies, Inc. Mr. Barnett is Chairman of the Compensation Committee of Central Vermont Public Service Corp. and is Chairman of the Audit Committee of USG Corp. Mr. Barnett is a member of the Audit and Compensation Committees of EF Johnson Technologies Inc.

**Eugenio Clariond Reyes-Retana**

Director since 2005

Age 65

Retired Chairman and Chief Executive Officer, Grupo IMSA S.A., Nuevo Leon, Mexico (industrial conglomerate specializing in steel, aluminum and plastic products). He served as Chief Executive Officer from 1985 through 2006 and as Chairman from 2003 through 2006. Mr. Clariond serves as a director of Navistar International Corp., The Mexico Fund, Inc., Mexichem, S.A., Grupo Financiero Banorte, S.A., and Grupo Industrial Saltillo, S.A. Mr. Clariond serves on the Audit Committees of Grupo Industrial Saltillo, S.A., Mexichem, S.A., and The Mexico Fund, Inc. and is a member of the Compensation Committees of Navistar International Corp. and Mexichem, S.A.

**Jeffrey A. Joerres**

Director since 2001

Age 49

Chairman, Chief Executive Officer and President of Manpower Inc., Milwaukee, Wisconsin (provider of employment services). Mr. Joerres served as Senior Vice President of European Operations from 1998 to 1999, and Senior Vice President of Major Account Development from 1995 to 1998. Mr. Joerres is a director of Artisan Funds. Mr. Joerres serves on the Audit Committee of Artisan Funds.

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**Terms Expire at the 2011 Annual Meeting:**

**Natalie A. Black**

Director since 1998

Age 58

Senior Vice President, General Counsel and Corporate Secretary, Kohler Co., Kohler, Wisconsin, since 2001 (manufacturer and marketer of plumbing products, power systems and furniture). Ms. Black served as a Group President for Kohler Co. from 1998 to 2001.

**Robert A. Cornog**

Director since 1992

Age 68

Retired Chairman of the Board of Directors, Chief Executive Officer and President, Snap-on Inc., Kenosha, Wisconsin (tool manufacturer). Mr. Cornog served as Chief Executive Officer and President from 1991 to 2001 and as Chairman from 1991 to 2002. Mr. Cornog is a director of Oshkosh Corporation and Wisconsin Energy Corp. ( We Energies ). Mr. Cornog serves on the Human Resources Committee (compensation) of Oshkosh Corporation and the Audit Committee of We Energies.

**William H. Lacy**

Director since 1997

Age 63

Retired Chairman and Chief Executive Officer, MGIC Investment Corp., Milwaukee, Wisconsin. Mr. Lacy retired in 1999 after a 28-year career at MGIC Investment Corp. and its principal subsidiary, Mortgage Guaranty Insurance Corp. (MGIC), the nation's leading private mortgage insurer. Mr. Lacy is a Director of Ocwen Financial Corp. He serves on the Corporate Governance Committee and is the Chairman of the Compensation Committee of Ocwen Financial Corp.

**Stephen A. Roell**

Director since 2004

Age 58

Chief Executive Officer and Chairman of the Board of Directors, Johnson Controls, Inc. Mr. Roell served as Vice Chairman from 2005 through 2007 and Executive Vice President from 2004 to 2007. Previously, Mr. Roell served as Chief Financial Officer of Johnson Controls, Inc. from 1991 to 2005.

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**PROPOSAL TWO:  
RATIFICATION OF THE APPOINTMENT OF THE COMPANY'S INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2009**

We ask that you ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2009.

PricewaterhouseCoopers LLP has audited our accounts for many years. The Audit Committee appointed them as the Company's independent registered public accounting firm for fiscal year 2009.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they so desire and to be available to respond to appropriate questions.

If the appointment is not ratified, the adverse vote will be considered as an indication to the Audit Committee that it should consider selecting another independent registered public accounting firm for the following fiscal year. Even if the selection is ratified, the Audit Committee, in its discretion, may select a new independent registered public accounting firm at any time during the year if it believes that such a change would be in our best interest.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT  
OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM FOR FISCAL YEAR 2009.**

**PROPOSAL THREE:  
SHAREHOLDER PROPOSAL FOR APPROVAL OF SURVIVOR BENEFITS**

Amalgamated Bank, 275 Seventh Avenue, New York, New York 10001, has informed us that it intends to present the proposal set forth below at our annual meeting. Amalgamated Bank states that it is the beneficial owner of 167,383 shares of our Common Stock.

**PROPOSAL**

*RESOLVED:* The shareholders of Johnson Controls, Inc. (the Company) hereby request the board of directors to adopt a policy of obtaining shareholder approval for any future agreements and corporate policies that could oblige the Company to make payments or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, perquisites and other payments or awards made in lieu of compensation. This policy would not affect compensation that the executive chooses to defer during his or her lifetime. Future severance agreements include employment agreements containing severance provisions; retirement agreements; change in control agreements; and agreements renewing, modifying or extending any such agreements in effect on the date this Article is adopted.

**SUPPORTING STATEMENT**

As shareholders, we support a compensation philosophy that provides sufficient remuneration to motivate and retain talented executives and that ties their pay to the

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long-term performance of the Company. We believe that such a pay for performance approach is needed to align the interests of executives with those of shareholders.

Golden coffin agreements, which can require a company to make significant payments or awards after an executive's death, are in our view inconsistent with that approach. Senior executives should have ample opportunities while they are alive to contribute to a pension fund, purchase life insurance, voluntarily defer compensation or engage in other estate planning strategies suitable to their needs. We see no reason to saddle shareholders with payments or awards when shareholders receive no services in return.

The problem is well illustrated at Johnson Controls. According to the December 2007 proxy statement, the company would be obliged to pay out \$36.3 million worth of annual and long-term bonuses, stock options, and restricted stock upon the death of John M. Barth, the chairman and chief executive officer. Additionally, the Company would be obliged to pay his base salary for ten years at an estimated cost of \$14.2 million, for a total of \$50.5 million. The value of similar packages for other senior executives ranges from \$12 million to \$24.5 million per executive.

These potential payments can cost shareholders significantly. Consequently, we request that the Company adopt a policy of providing shareholders with a vote on agreements and other corporate policies that could provide payments or awards after a senior executive's death that are unrelated to services actually being rendered to the Company.

We believe that the existence of such a shareholder approval requirement may induce restraint when parties negotiate such agreements. The proposal does not require prior shareholder approval, which may not always be practical to obtain, and the proposal leaves flexibility to seek approval after material terms of an agreement are agreed upon.

We urge shareholder to vote FOR this proposal.

**RECOMMENDATION OF THE BOARD OF DIRECTORS  
THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE PROPOSAL**

After reviewing and considering carefully this proposal, our Board and the Compensation Committee have determined that the proposal is not in the best interests of our shareholders and oppose the proposal for the following reasons.

1. Our Board and the Compensation Committee recognize the need to attract and retain talented executives. This must be done in the context of the competitive environment in which the Company exists. The Company's current compensation practices have been determined to be competitive, and particularly with respect to benefits payable upon an executive's death.
2. The majority of the current plans under which executives are entitled to benefits upon death, including a restricted stock plan, a stock option plan, an annual bonus plan and a long-term bonus plan, have already been approved by the Company's shareholders. As a result, the intent of this shareholder proposal has already been largely realized, since shareholder oversight and approval have been obtained. It is important to note that, since last year's proxy disclosure, the Board has taken action to reduce the executive survivor death benefit payable upon an executive's death. Also, the death benefits which are the subject of the resolution do not continue once an executive has retired from the Company.

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3. The Board and the Compensation Committee are best positioned, with access to independent experts, to exercise discretion and to make decisions with respect to executive compensation that are in the best interests of the Company and its shareholders.

As mentioned above, to attract and retain a qualified and effective global management team in the marketplace for executive talent, it is vital that we offer compensation and benefits that are competitive with those that our peer companies offer. Staying competitive in many cases requires us to adapt rapidly to fast-moving trends in the marketplace and to the circumstances of individual executive officers or officer candidates. Putting decisions to a shareholder vote is a slow and costly process, and requiring shareholder approval of employment agreements and policies that provide for benefits following the death of a senior executive officer could therefore impair our ability to fill critical executive positions by impeding our ability to negotiate agreements or implement policies that address the competitive market, the needs of our company and the nature of the particular situation. The ability to seek approval after material terms of an arrangement are agreed upon, as the proposal contemplates, is little (if any) consolation, because executive officers and officer candidates will not want to negotiate or otherwise commit to employment arrangements that remain subject to shareholder approval.

We believe the benefits we have offered and currently offer upon the death of an executive officer to his or her survivors are reasonable within the overall structure of our compensation programs. Many of the provisions that give our executives rights on death are within plans that shareholders have already approved. These plans include a restricted stock plan and stock option plan that provide for accelerated vesting of equity awards and an annual bonus plan and long-term bonus plan that provide for pro rata incentive awards. We have offered the remaining benefit – the executive survivor benefit – in lieu of group term life insurance to senior executives since 1982. We believe all of these elements are integral parts of a compensation package for our executive officers that is competitive but not excessive. In this regard, we recently reduced the amount of the executive survivor benefit in response to a report that the Compensation Committee’s outside expert provided. The report indicated that the benefit we were providing was based on a higher multiple of pay than were similar benefits that our peer companies provided to their executive officers. As a result of this change and other factors, the benefits our executive officers would have received upon a termination of employment as a result of death as of September 30, 2008 are lower than the corresponding benefits as of September 30, 2007, which we reported in our 2007 proxy statement and which the proposal’s supporting statement cites. As we discuss in Executive Compensation – Compensation Discussion and Analysis, the Compensation Committee, which is comprised solely of independent directors, generally targets the total direct compensation opportunity for our executive officers at the 50th percentile of a peer group consisting of companies that are in our industry or of similar size or against which we compete for talent.

Our Board and the Compensation Committee, to which our Board has delegated the authority to approve and monitor compensation and benefit programs for our executive officers, believe that we need flexible compensation policies and procedures to permit us to achieve these objectives. In contrast, by requiring shareholder approval of a specific term of compensation arrangements, the proposal would not allow for the exercise by the Compensation Committee of the discretion and judgment necessary to establish appropriate executive compensation. Fixing individual compensation terms involves a host of factors and judgments. Because of this inherent complexity, our Board believes that individual compensation decisions are best made by the Compensation Committee, which consists of experienced, independent directors who dedicate substantial time and attention to compensation decisions and who receive advice from

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an outside expert who answers directly to the Compensation Committee rather than to management.

We agree with the proposal's supporting statement that a pay for performance approach is needed, but we believe that our executive compensation programs already embody a pay for performance approach and that our corporate performance bears this out. A central objective of our executive compensation programs, as we discuss in Executive Compensation Compensation Discussion and Analysis, is to focus our executive officers on continuing to deliver strong results for our shareholders by placing primary emphasis on performance-based variable compensation. Our programs demonstrably emphasize performance-based pay. We have a long history of strong results, and we believe our practice of linking compensation with corporate performance has contributed significantly to our track record.

In summary, our Board believes that our compensation practices have been and will continue to be a key factor in our ability to deliver strong results. Our Board believes the requirements of the proposal would place us at a competitive disadvantage in recruiting and retaining executive talent and that it is in the best interests of our company and our shareholders to retain flexibility in structuring our executive compensation programs. Our Compensation Committee is best positioned to exercise that judgment, and the spirit of the shareholder proposal has already been substantially met, since shareholders have already approved many of the provisions which make up the Company's approach to providing benefits upon an executive's death.

**THE BOARD RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE VOTED AGAINST THIS PROPOSAL UNLESS OTHERWISE INSTRUCTED.**

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on this review, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement relating to the 2009 Annual Meeting of Shareholders.

Southwood J. Morcott, Chairman  
Dennis W. Archer  
Eugenio Clariond Reyes-Retana  
Jeffrey A. Joerres  
William H. Lacy  
*Members, Compensation Committee*

**COMPENSATION DISCUSSION AND ANALYSIS  
EXECUTIVE COMPENSATION**

As we discuss on page 20, the Compensation Committee (the Committee) of our Board of Directors (the Board) has the sole authority, delegated by our Board, to approve and monitor all compensation and benefit programs (other than broad-based welfare benefit programs) for our executive officers including the officers we name in the Summary Compensation Table (named executive officers). The Committee seeks to ensure that our compensation policies and practices are consistent with our values and support the successful recruitment, development, and retention of executive talent so we can achieve our business objectives and optimize our long-term financial returns. The Committee reports its actions and decisions to the Board.

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We have a long history of strong results, and we believe our practice of linking compensation with corporate performance has contributed significantly to our track record. Over the past 10 years, we have grown net sales at an average annualized growth rate of 12% and have grown earnings at an average annualized growth rate of 15%. Our operations are located in more than 60 countries throughout the world, and we generate over 50% of our net sales outside of the United States.

### **What are the objectives of our executive compensation programs?**

The main objectives of our executive compensation programs are to:

attract, motivate, and retain a highly qualified and effective global management team to deliver superior performance that builds shareholder value over the long term.

recognize performance achievements at the company and business unit level.

recognize an executive's leadership abilities, scope of responsibilities, experience, effectiveness, and individual performance achievements.

reward the achievement of strategic, financial and leadership objectives that are closely aligned with the interests of our shareholders. We develop our compensation plans to motivate our executives to improve our overall corporate performance and profitability of the specific business unit for which they are responsible.

focus our executives on continuing to deliver strong results for our shareholders by placing primary emphasis on performance-based variable compensation and stock ownership. We design annual and long-term cash incentive awards to recognize achievement of growth in pre-tax earnings regardless of global economic conditions and factors impacting our markets. Long-term equity incentive awards include stock options and restricted stock, which focus executive officers on and reward them for building shareholder value. We use a multi-year vesting schedule for our stock options and restricted stock to retain our executives.

ensure that our compensation programs are competitive within the marketplace.

### **What are the elements of our executive compensation program?**

Our executive compensation program consists of the following elements:

base salary;

annual incentive performance awards (an annual cash-based incentive);

long-term incentive performance awards (a rolling three year cash-based incentive);

stock options;

restricted stock; and

retirement and other benefits.

The following sections discuss each element individually and in more detail.



We define total direct compensation as the executive's base salary, annual incentive performance award, long-term incentive performance award, stock options, and restricted stock. Our pay mix (the proportion of one compensation element of direct compensation compared to the total of all elements of direct compensation) is heavily weighted toward a strong relationship between our corporate or business unit performance and the executive's pay. The elements of compensation that are based on

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corporate or business unit performance include annual cash incentive, long-term cash incentive, and equity incentives. In general, as an executive's level or responsibility within our organization increases, so does the percentage of total compensation that we link to corporate or business unit performance.

**What process does the Committee use to review our executive compensation programs and determine compensation?**

The Committee is responsible for approving and monitoring the compensation and benefits we offer to our executive officers. The Committee evaluates executive pay each year, seeking to ensure that our compensation policies and practices are consistent with our philosophy. In evaluating the compensation of our Chief Executive Officer's direct reports, the Committee also considers the Chief Executive Officer's recommendations to the Committee. This includes the compensation of the other named executive officers, based on his review of their performance, job responsibilities, importance to our overall business strategy, and our compensation philosophy (including market practice). Our Chief Executive Officer does not make a recommendation to the Committee regarding his own compensation.

The Committee will generally determine an executive officer's compensation based upon a desire to link compensation to the objectives of our executive compensation programs that we describe above under "What are the objectives of our executive compensation programs?" The Committee considers these factors collectively and ultimately uses its subjective judgment in making final decisions concerning compensation.

To support its annual review of our executive compensation and benefit programs for fiscal year 2008, the Committee engaged Towers Perrin, an independent compensation consultant, to conduct a marketplace review of the compensation we pay to our executive officers. Towers Perrin provided the Committee with relevant market data and alternatives to consider when making compensation decisions for the executive officers.

Towers Perrin benchmarked our compensation against a group of publicly-traded companies, which we refer to as the Compensation Peer Group. In benchmarking our compensation, Towers Perrin used regression analysis to adjust the data based on the revenue sizes of the companies in the Compensation Peer Group to match our revenue size. The Compensation Peer Group, which the Committee annually reviews and updates, consists of companies against which we believe we compete for talent, that are in our industry or a similar industry, have similar market capitalization, or that are similar in size based on revenue. For purposes of the Committee's annual review of fiscal year 2008 compensation and benefit programs, the following companies comprised the Compensation Peer Group:

3M Company	Eaton Corp.	Lockheed Martin Corp.
Alcoa Inc.	Emerson Electric Co.	Motorola Inc.
Caterpillar Inc.	General Dynamics Corp.	Northrop Grumman Corp.
Deere & Company	Goodyear Tire & Rubber Co.	Raytheon Co.
Delphi Corp.	Honeywell International Inc.	United Technologies Corp.
Dow Chemical	Illinois Tool Works	Visteon Corp.
E.I. du Pont de Nemours	Lear Corp.	Whirlpool Corp.

During fiscal year 2008, for purposes relating to fiscal year 2009 compensation, we changed the Compensation Peer Group slightly from the peer group above. We removed Delphi Corp. and Visteon Corp., which continue to experience low market capitalization, and added International Paper, an international manufacturing company with a market capitalization more similar to ours.

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When the Compensation Peer Group gives us inadequate data for a particular executive officer due to insufficient sample size, Towers Perrin uses data concerning compensation that companies that Towers Perrin classifies as general industrial companies provide to their executives. Towers Perrin also uses regression analysis to adjust the data based on the revenue sizes of these companies to match our revenue size. When determining fiscal year 2008 compensation, the Committee did not, however, require the use of general industrial data to make any specific compensation decisions for the named executive officers. Towers Perrin did not provide the Committee with, and the Committee was not aware of, the identities of the companies that participated in the survey of general industrial companies.

We generally set the total direct compensation opportunity based on the 50th percentile of the Compensation Peer Group. Our approach results in some pay difference among our named executive officers, which is consistent with the survey data. As we discuss above, final decisions concerning compensation reflect performance achievements at a company and business unit level and our views regarding an executive officer's leadership abilities, scope of responsibilities, experience, effectiveness and individual performance achievements.

To determine the amount of compensation under each component of total direct compensation, we start by setting a target for total annual cash compensation (base salary and a target payout percentage) according to market, again typically based on the 50th percentile of market comparables. We also consider other factors as we describe above.

After we determine base salary and an annual incentive award target amount for an executive officer, we subtract the total of those amounts from the target total direct compensation for the executive officer and arrive at a target value for long-term incentive awards. We then break this value (which we refer to as the annualized expected value of long-term incentive award opportunities) into three parts: a target long-term cash incentive award value, which we determine by evaluating market pay mix data and internal equity considerations; a stock option grant value; and a restricted stock grant value.

In allocating equity compensation between stock options and restricted stock grants, we first determine the amount of restricted stock grants, based on an assessment of the executive officer's individual performance and contributions to our company. We then allocate the difference between the executive officer's target total direct compensation and the target annual cash compensation, target long-term cash incentive award value and restricted stock grant value to stock options.

### **How do we determine base salaries for executive officers?**

We pay our named executive officers and other employees a base salary as part of a competitive compensation package and to provide a stable source of income. We typically consider salary levels as part of our annual compensation review process or upon a promotion. When we establish base salaries for executives, we consider salaries that companies in the Compensation Peer Group or general executive compensation industry survey pay for similar positions. When inadequate data is available from the companies in the Compensation Peer Group, we consider salaries that companies in the general executive compensation industry survey pay for similar positions. We generally attempt to set base salary at approximately the 50th percentile of the Compensation Peer Group subject to other variables as we describe above under "What process does the Committee use to review our executive compensation programs and determine compensation?"

Salary changes are effective October 1 of each year to correspond with the beginning of the new fiscal year.

**Table of Contents****How do we determine annual incentive performance awards?**

We offer annual incentive performance awards to give our executives incentives to achieve our fiscal year business and financial objectives, and we establish the award opportunities and related performance goals accordingly. We believe achieving these annual business and financial objectives is important to executing our business strategy and delivering long-term value to shareholders.

For each fiscal year, the Committee approves a target payout (which we measure as a percentage of base salary) for each executive officer, as well as the potential payout percentages for maximum and threshold performance. For fiscal year 2008, the target payout percentages for the named executive officers ranged from 100% to 156% of base salaries. For each executive officer, the actual payout potentially could range from zero to two times the target payout percentage, depending on achievement of goals, with payments increasing as performance improved (though not above two times the target payout percentage). We sought to set the target payout percentages at approximately the 50th percentile of the Compensation Peer Group. In measuring whether the target payout percentages were approximately equal to the 50th percentile of the Compensation Peer Group, we excluded the portion of the target payout that is subject to discretionary adjustment based on individual performance as we describe below. We have the discretion to decrease the size of the bonus payout based in part on an assessment of the executive officer's individual performance. The Committee makes this assessment for our Chief Executive Officer based on its subjective evaluation of performance relative to strategic, financial and leadership objectives that the Committee or the Board of Directors has approved and has discretion to decrease the amount of the incentive award that the Chief Executive Officer would otherwise receive. Our Chief Executive Officer makes this assessment for the other executive officers based on his subjective evaluation of performance relative to strategic, financial and leadership objectives that he has approved and has the authority to decrease the amount of the incentive award that the executive officer would otherwise receive. Beginning with fiscal year 2009, we are granting awards under this program at the beginning of the fiscal year. Following past practice, we granted the fiscal year 2008 awards in September 2007, prior to the beginning of the 2008 fiscal year, and we disclosed the awards in the "Grants of Plan-Based Awards" table in the proxy statement for our 2008 annual meeting of shareholders. We are disclosing the threshold, target and maximum award potential for these awards again in the "Grants of Plan-Based Awards" in this proxy statement to provide a more complete picture of the non-equity incentive awards that impacted our named executive officers' compensation for fiscal year 2008.

We set the performance targets for fiscal year 2008 for Messrs. Barth, Roell, Wandell, McDonald and, with respect to 30% of their awards, Mr. Myers and Dr. Bolzenius using objectives for pre-tax earnings and pre-tax return on equity (ROE). We define pre-tax earnings as income from continuing operations, adjusted for incentive plan expense and certain significant non-recurring items that impact comparability, such as gain or loss on divestitures, restructuring expense (for example, we incurred a restructuring expense in fiscal year 2008), and the adoption of new accounting pronouncements, all as reflected in our audited financial statements that appear in our Annual Report on Form 10-K. We define ROE as pre-tax earnings divided by total shareholders' equity at the beginning of the fiscal year (as reported in our Annual Report on Form 10-K). For fiscal year 2008, we set the pre-tax earnings target at \$1.82 billion and the ROE target at 23.3%.

The Committee approved potential payouts ranging from zero to 200% of the target payout percentages for Messrs. Barth, Roell, Wandell, and McDonald (which we discuss below) for various levels of performance against these performance targets. The Committee approved potential payouts ranging from zero to 200% with respect to 30% of the target payout percentages for Mr. Myers and Dr. Bolzenius (which we discuss

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below) for the same level of performance against these targets. An executive officer would not have received an annual incentive payout if our fiscal year 2008 pre-tax earnings were less than \$1.45 billion. If our fiscal year pre-tax earnings were at least \$1.45 billion, the minimum potential payout an officer would receive was 45% of the target incentive payout, and the payout amount could have increased if ROE exceeded 17.5%. An officer would have been eligible to receive the maximum potential payout if our performance met or exceeded 23.3% ROE and \$2.08 billion of pre-tax earnings.

For fiscal year 2008, the Committee based 70% of Mr. Myers' incentive award on the performance of the Building Efficiency Group, using objectives for earnings before interest and tax (which we refer to as EBIT) and net cash from operations as a percent of revenue. We define EBIT for this purpose as business unit operating earnings, adjusted for incentive plan expenses and certain non-recurring items that impact comparability, all as reflected in our audited financial statements that appear in our Annual Report on Form 10-K. We define net cash from operations as trade working capital (defined as the sum of net accounts receivable, inventory, and net customer tooling less accounts payable). We may adjust net cash from operations and revenue for certain non-recurring items that impact comparability, such as acquisitions and divestitures. The targets were \$1.03 billion in EBIT and 10% improvement over fiscal year 2007 in net cash from operations as a percent of revenue.

The Committee approved potential payouts for Mr. Myers ranging from zero to two times the target payout percentages (which we discuss below) for various levels of Building Efficiency Group performance against these Building Efficiency Group performance targets. Mr. Myers would not have received any payout if fiscal year 2008 Building Efficiency Group EBIT was less than \$823.20 million. If fiscal year 2008 Building Efficiency Group EBIT was at least \$823.20 million, he would have received a minimum potential payout of 45% of the target incentive payout, and the payout amount could have increased as change in net cash from operations as a percent of revenue improved beyond -15%. Mr. Myers would have been eligible to receive the maximum potential payout if the Building Efficiency Group met or exceeded 35% improvement in net cash from operations and \$1.09 billion EBIT.

For fiscal year 2008, the Committee based 70% of Dr. Bolzenius' incentive award on the performance of the Automotive Experience Group, again using objectives for EBIT and net cash from operations as a percent of revenue (defined above). The targets were \$666.51 million in EBIT and 10% improvement over fiscal year 2007 in net cash from operations as a percent of revenue.

The Committee approved potential payouts for Dr. Bolzenius ranging from zero to two times the target payout percentages (as we discuss below) for various levels of Automotive Experience Group performance against these Automotive Experience Group financial targets. Dr. Bolzenius would not have received any payout if fiscal year 2008 Automotive Experience Group EBIT was less than \$530.62 million. If fiscal year 2008 Automotive Experience Group EBIT was at least \$530.62 million, he would have received a minimum potential payout of 45% of the target incentive payout, and the payout amount could have increased as change in net cash from operations as a percent of revenue improved beyond -15%. Dr. Bolzenius would have been eligible to receive the maximum potential payout if the Automotive Experience Group met or exceeded 35% improvement in net cash from operations and \$705.34 million EBIT.

For fiscal year 2008, our actual financial results for the performance goals were 22.3% ROE and 1.99 billion in pre-tax earnings; 6.0% improvement in Building Efficiency Group net cash from operations and \$1.02 billion in Building Efficiency Group EBIT; 26.7% improvement in the Automotive Experience Group net cash from operations and \$753.6 million Automotive Experience Group EBIT.

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Based on this performance and after reflecting the exercise of discretion that we discuss above, the annual performance bonus that each named executive earned was above the target payout percentage level, as shown in the chart below.

<b>Position</b>	<b>Name</b>	<b>Amount Earned as a Percent of Target Payout Percentage</b>
Chairman of the Board and Chief Executive Officer	Stephen A. Roell	168.7%
Chairman of the Board*	John M. Barth	168.7%
President and Chief Operating Officer	Keith E. Wandell	168.7%
Executive Vice President and Chief Financial Officer	R. Bruce McDonald	168.7%
Vice President and President, Building Efficiency	C. David Myers	111.1%
Vice President and President, Automotive Experience	Beda Bolzenius	174.0%

\* Mr. Barth stepped down as our Chief Executive Officer on September 30, 2007, and retired as Chairman of the Board on December 31, 2007. As a result of his retirement, Mr. Barth's actual award was prorated to 25% of the amount that he would have received for the full year, determined based on our actual performance for the year.

**How do we determine long-term cash incentive performance awards?**

We tie the value of awards under our long-term cash incentive program to our long-term performance over a three-year period, and the program therefore serves to ensure that an executive's pay under this program depends upon the extent to which we achieve our long-term financial objectives. By using a mix of stock options, restricted stock, and the long-term cash incentive, we are able to compensate executives for both sustained increases in our stock performance, as well as the achievement of key long-term financial objectives. We base the long-term incentive on achieving business plans that our Board approves. Beginning with fiscal year 2009, we are granting awards under this program at the beginning of the first fiscal year of the three-year performance period. Following past practice, we granted the fiscal year 2008 award in September 2007, prior to the beginning of our 2008 fiscal year, and we disclosed the awards in the Grants of Plan-Based Awards table in the proxy statement for our 2008 annual meeting of shareholders. We are disclosing the threshold, target and maximum award potential for these awards again in the Grants of Plan-Based Awards in this proxy statement to provide a more complete picture of the non-equity incentive awards that impacted our named executive officers' compensation for fiscal year 2008.

At the end of each performance period, the Committee applies the objective-based formula that it approved in advance to determine each executive's award for the performance period.

For the 2008-2010 three-year cycle, we have based each executive officer's long-term cash incentive performance award opportunity on annual objectives for corporate pre-tax earnings and pre-tax return on invested capital ( ROIC ). We have established targets of \$1.64 billion pre-tax earnings and 16.7% ROIC for fiscal year 2008. We define pre-tax earnings as income from continuing operations, adjusted for certain significant non-recurring items, such as gain or loss on divestitures, restructuring expense (for example, we incurred a restructuring expense in fiscal year 2008), and the adoption of new accounting pronouncements, all as reflected in our audited

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financial statements that appear in our Annual Report on Form 10-K. We define ROIC as pre-tax earnings adjusted by total financing costs, divided by invested capital. Invested capital is defined as the monthly weighted-average sum of shareholders equity plus total debt, less cash. We base the ROIC target each year on meeting the amounts set forth in the financial plan for that year. The Board reviews and approves the financial plan each year. An executive officer would not receive a long-term incentive payout with respect to fiscal year 2008 under the 2008-2010 award if our pre-tax earnings were less than \$1.50 billion. An executive officer would receive the maximum potential payout with respect to fiscal year 2008 under the 2008-2010 award if our performance met or exceeded 18.0% ROIC and \$1.79 billion pre-tax earnings.

To calculate the payment an executive officer will receive under a long-term incentive award, we determine the performance results for each year in the three-year cycle, and calculate a weighted average for the three-year cycle based on the following: weighted 1/6 for the first year in performance cycle, weighted 2/6 for the second year in performance cycle, and weighted 3/6 for the third year in the performance cycle.

Executive officers were eligible in fiscal year 2008 for a payout under the three-year performance cycle of 2006-2008. For this cycle, the payout target percentages ranged from 65% to 130% of base salary for the named executive officers. The two financial measures for this cycle were pre-tax earnings and pre-tax ROIC. Our pre-tax earnings results were \$1.29 billion, \$1.60 billion, and \$1.79 billion for 2006, 2007, and 2008, respectively, and our pre-tax ROIC results were 14.4%, 15.2%, and 15.4% for 2006, 2007, and 2008, respectively. This performance resulted in payout percentages of 178.2%, 194.7%, and 150.9% of target for 2006, 2007 and 2008, respectively. The Committee approved the payout percentage that executive officers earned under the program as shown in the chart below. We show the amount (combined with the annual cash bonus incentive that our named executive officers received for performance in fiscal year 2008) in the Summary Compensation Table under the column heading Non-Equity Incentive Plan Compensation.

<b>Position</b>	<b>Name</b>	<b>Amount Earned as a Percent of Target Incentive</b>
Chairman of the Board	John M. Barth	170.0%
Chairman of the Board and Chief Executive Officer	Stephen A. Roell	170.0%
President and Chief Operating Officer	Keith E. Wandell	170.0%
Executive Vice President and Chief Financial Officer	R. Bruce McDonald	170.0%
Vice President and President, Building Efficiency	C. David Myers	170.0%
Vice President and President, Automotive Experience	Beda Bolzenius	170.0%

\* Mr. Barth stepped down as our Chief Executive Officer on September 30, 2007, and retired as Chairman of the Board on December 31, 2007. As a result of his retirement, Mr. Barth's actual award was prorated to 75% of the amount that he would have received for three-year performance cycle, determined based on our actual performance for that performance period.

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### **How do we determine stock option awards?**

We award stock options to executives to:

enhance the link between creating shareholder value and long-term incentive compensation, because the recipient realizes value from options only to the extent the value of our stock increases after the date of the option grant;

maintain competitive levels of total compensation; and

retain outstanding employees by requiring that executives continue their employment with our company to vest options.

Our executives, including our named executive officers, must earn the options through continued service. The options will vest 50% two years after the date of grant and 50% three years after the date of grant, subject to continued employment (with earlier vesting on retirement), and have a ten-year exercise term.

We made all of our stock option grants to the executives in fiscal year 2008 pursuant to our 2007 Stock Option Plan, which shareholders approved in January 2007. The exercise price of fiscal year 2008 stock options is equal to the New York Stock Exchange closing price of our common stock on the date of the grant. We do not engage in or permit backdating or repricing of stock options, and our equity compensation plans prohibit these practices.

We provide the fiscal year 2008 stock option grant details for each named executive officer in the Grant of Plan-Based Awards table and related footnotes. We determine stock option awards based on the value of the executive officer's total direct compensation that we intend to deliver less the value of all other elements of direct compensation. Towers Perrin values the options using a binomial valuation methodology.

Our policy on granting equity awards states that our annual stock option grant occurs and is effective on the first business day of our fiscal year and that any subsequent stock option grants occur and are effective on the date of a regularly scheduled Compensation Committee meeting. Executive officers do not have a role in the timing of option grants. We do not choose the time for making option grants based in any way on any pending release to the public of material information.

### **How do we determine restricted stock awards?**

We generally award restricted stock to our executive officers in alternating years. At the beginning of fiscal year 2008, the Compensation Committee approved a restricted stock grant. We intend our restricted stock awards to:

tie executive officer's long-term financial interests to the long-term financial interests of shareholders by exposing them to downside equity performance risk, further aligning the interests of executive officers with the interests of shareholders;

retain key executive officers through the four-year vesting period (subject to continued vesting for executive officers who retire); and

maintain a market competitive position for total compensation.

We provide the fiscal year 2008 restricted stock grant details for each named executive officer in the Grant of Plan-Based Awards table and related footnotes. We determine restricted stock awards by subtracting from the value of



the executive officer's total direct compensation that we intend to deliver the value of all other elements of direct compensation and allocating a portion of the resulting difference to restricted stock awards. We determine the portion allocable to restricted stock awards based on an

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assessment of the executive officer's individual performance, contribution to our company, and retention objectives. The Committee makes the assessment regarding individual performance and contributions for our Chief Executive Officer based on its subjective evaluation relative to strategic, financial and leadership objectives that the Committee or the Board of Directors has approved. Our Chief Executive Officer makes this assessment for the other executive officers based on his subjective evaluation relative to strategic, financial and leadership objectives that he has approved. Because we generally award restricted stock in alternating years, we treat half of the value of the award as attributable to the year of grant, which is fiscal 2008 in this case. (We allocate the remaining portion of total direct compensation to stock option awards as we describe above under "How do we determine stock option awards?"). Towers Perrin values the restricted stock awards using a binomial valuation methodology.

**How do we determine retirement and other benefits?**

We evaluate retirement and other benefits based on market practice of the Compensation Peer Group and general executive compensation industry data. We have a long history of providing retirement benefits to our U.S. salaried employees. We provide our retirement benefits through the following plans:

A pension plan. All of our U.S.-based salaried employees that we hired before January 1, 2006 participate in this plan, including all of our named executive officers other than Dr. Bolzenius. Under the pension plan, a participant who has completed five continuous years of employment with us earns the right to receive certain benefits, based upon the participant's years of service and average compensation upon retirement at normal retirement age or upon early retirement on or after age 55 with ten years of service. However, for York International Corp. employees, including Mr. Myers, service after December 31, 2003 does not count as benefit service under the formula in this plan. Under an agreement that we negotiated with Dr. Bolzenius at the time he joined our company, we continued Dr. Bolzenius' German pension agreement, providing benefits that we believed were consistent with those given to senior executives of a German company.

A 401(k) plan. The plan generally covers all of our U.S. employees, including the named executive officers other than Dr. Bolzenius, who waived his participation in the plan in exchange for continued accrual of benefits under his German pension agreement. Under the 401(k) plan, participants can contribute up to 25% of their compensation on a pre-tax basis, although our executive officers can contribute only up to 6% of their compensation. We make a matching contribution of 50% to 100%, based on company performance, of each dollar of employee contributions up to 6% of the employee's eligible compensation. In addition, for employees that we hired on or after January 1, 2006 and for York employees who are no longer receiving service credit under the pension plan, including Mr. Myers, we make an annual retirement contribution of 1% to 7% of the participant's annual compensation based on the participant's age and service. Both the matching contribution and the annual retirement contribution are subject to vesting requirements.

A Retirement Restoration Plan. Because the Internal Revenue Code, or the Code, limits the benefits we can provide under the pension plan and the 401(k) plan, we sponsor our Retirement Restoration Plan. The Retirement Restoration Plan generally allows all employees that the Code limitations impact to obtain the full intended benefit from the pension and 401(k) plans, without regard to the Code limits, upon meeting vesting requirements. These employees include our named executive officers, except that Mr. Myers, along with all other York employees, is not eligible to participate in the pension component of the Retirement Restoration Plan. Dr. Bolzenius is not eligible to participate in the Retirement Restoration Plan as a result of his

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waiver of participation in the 401(k) plan. In addition, only the executive officers are allowed to contribute, on a pre-tax basis, up to 6% of their compensation that is not allowed to be deferred into the 401(k) plan and to receive a supplemental matching contribution.

We provide these retirement benefits to our executive officers to help them prepare for a financially secure retirement, to provide an incentive to stay with us by recognizing tenure, and to offer what we believe is a competitive compensation package.

We have summarized the various retirement plans in which our named executive officers may participate in greater detail in the narrative following the Pension Benefits table.

Our named executive officers also participate in the Executive Deferred Compensation Plan, under which we permit all senior leaders required to own equity in our company to elect to defer receipt of all or any part of the compensation they would receive under the Annual and Long-Term Incentive Performance Plan or, historically, the 2001 Restricted Stock Plan, until certain pre-determined payment dates. However, in January 2008, we amended the 2001 Restricted Stock Plan to remove the option for deferral. Therefore, any restricted stock grants made after January 2008 will not be subject to the Executive Deferred Compensation Plan. We provide the Executive Deferred Compensation Plan as a vehicle to assist participants in saving for a secure future by allowing participants to defer compensation and associated taxes until retirement or other termination of employment. We discuss the Executive Deferred Compensation Plan in further detail in the narrative following the Nonqualified Deferred Compensation table.

We maintain an Executive Survivor Benefits Plan for executive officers as an element of what we believe is a competitive compensation package. Under this plan, if a participating executive officer dies while he or she is an employee, then we will make certain payments to his or her beneficiary. We offer this benefit to executive officers, and coverage is in lieu of our regular group life insurance coverage and any other executive life insurance policy. We amended this plan during 2008 so that its benefits are more consistent with those that our Compensation Peer Group provides. All benefits under our Executive Survivor Benefits Plan cease upon retirement or other termination of employment.

### **Do we provide perquisites to our executive officers?**

According to our compensation philosophy, we limit perquisites to our executive officers. We maintain a written formal policy regarding eligibility and use of perquisites, and we do not allow exceptions outside of the written policy. In general, we intend the perquisites we provide to help executive officers be more productive and efficient, or to protect us and the individual executive officer from certain business risks and potential threats. In fiscal year 2008, our named executive officers received perquisites of the following types: assistance with financial planning, personal use of a company airplane (personal use of airplane is minimal, and the cumulative fiscal year 2008 value of the personal use for all named executive officers was less than \$10,000), and club dues. The Committee periodically reviews competitive market data to ensure that the perquisites we provide to executive officers are reasonable and within market practice. The Committee annually reviews use of perquisites to ensure compliance with our formal policy.

Separate from the perquisites policy, we have a company vehicle policy that provides personal use of a vehicle to all senior leadership, including our executive officers (the type of vehicle varies by leadership level and is limited to vehicles that use our

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automotive seating and interiors products so that executives can experience the effectiveness of our products).

**Do we have stock ownership requirements?**

We have stock ownership requirements because we believe material stock ownership by executives plays a role in effectively aligning the interests of these employees with those of our shareholders and strongly motivates executives to build long-term shareholder value. We therefore maintain an executive stock ownership policy that requires our executives to hold significant amounts of our stock. The following forms of stock ownership count toward the ownership requirement under the policy:

Shares the executive or immediate family members residing in the same household own outright;

Stock the executive holds through the Johnson Controls, Inc. 401(k) Savings & Investment Plan;

Restricted stock that we have issued to an executive when fully vested;

Stock units that we have credited to executives under deferred compensation plans; and

Shares that a trustee holds for the benefit of the executive.

Each executive officer named below that has been an employee of our company for three years or more has exceeded his respective guideline as of September 30, 2008. Executives failing to meet their required ownership level within a five-year period after becoming an executive officer will not receive future equity grants until their ownership requirement is met.

The guidelines for executive officer stock ownership under our Executive Stock Ownership Policy are as follows:

<b>Position</b>	<b>Name</b>	<b>Minimum Ownership Multiple</b>
Chairman of the Board and Chief Executive Officer	Stephen A. Roell	5 times base salary
President and Chief Operating Officer	Keith E. Wandell	3 times base salary
Executive Vice President and Chief Financial Officer	R. Bruce McDonald	3 times base salary
Vice President and President, Building Efficiency	C. David Myers(1)	3 times base salary
Vice President and President, Automotive Experience	Beda Bolzenius(2)	3 times base salary
Other Officers		3 times base salary

(1) Mr. Myers has until 2011 to meet his requirement.

(2) Dr. Bolzenius has until 2012 to meet his requirement.

We also maintain the 2001 Common Stock Purchase Plan for Executives, or the CSPPE, which facilitates our executives' acquisition of our common stock. Participants in the CSPPE may deduct from their pay up to \$2,500 per month to purchase shares of our common stock. Participants pay a nominal brokerage fee or commission, and

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the price of each share is 100% of the average price of shares purchased by Wells Fargo Bank, N.A., as agent for the participants.

**Does the Committee consider the impact of tax and accounting rules and regulations?**

Section 162(m) of the Internal Revenue Code limits us from deducting compensation that we pay in any year to our principal executive officer or other three most highly-compensated officers (other than our principal financial officer) in excess of \$1 million, unless that compensation meets the requirements under Section 162(m) for qualifying performance-based compensation (i.e., compensation that we pay only if the individual's performance meets objective goals that the Committee has established in advance based on performance criteria that shareholders have approved). The Committee continues to emphasize performance-based compensation for executives, thus minimizing the consequences to us of Section 162(m) limits. However, the Committee believes that its primary responsibility is to provide a compensation program that attracts, retains, and rewards the executive talent necessary for our success. Consequently, in any year, the Committee may authorize compensation that is not fully deductible under Section 162(m) if it believes such compensation is necessary to achieve our compensation objectives and protect the interests of our shareholders.

**Do we utilize employment and change of control contracts?**

As we discuss more fully on page 43, we have entered into employment agreements with all of our executive officers. The employment agreements protect us from certain business risks (threats from competitors, loss of confidentiality or trade secrets, disparagement, solicitation of customers and employees) and define our right to terminate the employment relationship. The employment agreements also protect our executive officers from certain risks, such as death or disability, by providing for payment and benefits in the event of certain terminations of employment. Our agreements provide for the events triggering benefits under the employment agreements, which we describe under Potential Payments and Benefits upon Termination or Change of Control, because we believe, based solely on the subjective judgments and experiences of the members of the Committee, that the terminations of employment that trigger benefits are likely to involve circumstances in which it is customary and appropriate to offer the protections embodied in the employment agreements.

In addition to employment agreements, as we discuss more fully on page 48, we have entered into change of control agreements with our executive officers. The agreements provide that our named executive officers may be eligible to receive payments and other benefits if there is a change of control of our company. In addition, our executive officers may receive benefits under our equity and bonus plans if there is a change of control of our company. We intend the change of control benefits to provide some economic stability to our executive officers to enable them to focus on the performance of their duties and the best interests of our company and our shareholders without undue concern over their personal circumstances if there is a potential change of control of our company. We provide for acceleration of equity and incentive awards, in particular, to protect our executive officers' opportunities to earn the awards if a change of control occurs.

Annually, the Corporate Governance Committee reviews employment and change of control arrangements and reports its findings and recommendations to the Board. Based on our annual review, we determined that the amounts payable under the arrangements on certain triggering events, as we describe under Potential Payments and Benefits upon Termination or Change of Control, were consistent with market competitive practices.

**Table of Contents****SUMMARY COMPENSATION TABLE FOR FISCAL YEARS 2008 AND 2007**

The following table summarizes the compensation earned in the fiscal years noted by our chief executive officer, our chief financial officer, our three other most highly compensated executive officers who were officers as of the end of the fiscal year ended September 30, 2008 and Mr. Barth. We refer to these officers as our named executive officers.

Principal Position	Years of Service	Year	Salary (\$)	Stock Awards (1)(2) (\$)	Option Awards (2) (\$)	Non-Equity Incentive Plan Compensation (1)(3) (\$)	Change in Pension Value and	All Other Compensation (5) (\$)
							Nonqualified Deferred Compensation Earnings (4) (\$)	
Roell	25.75	2008	1,325,000	5,234,436	3,577,904	5,408,000	1,595,904	244,064
Member of the Board and Chief Executive Officer	24.75	2007	975,000	1,337,182	3,082,114	4,104,000	1,334,634	146,495
Barth	38.08	2008	375,000	466,282	1,344,900	3,474,000	2,814,708	473,562
Member of the Board	37.83	2007	1,485,000	2,673,600	6,147,822	8,368,000	4,156,149	326,829
Mendell	20.42	2008	919,000	2,731,541	1,756,252	3,072,000	1,109,368	209,835
Chief Operating Officer	19.42	2007	875,500	1,394,982	1,757,966	3,407,000	752,559	804,415
Donald	6.92	2008	725,000	745,793	1,004,701	2,147,000	114,270	153,288
Senior Vice President and Chief Financial Officer	5.92	2007	669,500	489,180	950,092	2,181,000	113,973	116,798
Wyers	10.83	2008	811,000	499,831	836,011	1,866,000	(13,705)	221,149
Senior Vice President, Chief Operating Officer	9.83	2007	772,500	185,250	569,013	2,134,000	7,786	162,221
Stenius		2008	735,000	346,636	886,250	2,091,000	(76,649)	24,067
Senior Vice President, Chief Operating Officer								

(1) We have not reduced amounts that we show to reflect a named executive officer's election, if any, to defer the receipt of compensation into our qualified and nonqualified deferral plans.

(2) Amounts are based on the dollar amount of the expense that we recognized in connection with awards to our named executive officers under our 2007 Stock Option Plan for financial statement reporting purposes for the fiscal year ended September 30, 2008. We determined the amount of the expense in accordance with SFAS No. 123 (revised 2004), *Share Based Payments*, which we refer to as FAS 123(R), except that the amounts reported in our Summary Compensation Table do not take into account any estimates of forfeitures relating to service-based vesting, as required by the Securities and Exchange Commission. In general, FAS 123(R) requires us to expense the value of equity awards ratably over the vesting period of the equity award, and the amounts in our Summary Compensation Table therefore include amounts attributable to awards granted in and prior to fiscal 2008. Footnote 12 to our audited financial statements for the fiscal year ended September 30, 2008, which appear in our Annual Report on Form 10-K that we filed with the Securities and Exchange Commission not later than

November 25, 2008, includes assumptions (other than estimates of forfeitures) that we used in the calculation of these amounts.

- (3) Amounts reflect the cash awards to the named executive officers which we discuss in further detail in the Compensation Discussion and Analysis under the headings *How do we determine annual incentive performance awards?* and *How do we determine*



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*long-term cash incentive performance awards?* Our named executive officers earned the amounts attributable to the annual incentive awards during fiscal year 2008, and they earned the amounts attributable to the long-term incentive awards based on performance during fiscal years 2006-2008. We paid these amounts after our fiscal year-end (September 30, 2008).

- (4) Amounts reflect the actuarial increase in the present value of the named executive officer's benefits under all defined benefit pension plans that we have established, determined as of the measurement dates we used for financial statement reporting purposes for fiscal year 2008 and using interest rate and mortality rate assumptions consistent with those that we used in our financial statements. The amounts include benefits that the named executive officer may not currently be entitled to receive because the executive is not vested in such benefits. The value that an executive will actually receive under these benefits will differ to the extent facts and circumstances vary from what these calculations assume. For example, Mr. Barth retired as an employee of our company on December 31, 2007 at the age of 61. No named executive officer received preferential or above market earnings on nonqualified deferred compensation.
- (5) Amounts reflect reimbursements with respect to financial planning, personal use of a vehicle, relocation expenses, personal use of our aircraft and club dues. (We discuss these benefits further under the heading *Do we provide perquisites to our executive officers?* on page 28.) Amounts for fiscal 2008 also reflect our matching contributions under our qualified and nonqualified retirement plans, as follows: Mr. Roell \$214,875; Mr. Barth \$371,280; Mr. Wandell \$172,905; Mr. McDonald \$122,415; and Mr. Myers \$189,175. The amount shown for Mr. Roell includes \$13,201 for financial planning and club memberships. The amount shown for Mr. Barth includes tax gross up payments totaling \$30,518 that we made in fiscal year 2008 for calendar year 2007 amounts. The amount shown for Mr. Wandell includes \$21,872 for financial planning and club memberships. The amount shown for Mr. McDonald includes \$14,846 for financial planning, club memberships, and personal use of our aircraft and tax gross up payments totaling \$12,770 that we made in fiscal year 2008 for calendar year 2007. The amount shown for Mr. Myers includes \$15,000 for club memberships. The amount shown for Dr. Bolzenius includes \$12,955 for club memberships.
- (6) Mr. Barth stepped down as our Chief Executive Officer on September 30, 2007, and retired as Chairman of the Board on December 31, 2007. Upon his retirement, Mr. Barth became a non-employee director effective January 1, 2008 and received a pro-rated annual retainer for his service as a director for the remainder of fiscal 2008. Mr. Barth received for his service as a director \$75,013 in cash retainer fees, which appear in the All Other Compensation column, and \$74,782 worth of stock awards, based on the grant date fair market value, which is reflected in the Stock Awards column. As reflected in the Grants of Plan-Based Awards table, Mr. Barth did not receive any other awards of stock or options in fiscal 2008. The remaining amounts reflected in the Stock Awards and Option Awards columns for Mr. Barth for fiscal 2008 are based on the dollar amount of the expense that we recognized in fiscal 2008 in connection with awards to Mr. Barth under our stock plans in prior years.
- (7) Dr. Bolzenius' change in pension value is calculated in Euros (based on his German Pension Agreement). For purposes of disclosure in the table, we assume a conversion of Euros into US Dollars using a fixed exchange rate of 1.32027 US Dollars to 1.00 Euro to avoid distorting reported compensation due to fluctuations in exchange rates.

**Table of Contents****GRANTS OF PLAN BASED AWARDS DURING FISCAL YEAR 2008**

The following table contains information concerning the plan-based equity and non-equity awards that we granted to our named executive officers in fiscal year 2008. Numbers of shares, exercise prices per share and closing prices on date of grant that we include in this table reflect the three-for-one split of our Common Stock effective October 2, 2007.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards:	All Other Option Awards:	Exercise or Base Price of Option Awards(4) (\$/Share)	Grant Date Fair Value of Stock and Option Awards(5) (\$)
		Threshold(\$)(1)	Target (\$)(1)	Maximum (\$)(1)	Number of Shares of Stock or Units(2) (#)	Number of Securities Underlying Options(3) (#)		
Stephen A. Roell	10/1/2007					375,000	40.21	2,856,000
	11/1/2007				150,000			5,036,250
	N/A(6)	931,641	2,070,313	4,140,625				N/A
	N/A(7)	861,250	1,722,500	3,445,000				N/A
John M. Barth	N/A(6)	1,054,688	2,343,750	4,687,500				N/A
	N/A(7)	975,000	1,950,000	3,900,000				N/A
Keith E. Wandell	10/1/2007					180,000	40.21	1,370,880
	11/1/2007				75,000			2,518,125
	N/A(6)	465,244	1,033,875	2,067,750				N/A
	N/A(7)	390,575	781,150	1,562,300				N/A
R. Bruce McDonald	10/1/2007					120,000	40.21	380,800
	11/1/2007				36,000			365,798
	N/A(6)	326,250	725,000	1,450,000				N/A
	N/A(7)	271,875	543,750	1,087,500				N/A
C. David Myers	10/1/2007					120,000	40.21	380,800
	11/1/2007				30,000			304,831
	N/A(6)	364,950	811,000	1,622,000				N/A
	N/A(7)	283,850	567,700	1,135,400				N/A
Beda Bolzenius	10/1/2007					120,000	40.21	380,800
	11/1/2007				30,000			304,831
	N/A(6)	330,750	735,000	1,470,000				N/A
	N/A(7)	257,250	514,500	1,029,000				N/A

(1)

These columns show the range of payouts (a) for annual incentive performance awards that we describe in the section titled *How do we determine annual incentive performance awards?* in the Compensation Discussion and Analysis, and (b) for long-term incentive performance awards that we describe in the section titled *How do we determine long-term cash incentive performance awards?* in the Compensation Discussion and Analysis. We granted the annual incentive awards for fiscal year 2008 and the long-term cash incentive performance awards for the 2008-2010 performance period in the last quarter of fiscal 2007 as we describe in the Compensation Discussion and Analysis, and we disclosed these awards in the *Grants of Plan-Based Awards* table in the proxy statement for our 2008 annual meeting of shareholders. We are disclosing the threshold, target and maximum award potential for these awards again in this proxy statement to provide a more complete picture of the non-equity incentive awards that impacted our named executive officers' compensation for fiscal year 2008. We include the actual payout amounts under the annual incentive awards for fiscal 2008 in the Summary Compensation Table in the column titled *Non-Equity Incentive Plan Compensation*. Payouts, if any, under the long-term incentive awards for the 2008-2010 performance periods that we granted will be based on performance for fiscal years 2008, 2009, and 2010, respectively. We would make any payments due under the 2008-2010 awards after the end of fiscal 2010, as we describe in the Compensation Discussion and Analysis.

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- (2) The amounts shown in this column reflect the number of shares of restricted stock we granted to each named executive officer pursuant to the 2001 Restricted Stock Plan. The grant vests 50% on the second anniversary of the grant date and 50% on the fourth anniversary of the grant date, contingent on the named executive officer's continued employment.
- (3) The amounts shown in this column reflect the number of stock options we granted to each named executive officer pursuant to the 2007 Stock Option Plan. The stock options vest 50% on the second anniversary of the grant date and 50% on the third anniversary of the grant date, contingent on the named executive officer's continued employment, and expire, at the latest, on the tenth anniversary of the grant date.
- (4) We awarded the fiscal year 2008 stock option grants to the named executive officers with an exercise price per share equal to our closing stock price on the date of grant.
- (5) Amounts reflect the grant date fair value determined in accordance with FAS 123(R). Footnote 12 to our audited financial statements for the fiscal year ended September 30, 2008, which appear in our Annual Report on Form 10-K that we filed with the Securities and Exchange Commission not later than November 25, 2008, includes assumptions that we used in the calculation of these amounts.
- (6) The award reflected in this row is an annual incentive performance award that we granted for the performance period of fiscal year 2008, the material terms of which we describe in the Compensation Discussion and Analysis section titled *How do we determine annual incentive performance awards?* Mr. Barth retired on January 1, 2008 and therefore was eligible to receive only 25% of the amount we show in the table for fiscal year 2008.
- (7) The award reflected in this row is a long-term incentive performance award that we granted for the performance period of fiscal years 2008-2010, the material terms of which we describe in the Compensation Discussion and Analysis section titled *How do we determine long-term cash incentive performance awards?* Mr. Barth retired on January 1, 2008 and therefore will be eligible to receive only 8.3% of the amount we show in the table for the performance period from fiscal year 2008-2010.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR 2008 YEAR-END**

The following table contains information concerning equity awards held by our named executive officers that were outstanding as of September 30, 2008. Numbers of shares and price per share that we include in the table and footnotes reflect the three-for-one split of our stock effective October 2, 2007.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options(#)	Number of Securities Underlying Unexercised Options(#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)(2)	Market Value of Shares of Stock that Have Not Vested (\$)(3)
Stephen A. Roell	312,000		17.5167	11/19/2013	217,500	6,596,775
	300,000		20.5633	11/17/2014		
	262,500	262,500	22.5617	11/16/2015		
		591,000	23.965	10/02/2016		
		375,000	40.21	10/01/2017		
John M. Barth(4)	1,050,000		13.4325	11/20/2012	120,000	3,639,600
	1,200,000		17.5167	11/19/2013		
	1,200,000		20.5633	11/17/2014		
	1,200,000		22.5617	11/16/2015		
	975,000		23.965	10/02/2016		
Keith E. Wandell	420,000		17.5167	11/19/2013	142,500	4,322,025
	300,000		20.5633	11/17/2014		
	187,500	187,500	22.5617	11/16/2015		
		288,000	23.965	10/02/2016		
		180,000	40.21	10/01/2017		
R. Bruce McDonald	180,000		13.3533	11/26/2011	66,000	2,001,780
	60,000		13.4325	11/20/2012		
	72,000		17.5167	11/19/2013		
	150,000		20.5633	11/17/2014		
	112,500	112,500	22.5617	11/16/2015		
		192,000	23.965	10/02/2016		
C. David Myers		120,000	40.21	10/01/2017	45,000	1,364,850
	60,000	60,000	24.3667	1/03/2016		
		192,000	23.965	10/02/2016		
Beda Bolzenius		120,000	40.21	10/01/2017	37,500	1,137,375
	15,000		20.5633	11/17/2014		

75,000	75,000	22.5617	11/16/2015
	192,000	23.965	10/02/2016
	120,000	40.21	10/01/2017

- (1) We granted all options listed in this column 10 years prior to their respective expiration dates. The options vest 50% on the second anniversary of the grant date and 50% on the third anniversary of the grant date, contingent on continuous employment.
- (2) Restricted stock vesting dates are as follows: Mr. Roell 75,000 shares will vest on November 1, 2009, 60,000 shares will vest on January 3, 2010, 7,500 shares will vest on August 1, 2011 and 75,000 shares will vest on November 1, 2011; Mr. Barth 120,000 shares will vest on January 3, 2010 (as Mr. Barth's shares of restricted stock continue to vest post-retirement); Mr. Wandell 37,500 shares will vest on November 1, 2009, 60,000 shares will vest on January 3, 2010, 7,500 shares will vest on August 1, 2011, and 37,500 shares will vest on November 1, 2011; Mr. McDonald 18,000 shares will vest on November 1, 2009, 22,500 shares will vest on January 3, 2010, 7,500 shares will vest on August 1, 2011, and 18,000 shares will vest on

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November 1, 2011; Mr. Myers 15,000 shares will vest on November 1, 2009 and 15,000 shares will vest on January 3, 2010, and 15,000 shares will vest on November 1, 2011; Dr. Bolzenius 15,000 shares will vest on November 1, 2009, 7,500 shares will vest on August 1, 2011, and 15,000 shares will vest on November 1, 2011.

- (3) We calculated the market value of shares of stock that have not vested based on the September 30, 2008 closing market price for a share of our common stock, which was \$30.33.
- (4) Mr. Barth retired on December 31, 2007, which resulted in the accelerated vesting of his outstanding stock option grants under the terms of applicable plans.