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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-5097

JOHNSON CONTROLS, INC.

(Exact name of registrant as specified in its charter)

Wisconsin

(State or Other Jurisdiction of
Incorporation or Organization)

39-0380010

(I.R.S. Employer
Identification No.)

5757 North Green Bay Avenue

Milwaukee, Wisconsin

(Address of principal executive offices)

53209

(Zip Code)

(414) 524-1200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at December 31, 2015
Common Stock: \$1.00 par value per share	648,235,276

JOHNSON CONTROLS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Johnson Controls, Inc.
Consolidated Statements of Financial Position

(in millions, except par value; unaudited)

	December 31, 2015	September 30, 2015	December 31, 2014
Assets			
Cash and cash equivalents	\$ 414	\$ 597	\$ 168
Accounts receivable - net	5,745	5,751	5,360
Inventories	2,769	2,377	2,439
Assets held for sale	—	55	2,112
Other current assets	1,993	1,689	1,783
Current assets	<u>11,921</u>	<u>10,469</u>	<u>11,862</u>
Property, plant and equipment - net	6,256	5,870	6,114
Goodwill	6,918	6,824	7,010
Other intangible assets - net	1,583	1,516	1,600
Investments in partially-owned affiliates	2,607	2,143	1,117
Noncurrent assets held for sale	—	—	684
Other noncurrent assets	2,734	2,773	3,219
Total assets	<u>\$ 31,019</u>	<u>\$ 29,595</u>	<u>\$ 31,606</u>
Liabilities and Equity			
Short-term debt	\$ 611	\$ 52	\$ 1,075
Current portion of long-term debt	1,242	813	139
Accounts payable	4,936	5,174	4,584
Accrued compensation and benefits	996	1,090	864
Liabilities held for sale	—	42	1,706
Other current liabilities	3,516	3,275	2,945
Current liabilities	<u>11,301</u>	<u>10,446</u>	<u>11,313</u>
Long-term debt	5,301	5,745	6,322
Pension and postretirement benefits	782	767	833
Other noncurrent liabilities	1,982	1,886	1,843
Long-term liabilities	<u>8,065</u>	<u>8,398</u>	<u>8,998</u>
Commitments and contingencies (Note 18)			
Redeemable noncontrolling interests	216	212	209
Common stock, \$1.00 par value	717	717	711
Capital in excess of par value	3,070	3,030	2,809
Retained earnings	11,100	10,838	10,291
Treasury stock, at cost	(3,163)	(3,152)	(2,387)
Accumulated other comprehensive loss	(1,218)	(1,057)	(601)
Shareholders' equity attributable to Johnson Controls, Inc.	<u>10,506</u>	<u>10,376</u>	<u>10,823</u>
Noncontrolling interests	931	163	263
Total equity	<u>11,437</u>	<u>10,539</u>	<u>11,086</u>
Total liabilities and equity	<u>\$ 31,019</u>	<u>\$ 29,595</u>	<u>\$ 31,606</u>

The accompanying notes are an integral part of the financial statements.

Johnson Controls, Inc.
Consolidated Statements of Income
(in millions, except per share data; unaudited)

	Three Months Ended December 31,	
	2015	2014
Net sales		
Products and systems*	\$ 8,053	\$ 8,723
Services*	876	901
	<u>8,929</u>	<u>9,624</u>
Cost of sales		
Products and systems*	6,697	7,406
Services*	599	609
	<u>7,296</u>	<u>8,015</u>
Gross profit	1,633	1,609
Selling, general and administrative expenses	(1,082)	(1,005)
Net financing charges	(68)	(71)
Equity income	136	102
Income from continuing operations before income taxes	619	635
Income tax provision	129	118
Net income from continuing operations	490	517
Income from discontinued operations, net of tax (Note 4)	—	29
Net income	490	546
Income from continuing operations attributable to noncontrolling interests	40	36
Income from discontinued operations attributable to noncontrolling interests	—	3
Net income attributable to Johnson Controls, Inc.	<u>\$ 450</u>	<u>\$ 507</u>
Amounts attributable to Johnson Controls, Inc. common shareholders:		
Income from continuing operations	\$ 450	\$ 481
Income from discontinued operations	—	26
Net income	<u>\$ 450</u>	<u>\$ 507</u>
Basic earnings per share attributable to Johnson Controls, Inc.		
Continuing operations	\$ 0.69	\$ 0.73
Discontinued operations	—	0.04
Net income	<u>\$ 0.69</u>	<u>\$ 0.77</u>
Diluted earnings per share attributable to Johnson Controls, Inc.		
Continuing operations	\$ 0.69	\$ 0.72
Discontinued operations	—	0.04
Net income	<u>\$ 0.69</u>	<u>\$ 0.76</u>

* Products and systems consist of Automotive Experience and Power Solutions products and systems and Building Efficiency installed systems. Services are Building Efficiency technical services.

The accompanying notes are an integral part of the financial statements.

Johnson Controls, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(in millions; unaudited)

	Three Months Ended December 31,	
	2015	2014
Net income	\$ 490	\$ 546
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(177)	(351)
Realized and unrealized losses on derivatives	(3)	(10)
Pension and postretirement plans	—	(3)
Other comprehensive loss	(180)	(364)
Total comprehensive income	310	182
Comprehensive income attributable to noncontrolling interests	21	39
Comprehensive income attributable to Johnson Controls, Inc.	\$ 289	\$ 143

The accompanying notes are an integral part of the financial statements.

Johnson Controls, Inc.
Consolidated Statements of Cash Flows
(in millions; unaudited)

	Three Months Ended December 31,	
	2015	2014
Operating Activities		
Net income attributable to Johnson Controls, Inc.	\$ 450	\$ 507
Income from continuing operations attributable to noncontrolling interests	40	36
Income from discontinued operations attributable to noncontrolling interests	—	3
Net income	<u>490</u>	<u>546</u>
Adjustments to reconcile net income to cash used by operating activities:		
Depreciation and amortization	226	224
Pension and postretirement benefit income	(17)	(14)
Pension and postretirement contributions	(19)	(24)
Equity in earnings of partially-owned affiliates, net of dividends received	(110)	(92)
Deferred income taxes	(14)	96
Equity-based compensation	28	21
Other	1	(5)
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Receivables	199	410
Inventories	(70)	(20)
Other assets	(108)	(129)
Restructuring reserves	(74)	(77)
Accounts payable and accrued liabilities	(394)	(702)
Accrued income taxes	(151)	(394)
Cash used by operating activities	<u>(13)</u>	<u>(160)</u>
Investing Activities		
Capital expenditures	(282)	(262)
Sale of property, plant and equipment	9	14
Acquisition of businesses, net of cash acquired	(133)	(13)
Business divestitures	18	—
Changes in long-term investments	—	2
Other	4	5
Cash used by investing activities	<u>(384)</u>	<u>(254)</u>
Financing Activities		
Increase in short-term debt - net	521	898
Repayment of long-term debt	(7)	(9)
Stock repurchases	—	(600)
Payment of cash dividends	(168)	(146)
Proceeds from the exercise of stock options	16	105
Dividends paid to noncontrolling interests	(154)	(11)
Other	6	(8)
Cash provided by financing activities	<u>214</u>	<u>229</u>
Effect of exchange rate changes on cash and cash equivalents	—	(57)
Cash held for sale	—	1
Decrease in cash and cash equivalents	<u>(183)</u>	<u>(241)</u>
Cash and cash equivalents at beginning of period	597	409
Cash and cash equivalents at end of period	<u>\$ 414</u>	<u>\$ 168</u>

The accompanying notes are an integral part of the financial statements.

Johnson Controls, Inc.
Notes to Consolidated Financial Statements
December 31, 2015
(unaudited)

1. Financial Statements

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Johnson Controls, Inc. (the "Company") Annual Report on Form 10-K for the year ended September 30, 2015. The results of operations for the three month period ended December 31, 2015 are not necessarily indicative of results for the Company's 2016 fiscal year because of seasonal and other factors.

The consolidated financial statements include the accounts of Johnson Controls, Inc. and its domestic and non-U.S. subsidiaries that are consolidated in conformity with U.S. GAAP. All significant intercompany transactions have been eliminated. Investments in partially-owned affiliates are accounted for by the equity method when the Company's interest exceeds 20% and the Company does not have a controlling interest.

Under certain criteria as provided for in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, "Consolidation," the Company may consolidate a partially-owned affiliate. To determine whether to consolidate a partially-owned affiliate, the Company first determines if the entity is a variable interest entity (VIE). An entity is considered to be a VIE if it has one of the following characteristics: 1) the entity is thinly capitalized; 2) residual equity holders do not control the entity; 3) equity holders are shielded from economic losses or do not participate fully in the entity's residual economics; or 4) the entity was established with non-substantive voting rights. If the entity meets one of these characteristics, the Company then determines if it is the primary beneficiary of the VIE. The party with the power to direct activities of the VIE that most significantly impact the VIE's economic performance and the potential to absorb benefits or losses that could be significant to the VIE is considered the primary beneficiary and consolidates the VIE. If the entity is not considered a VIE, then the Company applies the voting interest model to determine whether or not the Company shall consolidate the partially-owned affiliate.

Consolidated VIEs

Based upon the criteria set forth in ASC 810, the Company has determined that it was the primary beneficiary in three VIEs for the reporting periods ended December 31, 2015, September 30, 2015 and December 31, 2014, as the Company absorbs significant economics of the entities and has the power to direct the activities that are considered most significant to the entities.

Two of the VIEs manufacture products in North America for the automotive industry. The Company funds the entities' short term liquidity needs through revolving credit facilities and has the power to direct the activities that are considered most significant to the entities through its key customer supply relationships.

In fiscal 2012, a pre-existing VIE accounted for under the equity method was reorganized into three separate investments as a result of the counterparty exercising its option to put its interest to the Company. The Company acquired additional interests in two of the reorganized group entities. The reorganized group entities are considered to be VIEs as the other owner party has been provided decision making rights but does not have equity at risk. The Company is considered the primary beneficiary of one of the entities due to the Company's power pertaining to decisions over significant activities of the entity. As such, this VIE has been consolidated within the Company's consolidated statements of financial position. The impact of consolidation of the entity on the Company's consolidated statements of income for the three month periods ended December 31, 2015 and 2014 was not material. The VIE is named as a co-obligor under a third party debt agreement in the amount of \$158 million, maturing in fiscal 2020, under which it could become subject to paying more than its allocated share of the third party debt in the event of bankruptcy of one or more of the other co-obligors. The other co-obligors, all related parties in which the Company is an equity investor, consist of the remaining group entities involved in the reorganization. As part of the overall reorganization transaction, the Company has also provided financial support to the group entities in the form of loans totaling \$60 million, which are subordinate to the third party debt agreement. The Company is a significant customer of certain co-obligors, resulting in a remote possibility of loss. Additionally, the Company is subject to a floor guaranty expiring in fiscal 2022; in the event that the other owner party no longer owns any part of the group entities due to sale or transfer, the Company

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has guaranteed that the proceeds received from the sale or transfer will not be less than \$25 million. The Company has partnered with the group entities to design and manufacture battery components for the Power Solutions business.

The carrying amounts and classification of assets (none of which are restricted) and liabilities included in the Company's consolidated statements of financial position for the consolidated VIEs are as follows (in millions):

	December 31, 2015	September 30, 2015	December 31, 2014
Current assets	\$ 242	\$ 281	\$ 184
Noncurrent assets	127	128	136
Total assets	<u>\$ 369</u>	<u>\$ 409</u>	<u>\$ 320</u>
Current liabilities	\$ 197	\$ 232	\$ 155
Noncurrent liabilities	33	34	36
Total liabilities	<u>\$ 230</u>	<u>\$ 266</u>	<u>\$ 191</u>

The Company did not have a significant variable interest in any other consolidated VIEs for the presented reporting periods.

Nonconsolidated VIEs

As mentioned previously within the "Consolidated VIEs" section above, in fiscal 2012, a pre-existing VIE was reorganized into three separate investments as a result of the counterparty exercising its option to put its interest to the Company. The reorganized group entities are considered to be VIEs as the other owner party has been provided decision making rights but does not have equity at risk. The Company is not considered to be the primary beneficiary of two of the entities as the Company cannot make key operating decisions considered to be most significant to the VIEs. Therefore, the entities are accounted for under the equity method of accounting as the Company's interest exceeds 20% and the Company does not have a controlling interest. The Company's maximum exposure to loss includes the partially-owned affiliate investment balance of \$62 million, \$62 million and \$60 million at December 31, 2015, September 30, 2015 and December 31, 2014, respectively, as well as the subordinated loan from the Company, third party debt agreement and floor guaranty mentioned previously within the "Consolidated VIEs" section above. Current liabilities due to the VIEs are not material and represent normal course of business trade payables for all presented periods.

The Company did not have a significant variable interest in any other unconsolidated VIEs for the presented reporting periods.

Retrospective Changes

Certain amounts for the three months ended December 31, 2014 have been revised to conform to the current year's presentation. At March 31, 2015, the Company determined that its Building Efficiency Global Workplace Solutions (GWS) segment met the criteria to be classified as a discontinued operation, which required retrospective application to financial information for all periods presented. Refer to Note 4, "Discontinued Operations," of the notes to consolidated financial statements for further information regarding the Company's discontinued operations.

Effective October 1, 2015, the Company reorganized the reportable segments within its Building Efficiency business to align with its new management reporting structure and business activities. Prior to this reorganization, Building Efficiency was comprised of three reportable segments for financial reporting purposes: North America Systems and Service, Asia and Other. As a result of this change, Building Efficiency is now comprised of four reportable segments for financial reporting purposes: Systems and Service North America, Products North America, Asia and Rest of World. Historical information has been revised to reflect the new Building Efficiency reportable segments. Refer to Note 7, "Goodwill and Other Intangible Assets," and Note 17, "Segment Information," of the notes to consolidated financial statements for further information.

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In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in the consolidated statements of financial position. During the quarter ended December 31, 2015, the Company early adopted ASU No. 2015-17 and applied the change retrospectively to all periods presented.

The impact of all adjustments made to the consolidated statements of financial position presented is summarized in the following table (in millions):

	December 31, 2015		
	Previous Method	As Reported	Effect of Change
Consolidated Statement of Financial Position			
Other current assets	\$ 2,607	\$ 1,993	\$ (614)
Other noncurrent assets	2,195	2,734	539
Other current liabilities	3,562	3,516	(46)
Other noncurrent liabilities	2,011	1,982	(29)

	September 30, 2015		
	Previously Reported	Revised	Effect of Change
Consolidated Statement of Financial Position			
Other current assets	\$ 2,313	\$ 1,689	\$ (624)
Other noncurrent assets	2,227	2,773	546
Other current liabilities	3,324	3,275	(49)
Other noncurrent liabilities	1,915	1,886	(29)

	December 31, 2014		
	Previously Reported	Revised	Effect of Change
Consolidated Statement of Financial Position			
Other current assets	\$ 2,302	\$ 1,783	\$ (519)
Other noncurrent assets	2,801	3,219	418
Other current liabilities	3,019	2,945	(74)
Other noncurrent liabilities	1,870	1,843	(27)

2. New Accounting Standards

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory." ASU No. 2015-11 requires inventory that is recorded using the first-in, first-out method to be measured at the lower of cost or net realizable value. ASU No. 2015-11 will be effective retrospectively for the Company for the quarter ending December 31, 2017, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Such investments should be disclosed separate from the fair value hierarchy. ASU No. 2015-07 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements but will impact pension asset disclosures.

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In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU No. 2015-03 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU No. 2015-02 amends the analysis performed to determine whether a reporting entity should consolidate certain types of legal entities. ASU No. 2015-02 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 clarifies the principles for recognizing revenue when an entity either enters into a contract with customers to transfer goods or services or enters into a contract for the transfer of non-financial assets. The original standard was effective retrospectively for the Company for the quarter ending December 31, 2017; however in August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09 by one-year for all entities. The new standard will become effective retrospectively for the Company for the quarter ending December 31, 2018, with early adoption permitted, but not before the original effective date. The Company is currently assessing the impact adoption of this guidance will have on its consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, and requires expanded disclosures for discontinued operations. ASU No. 2014-08 was effective for the Company for the quarter ended December 31, 2015. The adoption of this guidance did not have any impact on the Company's consolidated financial statements as there were no dispositions or disposals during the quarter ended December 31, 2015.

3. Acquisitions

In the first quarter of fiscal 2016, the Company formed a joint venture with Hitachi to expand its Building Efficiency product offerings. The Company acquired a 60 percent ownership interest in the new entity for approximately \$133 million (\$563 million purchase price less cash acquired of \$430 million). The purchase price, net of cash acquired, was paid as of December 31, 2015. In connection with the acquisition, the Company recorded goodwill of \$151 million related to purchase price allocations. The purchase price allocations may be subsequently adjusted to reflect final valuation studies.

In the first quarter of fiscal 2015, the Company completed two acquisitions for a combined purchase price, net of cash acquired, of \$38 million, \$9 million of which was paid in the three months ended December 31, 2014. The acquisitions in the aggregate were not material to the Company's consolidated financial statements. In connection with the acquisitions, the Company recorded goodwill of \$9 million.

In the first quarter of fiscal 2015, the Company adjusted the purchase price allocation of the fiscal 2014 acquisition of Air Distribution Technologies Inc. (ADT). The adjustment was made as a result of a true-up to the purchase price in the amount of \$4 million, all of which was paid in the three months ended December 31, 2014. Also, in connection with this acquisition, the Company recorded additional goodwill of \$5 million in the first quarter of fiscal 2015 related to the purchase price allocations.

4. Discontinued Operations

In the second quarter of fiscal 2015, the Company completed the sale of its interests in two GWS joint ventures to Brookfield Asset Management, Inc. On March 31, 2015, the Company announced that it had reached a definitive agreement to sell the remainder of the GWS business to CBRE Group Inc., subject to regulatory and other approvals. The sale closed on September 1, 2015. The agreement includes a 10-year strategic relationship between the Company and CBRE. The Company will be the preferred provider of HVAC equipment, building automation systems and related services to the portfolio of real estate and

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corporate facilities managed globally by CBRE and GWS. The Company also engages GWS for facility management services. The annual cash flows resulting from these activities with the legacy GWS business are not expected to be significant.

At March 31, 2015, the Company determined that its GWS segment met the criteria to be classified as a discontinued operation, which required retrospective application to financial information for all periods presented. The Company did not allocate any general corporate overhead to discontinued operations. The assets and liabilities of the GWS segment were reflected as held for sale in the consolidated statements of financial position at December 31, 2014.

The following table summarizes the results of GWS, reclassified as discontinued operations for the three month period ended December 31, 2014 (in millions):

	Three Months Ended December 31, 2014
	2014
Net sales	\$ 1,042
Income from discontinued operations before income taxes	42
Provision for income taxes on discontinued operations	13
Income from discontinued operations attributable to noncontrolling interests, net of tax	3
Income from discontinued operations	\$ 26

For the three months ended December 31, 2014, the effective tax rate was less than the U.S. federal statutory rate of 35% primarily due to foreign tax rate differentials. For the three months ended December 31, 2014, the income from discontinued operations before income taxes included transaction costs of \$7 million.

Assets and Liabilities Held for Sale

In April 2015, the Company signed an agreement formally establishing the previously announced automotive interiors joint venture with Yanfeng Automotive Trim Systems. The formation of the joint venture closed on July 2, 2015. The assets and liabilities to be contributed to the joint venture met the criteria to be classified as held for sale beginning in the third quarter of fiscal 2014.

At March 31, 2015, the Company determined certain product lines of the Automotive Experience Interiors segment that would not be contributed to the aforementioned automotive interiors joint venture also met the criteria to be classified as held for sale. At September 30, 2015, \$55 million of assets and \$42 million of liabilities related to certain product lines of the Automotive Experience Interiors segment which were not contributed to the automotive interiors joint venture were classified as held for sale. At December 31, 2015, these product lines no longer met the criteria to be classified as held for sale.

The Interiors businesses classified as held for sale did not meet the criteria to be classified as a discontinued operation primarily due to the Company's continuing involvement in these operations following the divestiture.

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(unaudited)

The following table summarizes the carrying value of the Interiors and GWS assets and liabilities held for sale (in millions):

	December 31, 2014		
	Interiors	Global Workplace Solutions	Total
Cash and cash equivalents	\$ —	\$ 19	\$ 19
Accounts receivable - net	509	756	1,265
Inventories	214	6	220
Other current assets	177	57	234
Property, plant and equipment - net	555	38	593
Goodwill	21	245	266
Other intangible assets - net	4	34	38
Investments in partially-owned affiliates	71	—	71
Other noncurrent assets	33	57	90
Assets held for sale	\$ 1,584	\$ 1,212	\$ 2,796
Short-term debt	\$ —	\$ 6	\$ 6
Accounts payable	555	614	1,169
Accrued compensation and benefits	16	102	118
Other current liabilities	160	253	413
Liabilities held for sale	\$ 731	\$ 975	\$ 1,706

5. Percentage-of-Completion Contracts

The Building Efficiency business records certain long-term contracts under the percentage-of-completion method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. The Company records costs and earnings in excess of billings on uncompleted contracts primarily within accounts receivable - net and billings in excess of costs and earnings on uncompleted contracts primarily within other current liabilities in the consolidated statements of financial position. Costs and earnings in excess of billings related to these contracts were \$410 million, \$453 million and \$498 million at December 31, 2015, September 30, 2015 and December 31, 2014, respectively. Billings in excess of costs and earnings related to these contracts were \$337 million, \$340 million and \$339 million at December 31, 2015, September 30, 2015 and December 31, 2014, respectively.

6. Inventories

Inventories consisted of the following (in millions):

	December 31, 2015	September 30, 2015	December 31, 2014
Raw materials and supplies	\$ 1,204	\$ 1,084	\$ 1,096
Work-in-process	414	369	382
Finished goods	1,151	924	961
Inventories	\$ 2,769	\$ 2,377	\$ 2,439

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(unaudited)

7. Goodwill and Other Intangible Assets

Effective October 1, 2015, the Company reorganized the reportable segments within its Building Efficiency business to align with its new management reporting structure and business activities. Historical information has been revised to reflect the new Building Efficiency reportable segments. Refer to Note 17, "Segment Information," of the notes to consolidated financial statements for further information.

The changes in the carrying amount of goodwill in each of the Company's reportable segments for the ninth month period ended September 30, 2015 and the three month period ended December 31, 2015 were as follows (in millions):

	December 31, 2014	Business Acquisitions	Business Divestitures	Currency Translation and Other	September 30, 2015
Building Efficiency					
Systems and Service North America	\$ 983	\$ —	\$ (2)	\$ (3)	\$ 978
Products North America	1,689	29	(14)	(3)	1,701
Asia	404	—	—	(15)	389
Rest of World	332	—	—	(22)	310
Automotive Experience					
Seating	2,482	—	(4)	(114)	2,364
Power Solutions	1,120	—	—	(38)	1,082
Total	<u>\$ 7,010</u>	<u>\$ 29</u>	<u>\$ (20)</u>	<u>\$ (195)</u>	<u>\$ 6,824</u>

	September 30, 2015	Business Acquisitions	Business Divestitures	Currency Translation and Other	December 31, 2015
Building Efficiency					
Systems and Service North America	\$ 978	\$ —	\$ —	\$ —	\$ 978
Products North America	1,701	—	—	(2)	1,699
Asia	389	151	—	(8)	532
Rest of World	310	—	—	(7)	303
Automotive Experience					
Seating	2,364	—	—	(32)	2,332
Power Solutions	1,082	—	—	(8)	1,074
Total	<u>\$ 6,824</u>	<u>\$ 151</u>	<u>\$ —</u>	<u>\$ (57)</u>	<u>\$ 6,918</u>

At December 31, 2014, accumulated goodwill impairment charges included \$430 million and \$47 million related to the Automotive Experience Interiors and Building Efficiency Rest of World - Latin America reporting units, respectively.

At October 1, 2015, the Company assessed goodwill for impairment in the Building Efficiency business due to the change in reportable segments as described in Note 17, "Segment Information," of the notes to consolidated financial statements. As a result, the Company performed impairment testing for goodwill under the new segments and determined that the estimated fair value of each reporting unit substantially exceeded its corresponding carrying amount including recorded goodwill, and as such, no impairment existed at October 1, 2015. No reporting unit was determined to be at risk of failing step one of the goodwill impairment test.

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

	December 31, 2015			September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets									
Patented technology	\$ 79	\$ (60)	\$ 19	\$ 80	\$ (59)	\$ 21	\$ 85	\$ (57)	\$ 28
Customer relationships	1,004	(221)	783	975	(206)	769	1,000	(172)	828
Miscellaneous	371	(132)	239	307	(123)	184	312	(113)	199
Total amortized intangible assets	1,454	(413)	1,041	1,362	(388)	974	1,397	(342)	1,055
Unamortized intangible assets									
Trademarks/trade names	542	—	542	542	—	542	545	—	545
Total intangible assets	<u>\$ 1,996</u>	<u>\$ (413)</u>	<u>\$ 1,583</u>	<u>\$ 1,904</u>	<u>\$ (388)</u>	<u>\$ 1,516</u>	<u>\$ 1,942</u>	<u>\$ (342)</u>	<u>\$ 1,600</u>

Amortization of other intangible assets for the three month periods ended December 31, 2015 and 2014 was \$24 million. Excluding the impact of any future acquisitions, the Company anticipates amortization for fiscal 2017, 2018, 2019, 2020 and 2021 will be approximately \$98 million, \$96 million, \$81 million, \$71 million and \$64 million per year, respectively.

8. Product Warranties

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical return rates and other known factors. Based on analysis of return rates and other factors, the Company's warranty provisions are adjusted as necessary. The Company monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates.

The Company's product warranty liability is recorded in the consolidated statements of financial position in other current liabilities if the warranty is less than one year and in other noncurrent liabilities if the warranty extends longer than one year.

The changes in the carrying amount of the Company's total product warranty liability, including extended warranties for which deferred revenue is recorded, for the three months ended December 31, 2015 and 2014 were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Balance at beginning of period	\$ 300	\$ 319
Accruals for warranties issued during the period	95	67
Accruals from acquisition and divestitures	35	—
Accruals related to pre-existing warranties (including changes in estimates)	(2)	1
Settlements made (in cash or in kind) during the period	(78)	(69)
Currency translation	(1)	(3)
Balance at end of period	<u>\$ 349</u>	<u>\$ 315</u>

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9. Significant Restructuring and Impairment Costs

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, the Company commits to restructuring plans as necessary.

In fiscal 2015, the Company committed to a significant restructuring plan (2015 Plan) and recorded \$397 million of restructuring and impairment costs in the consolidated statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related to cost reduction initiatives in the Company's Automotive Experience, Building Efficiency and Power Solutions businesses and at Corporate. The costs consist primarily of workforce reductions, plant closures and asset impairments. Of the restructuring and impairment costs recorded, \$182 million related to the Automotive Experience Seating segment, \$166 million related to Corporate, \$27 million related to the Building Efficiency Rest of World segment, \$11 million related to the Power Solutions segment, \$7 million related to the Building Efficiency Asia segment, \$2 million related to the Building Efficiency Systems and Service North America segment and \$2 million related to the Building Efficiency Products North America segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

The following table summarizes the changes in the Company's 2015 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Other	Currency Translation	Total
Original Reserve	\$ 191	\$ 183	\$ 23	\$ —	\$ 397
Utilized—cash	—	—	—	—	—
Utilized—noncash	—	(183)	—	—	(183)
Balance at September 30, 2015	\$ 191	\$ —	\$ 23	\$ —	\$ 214
Utilized—cash	(24)	—	(23)	—	(47)
Utilized—noncash	—	—	—	(3)	(3)
Balance at December 31, 2015	<u>\$ 167</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3)</u>	<u>\$ 164</u>

In fiscal 2014, the Company committed to a significant restructuring plan (2014 Plan) and recorded \$324 million of restructuring and impairment costs in the consolidated statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related primarily to cost reduction initiatives in the Company's Automotive Experience, Building Efficiency and Power Solutions businesses and included workforce reductions, plant closures, and asset and goodwill impairments. Of the restructuring and impairment costs recorded, \$130 million related to the Automotive Experience Interiors segment, \$119 million related to the Building Efficiency Rest of World segment, \$29 million related to the Automotive Experience Seating segment, \$16 million related to the Power Solutions segment, \$12 million related to the Building Efficiency Systems and Service North America segment, \$7 million related to the Building Efficiency Products North America segment, \$7 million related to Corporate and \$4 million related to the Building Efficiency Asia segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

Additionally, the Company recorded \$53 million of restructuring and impairment costs within discontinued operations related to the Automotive Experience Electronics business in fiscal 2014.

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The following table summarizes the changes in the Company's 2014 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Goodwill Impairment	Other	Currency Translation	Total
Original Reserve	\$ 191	\$ 134	\$ 47	\$ 5	\$ —	\$ 377
Utilized—cash	(8)	—	—	—	—	(8)
Utilized—noncash	—	(134)	(47)	—	(6)	(187)
Balance at September 30, 2014	\$ 183	\$ —	\$ —	\$ 5	\$ (6)	\$ 182
Utilized—cash	(65)	—	—	(5)	—	(70)
Utilized—noncash	—	—	—	—	(13)	(13)
Balance at September 30, 2015	\$ 118	\$ —	\$ —	\$ —	\$ (19)	\$ 99
Utilized—cash	(12)	—	—	—	—	(12)
Utilized—noncash	—	—	—	—	(3)	(3)
Balance at December 31, 2015	<u>\$ 106</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (22)</u>	<u>\$ 84</u>

In fiscal 2013, the Company committed to a significant restructuring plan (2013 Plan) and recorded \$903 million of restructuring and impairment costs in the consolidated statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related to cost reduction initiatives in the Company's Automotive Experience, Building Efficiency and Power Solutions businesses and included workforce reductions, plant closures, and asset and goodwill impairments. Of the restructuring and impairment costs recorded, \$560 million related to the Automotive Experience Interiors segment, \$152 million related to the Automotive Experience Seating segment, \$70 million related to the Building Efficiency Rest of World segment, \$36 million related to the Power Solutions segment, \$35 million related to the Building Efficiency Systems and Service North America segment, \$28 million related to the Building Efficiency Products North America segment, \$17 million related to Corporate and \$5 million related to the Building Efficiency Asia segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

Additionally, the Company recorded \$82 million of restructuring costs within discontinued operations, of which \$54 million related to the GWS business and \$28 million related to the Automotive Experience Electronics business in fiscal 2013.

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The following table summarizes the changes in the Company's 2013 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Goodwill Impairment	Other	Currency Translation	Total
Original Reserve	\$ 392	\$ 156	\$ 430	\$ 7	\$ —	\$ 985
Utilized—cash	(26)	—	—	—	—	(26)
Utilized—noncash	—	(156)	(430)	(4)	4	(586)
Transfer to liabilities held for sale	(31)	—	—	—	—	(31)
Balance at September 30, 2013	\$ 335	\$ —	\$ —	\$ 3	\$ 4	\$ 342
Utilized—cash	(144)	—	—	(3)	—	(147)
Utilized—noncash	—	—	—	—	(11)	(11)
Transfer from liabilities held for sale	31	—	—	—	—	31
Transfer to liabilities held for sale	(24)	—	—	—	—	(24)
Balance at September 30, 2014	\$ 198	\$ —	\$ —	\$ —	\$ (7)	\$ 191
Utilized—cash	(113)	—	—	—	—	(113)
Utilized—noncash	—	—	—	—	(10)	(10)
Balance at September 30, 2015	\$ 85	\$ —	\$ —	\$ —	\$ (17)	\$ 68
Utilized—cash	(12)	—	—	—	—	(12)
Utilized—noncash	—	—	—	—	(1)	(1)
Balance at December 31, 2015	<u>\$ 73</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (18)</u>	<u>\$ 55</u>

The \$31 million of transfers from liabilities held for sale represent restructuring reserves that were included in liabilities held for sale in the consolidated statements of financial position at September 30, 2013, but were excluded from liabilities held for sale at September 30, 2014 based on transaction negotiations. See Note 4, "Discontinued Operations," of the notes to consolidated financial statements for further information regarding the Company's assets and liabilities held for sale.

The Company's fiscal 2015, 2014 and 2013 restructuring plans included workforce reductions of approximately 13,900 employees (8,200 for the Automotive Experience business, 4,700 for the Building Efficiency business, 900 for the Power Solutions business and 100 for Corporate). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee or on a lump sum basis in accordance with individual severance agreements. As of December 31, 2015, approximately 9,400 of the employees have been separated from the Company pursuant to the restructuring plans. In addition, the restructuring plans included nineteen plant closures (fifteen for Automotive Experience and four for Building Efficiency). As of December 31, 2015, nine of the nineteen plants have been closed.

Company management closely monitors its overall cost structure and continually analyzes each of its businesses for opportunities to consolidate current operations, improve operating efficiencies and locate facilities in low cost countries in close proximity to customers. This ongoing analysis includes a review of its manufacturing, engineering and purchasing operations, as well as the overall global footprint for all its businesses. Because of the importance of new vehicle sales by major automotive manufacturers to operations, the Company is affected by the general business conditions in this industry. Future adverse developments in the automotive industry could impact the Company's liquidity position, lead to impairment charges and/or require additional restructuring of its operations.

10. Income Taxes

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal

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year and each interim period thereafter. For the three months ended December 31, 2015, the Company's effective tax rate for continuing operations was 21%. The effective rate was lower than the U.S. federal statutory rate of 35% primarily due to global tax planning and foreign tax rate differentials, partially offset by the tax impacts of separation costs related to the proposed spin-off of the Automotive Experience business. For the three months ended December 31, 2014, the Company's effective tax rate for continuing operations was 19%. The effective rate was lower than the U.S. federal statutory rate of 35% primarily due to global tax planning and foreign tax rate differentials.

Valuation Allowance

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

Uncertain Tax Positions

At September 30, 2015, the Company had gross tax effected unrecognized tax benefits of \$1,235 million, of which \$1,180 million, if recognized, would impact the effective tax rate. Total net accrued interest at September 30, 2015 was approximately \$41 million (net of tax benefit). The interest and penalties accrued during the three months ended December 31, 2015 and 2014 was not material. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

In the first quarter of fiscal 2015, the Company settled tax audits in multiple jurisdictions. The benefit of those settlements was substantially offset by a net tax provision recorded in the quarter where it was more likely than not that the losses would not be realized.

In the U.S., it is expected that fiscal years 2013 through 2014 will be examined by the Internal Revenue Service during 2016. Additionally, the Company is currently under exam in the following major foreign jurisdictions:

Tax Jurisdiction	Tax Years Covered
Belgium	2010 - 2012
Brazil	2004 - 2008, 2011 - 2012
Canada	2008 - 2013
France	2002 - 2013
Germany	2007 - 2012
Italy	2006, 2011
Korea	2008 - 2012
Mexico	2010 - 2011
Spain	2013
United Kingdom	2011 - 2013

It is reasonably possible that certain tax examinations and/or tax litigation will conclude within the next twelve months, the impact of which could be up to a \$50 million benefit to tax expense.

Impacts of Tax Legislation

The "look-through rule," under subpart F of the U.S. Internal Revenue Code, expired for the Company on September 30, 2015. The "look-through rule" had provided an exception to the U.S. taxation of certain income generated by foreign subsidiaries. The rule was extended in December 2015 retroactive to the beginning of the Company's 2016 fiscal year. The retroactive extension was signed into legislation and was made permanent through the Company's 2020 fiscal year.

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During the first quarter of fiscal 2016, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on the Company's consolidated financial statements.

11. Pension and Postretirement Plans

The components of the Company's net periodic benefit costs from continuing operations associated with its defined benefit pension and postretirement plans are shown in the tables below in accordance with ASC 715, "Compensation – Retirement Benefits" (in millions):

	Pension Benefits			
	U.S. Plans Three Months Ended December 31,		Non-U.S. Plans Three Months Ended December 31,	
	2015	2014	2015	2014
	2015	2014	2015	2014
Service cost	\$ 4	\$ 8	\$ 5	\$ 7
Interest cost	25	30	10	12
Expected return on plan assets	(47)	(45)	(13)	(13)
Net periodic benefit cost (credit)	\$ (18)	\$ (7)	\$ 2	\$ 6
	Postretirement Benefits			
	Three Months Ended December 31,			
	2015	2014		
Service cost	\$ 1	\$ 1		
Interest cost	1	2		
Expected return on plan assets	(3)	(3)		
Net periodic benefit credit	\$ (1)	\$ —		

12. Debt and Financing Arrangements

In November 2015 and December 2015, a \$35 million and a \$100 million committed revolving credit facility, respectively, expired. The Company entered into a new \$35 million committed revolving credit facility scheduled to expire in November 2016 and a new \$100 million committed revolving credit facility scheduled to expire in December 2016. As of December 31, 2015, there were no draws on either facility.

In December 2015, the Company entered into a nine-month, \$125 million, floating rate term loan scheduled to mature in September 2016. Proceeds from the term loan were used for general corporate purposes.

In December 2015, the Company entered into a nine-month, \$200 million, floating rate term loan scheduled to mature in September 2016. Proceeds from the term loan were used for general corporate purposes.

In December 2014, the Company entered into a nine-month, \$500 million, floating rate term loan scheduled to mature in September 2015. Proceeds from the term loan were used for general corporate purposes. The loan was repaid in the quarter ending September 30, 2015.

In December 2014, the Company entered into a nine-month, \$100 million, floating rate term loan scheduled to mature in September 2015. Proceeds from the term loan were used for general corporate purposes. The loan was repaid in the quarter ending September 30, 2015.

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Net Financing Charges

The Company's net financing charges line item in the consolidated statements of income for the three month periods ended December 31, 2015 and 2014 contained the following components (in millions):

	Three Months Ended December 31,	
	2015	2014
Interest expense, net of capitalized interest costs	\$ 73	\$ 71
Banking fees and bond cost amortization	8	6
Interest income	(2)	(3)
Net foreign exchange results for financing activities	(11)	(3)
Net financing charges	<u>\$ 68</u>	<u>\$ 71</u>

13. Earnings Per Share

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

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share (in millions):

	Three Months Ended December 31,	
	2015	2014
Income Available to Common Shareholders		
Income from continuing operations	\$ 450	\$ 481
Income from discontinued operations	—	26
Basic and diluted income available to common shareholders	<u>\$ 450</u>	<u>\$ 507</u>
Weighted Average Shares Outstanding		
Basic weighted average shares outstanding	647.7	661.4
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	5.1	6.6
Diluted weighted average shares outstanding	<u>652.8</u>	<u>668.0</u>
Antidilutive Securities		
Options to purchase common shares	0.2	0.2

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During the three months ended December 31, 2015 and 2014, the Company declared a dividend of \$0.29 and \$0.26, respectively, per common share. The Company paid all dividends in the month subsequent to the end of each fiscal quarter.

14. Equity and Noncontrolling Interests

Other comprehensive income includes activity relating to discontinued operations. The following schedules present changes in consolidated equity attributable to Johnson Controls, Inc. and noncontrolling interests (in millions, net of tax):

	Three Months Ended December 31, 2015			Three Months Ended December 31, 2014		
	Equity Attributable to Johnson Controls, Inc.	Equity Attributable to Noncontrolling Interests	Total Equity	Equity Attributable to Johnson Controls, Inc.	Equity Attributable to Noncontrolling Interests	Total Equity
Beginning balance, September 30	\$ 10,376	\$ 163	\$ 10,539	\$ 11,311	\$ 251	\$ 11,562
Total comprehensive income:						
Net income	450	20	470	507	20	527
Foreign currency translation adjustments	(160)	(9)	(169)	(351)	—	(351)
Realized and unrealized losses on derivatives	(1)	—	(1)	(10)	—	(10)
Pension and postretirement plans	—	—	—	(3)	—	(3)
Other comprehensive loss	(161)	(9)	(170)	(364)	—	(364)
Comprehensive income	<u>289</u>	<u>11</u>	<u>300</u>	<u>143</u>	<u>20</u>	<u>163</u>
Other changes in equity:						
Cash dividends—common stock	(188)	—	(188)	(172)	—	(172)
Dividends attributable to noncontrolling interests	—	(7)	(7)	—	(8)	(8)
Repurchases of common stock	—	—	—	(600)	—	(600)
Change in noncontrolling interest share	—	764	764	—	—	—
Other, including options exercised	29	—	29	141	—	141
Ending balance, December 31	<u>\$ 10,506</u>	<u>\$ 931</u>	<u>\$ 11,437</u>	<u>\$ 10,823</u>	<u>\$ 263</u>	<u>\$ 11,086</u>

As previously disclosed, on October 1, 2015, the Company formed a joint venture with Hitachi. In connection with the acquisition, the Company recorded equity attributable to noncontrolling interests of \$764 million.

In November 2013, the Company's Board of Directors authorized a \$3 billion increase in the Company's share repurchase program, which brought the total authorized amount under the repurchase program to \$3.65 billion. The share repurchase program does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice. For the three month period ended December 31, 2014, the Company repurchased approximately \$600 million of its common shares.

The Company consolidates certain subsidiaries in which the noncontrolling interest party has within its control the right to require the Company to redeem all or a portion of its interest in the subsidiary. The redeemable noncontrolling interests are reported at their estimated redemption value. Any adjustment to the redemption value impacts retained earnings but does not impact net income. Redeemable noncontrolling interests which are redeemable only upon future events, the occurrence of which is not currently probable, are recorded at carrying value.

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The following schedules present changes in the redeemable noncontrolling interests (in millions):

	Three Months Ended December 31,	
	2015	2014
Beginning balance, September 30	\$ 212	\$ 194
Net income	20	19
Foreign currency translation adjustments	(8)	—
Realized and unrealized losses on derivatives	(2)	—
Dividends	(6)	(4)
Ending balance, December 31	<u>\$ 216</u>	<u>\$ 209</u>

The following schedules present changes in accumulated other comprehensive income (AOCI) attributable to Johnson Controls, Inc. (in millions, net of tax):

	Three Months Ended December 31,	
	2015	2014
Foreign currency translation adjustments		
Balance at beginning of period	\$ (1,047)	\$ (248)
Aggregate adjustment for the period (net of tax effect of \$(4) and \$2)	(160)	(351)
Balance at end of period	<u>(1,207)</u>	<u>(599)</u>
Realized and unrealized gains (losses) on derivatives		
Balance at beginning of period	(7)	4
Current period changes in fair value (net of tax effect of \$0 and \$(5))	2	(9)
Reclassification to income (net of tax effect of \$(1) and \$0) *	(3)	(1)
Balance at end of period	<u>(8)</u>	<u>(6)</u>
Pension and postretirement plans		
Balance at beginning of period	(3)	7
Reclassification to income (net of tax effect of \$0 and \$(1)) **	—	(3)
Balance at end of period	<u>(3)</u>	<u>4</u>
Accumulated other comprehensive loss, end of period	<u>\$ (1,218)</u>	<u>\$ (601)</u>

* Refer to Note 15, "Derivative Instruments and Hedging Activities," of the notes to consolidated financial statements for disclosure of the line items on the consolidated statements of income affected by reclassifications from AOCI into income related to derivatives.

** Refer to Note 11, "Pension and Postretirement Plans," of the notes to consolidated financial statements for disclosure of the components of the Company's net periodic benefit costs associated with its defined benefit pension and postretirement plans. For the three months ended December 31, 2014, the amounts reclassified from AOCI into income for pension and postretirement plans were primarily recorded in income from discontinued operations, net of tax on the consolidated statements of income.

15. Derivative Instruments and Hedging Activities

The Company selectively uses derivative instruments to reduce market risk associated with changes in foreign currency, commodities, stock-based compensation liabilities and interest rates. Under Company policy, the use of derivatives is restricted

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to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. A description of each type of derivative utilized by the Company to manage risk is included in the following paragraphs. In addition, refer to Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for information related to the fair value measurements and valuation methods utilized by the Company for each derivative type.

The Company has global operations and participates in the foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. The Company primarily uses foreign currency exchange contracts to hedge certain of its foreign exchange rate exposures. The Company hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures.

The Company has entered into cross-currency interest rate swaps and foreign currency denominated debt obligations to selectively hedge portions of its net investment in Japan. The currency effects of the cross-currency interest rate swaps and debt obligations are reflected in the AOCI account within shareholders' equity attributable to Johnson Controls, Inc. where they offset gains and losses recorded on the Company's net investment in Japan. At December 31, 2015, the Company had three cross-currency interest rate swaps outstanding totaling 15 billion yen and 37 billion yen of foreign denominated debt outstanding designated as net investment hedges in the Company's net investment in Japan. At September 30, 2015 and December 31, 2014, the Company had four cross-currency interest rate swaps outstanding totaling 20 billion yen. The Company did not have any foreign denominated debt outstanding designated as a net investment hedge at September 30, 2015 or December 31, 2014.

The Company uses commodity hedge contracts in the financial derivatives market in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. As cash flow hedges, the effective portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions, typically sales, occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statements of income. The maturities of the commodity hedge contracts coincide with the expected purchase of the commodities. The Company had the following outstanding contracts to hedge forecasted commodity purchases:

Commodity	Units	Volume Outstanding as of		
		December 31, 2015	September 30, 2015	December 31, 2014
Copper	Pounds	11,805,000	14,648,000	11,070,000
Lead	Metric Tons	6,720	6,785	10,125
Aluminum	Metric Tons	4,390	5,700	890
Tin	Metric Tons	1,456	2,080	1,485

The Company selectively uses equity swaps to reduce market risk associated with certain of its stock-based compensation plans, such as its deferred compensation plans. These equity compensation liabilities increase as the Company's stock price increases and decrease as the Company's stock price decreases. In contrast, the value of the swap agreement moves in the opposite direction of these liabilities, allowing the Company to fix a portion of the liabilities at a stated amount. As of December 31, 2015, September 30, 2015 and December 31, 2014, the Company had hedged approximately 3.8 million, 4.0 million and 4.1 million shares of its common stock, respectively.

The Company selectively uses interest rate swaps to reduce market risk associated with changes in interest rates for its fixed-rate bonds. As fair value hedges, the interest rate swaps and related debt balances are valued under a market approach using publicized swap curves. Changes in the fair value of the swap and hedged portion of the debt are recorded in the consolidated statements of income. In the fourth quarter of fiscal 2013, the Company entered into one fixed to floating interest rate swap totaling approximately \$125 million to hedge the coupon of its 7.7% notes that matured in March 2015 and four fixed to floating interest rate swaps totaling \$800 million to hedge the coupon of its 5.5% notes maturing January 2016. In the third quarter of fiscal 2014, the Company entered into four fixed to floating interest rate swaps totaling \$400 million to hedge the coupon of its 2.6% notes maturing December 2016, three fixed to floating interest rate swaps totaling \$300 million to hedge the coupon of its 1.4% notes maturing November 2017 and one fixed to floating interest rate swap totaling \$150 million to

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hedge the coupon of its 7.125% notes maturing July 2017. There were twelve interest rate swaps outstanding as of December 31, 2015 and September 30, 2015. There were thirteen interest rate swaps outstanding as of December 31, 2014.

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

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's consolidated statements of financial position (in millions):

	Derivatives and Hedging Activities Designated as Hedging Instruments under ASC 815			Derivatives and Hedging Activities Not Designated as Hedging Instruments under ASC 815		
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	September 30, 2015	December 31, 2014
Other current assets						
Foreign currency exchange derivatives	\$ 26	\$ 31	\$ 38	\$ 21	\$ 27	\$ 28
Commodity derivatives	1	—	—	—	—	—
Interest rate swaps	—	1	—	—	—	—
Cross-currency interest rate swaps	1	5	25	—	—	—
Other noncurrent assets						
Interest rate swaps	1	5	2	—	—	—
Equity swap	—	—	—	149	164	196
Total assets	<u>\$ 29</u>	<u>\$ 42</u>	<u>\$ 65</u>	<u>\$ 170</u>	<u>\$ 191</u>	<u>\$ 224</u>
Other current liabilities						
Foreign currency exchange derivatives	\$ 34	\$ 37	\$ 49	\$ 8	\$ 26	\$ 24
Commodity derivatives	7	7	7	—	—	—
Cross-currency interest rate swaps	1	1	—	—	—	—
Current portion of long-term debt						
Fixed rate debt swapped to floating	1,202	801	125	—	—	—
Long-term debt						
Foreign currency denominated debt	307	—	—	—	—	—
Fixed rate debt swapped to floating	448	855	1,651	—	—	—
Other noncurrent liabilities						
Interest rate swaps	—	—	1	—	—	—
Total liabilities	<u>\$ 1,999</u>	<u>\$ 1,701</u>	<u>\$ 1,833</u>	<u>\$ 8</u>	<u>\$ 26</u>	<u>\$ 24</u>

The Company enters into International Swaps and Derivatives Associations (ISDA) master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company has not elected to offset the fair value positions of the derivative contracts recorded in the consolidated statements of financial position. Collateral is generally not required of the Company or the counterparties under the master netting agreements. As of December 31, 2015, September 30, 2015 and December 31, 2014, no cash collateral was received or pledged under the master netting agreements.

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The gross and net amounts of derivative assets and liabilities were as follows (in millions):

	Fair Value of Assets			Fair Value of Liabilities		
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	September 30, 2015	December 31, 2014
Gross amount recognized	\$ 199	\$ 233	\$ 289	\$ 2,007	\$ 1,727	\$ 1,857
Gross amount eligible for offsetting	(9)	(8)	(21)	(9)	(8)	(21)
Net amount	<u>\$ 190</u>	<u>\$ 225</u>	<u>\$ 268</u>	<u>\$ 1,998</u>	<u>\$ 1,719</u>	<u>\$ 1,836</u>

The following tables present the location and amount of the effective portion of gains and losses gross of tax on derivative instruments and related hedge items reclassified from AOCI into the Company's consolidated statements of income for the three months ended December 31, 2015 and 2014 and amounts recorded in AOCI net of tax in the consolidated statements of financial position (in millions):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income	
		Three Months Ended December 31,	
		2015	2014
Foreign currency exchange derivatives	Cost of sales	\$ —	\$ 1
Commodity derivatives	Cost of sales	(4)	—
Total		<u>\$ (4)</u>	<u>\$ 1</u>

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivative		
	December 31, 2015	September 30, 2015	December 31, 2014
Foreign currency exchange derivatives	\$ (7)	\$ (5)	\$ (7)
Commodity derivatives	(6)	(7)	(5)
Forward treasury locks	5	5	6
Total	<u>\$ (8)</u>	<u>\$ (7)</u>	<u>\$ (6)</u>

Derivatives in ASC 815 Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
		Three Months Ended December 31,	
		2015	2014
Interest rate swaps	Net financing charges	\$ (5)	\$ 2
Fixed rate debt swapped to floating	Net financing charges	5	(2)
Total		<u>\$ —</u>	<u>\$ —</u>

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
		Three Months Ended December 31,	
		2015	2014
Foreign currency exchange derivatives	Cost of sales	\$ (1)	\$ (2)
Foreign currency exchange derivatives	Net financing charges	—	(2)
Equity swap	Selling, general and administrative	(6)	19
Total		<u>\$ (7)</u>	<u>\$ 15</u>

There were no gains or losses recognized in cumulative translation adjustment (CTA) within AOCI on the effective portion of outstanding net investment hedges at December 31, 2015. The amount of gains recognized as CTA within AOCI on the effective portion of outstanding net investment hedges were \$2 million and \$15 million at September 30, 2015 and December 31, 2014, respectively. For the three months ended December 31, 2015 and 2014, no gains or losses were reclassified from CTA into income for the Company's outstanding net investment hedges, and no gains or losses were recognized in income for the ineffective portion of cash flow hedges.

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16. Fair Value Measurements

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

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

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

Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2015, September 30, 2015 and December 31, 2014 (in millions):

	Fair Value Measurements Using:			
	Total as of December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 47	\$ —	\$ 47	\$ —
Commodity derivatives	1	—	1	—
Cross-currency interest rate swaps	1	—	1	—
Other noncurrent assets				
Interest rate swaps	1	—	1	—
Investments in marketable common stock	4	4	—	—
Equity swap	149	149	—	—
Total assets	<u>\$ 203</u>	<u>\$ 153</u>	<u>\$ 50</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 42	\$ —	\$ 42	\$ —
Commodity derivatives	7	—	7	—
Cross-currency interest rate swaps	1	—	1	—
Current portion of long-term debt				
Fixed rate debt swapped to floating	1,202	—	1,202	—
Long-term debt				
Foreign currency denominated debt	307	307	—	—
Fixed rate debt swapped to floating	448	—	448	—
Total liabilities	<u>\$ 2,007</u>	<u>\$ 307</u>	<u>\$ 1,700</u>	<u>\$ —</u>

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	Fair Value Measurements Using:			
	Total as of September 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 58	\$ —	\$ 58	\$ —
Interest rate swaps	1	—	1	—
Cross-currency interest rate swaps	5	—	5	—
Other noncurrent assets				
Interest rate swaps	5	—	5	—
Investments in marketable common stock	4	4	—	—
Equity swap	164	164	—	—
Total assets	<u>\$ 237</u>	<u>\$ 168</u>	<u>\$ 69</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 63	\$ —	\$ 63	\$ —
Commodity derivatives	7	—	7	—
Cross-currency interest rate swaps	1	—	1	—
Current portion of long-term debt				
Fixed rate debt swapped to floating	801	—	801	—
Long-term debt				
Fixed rate debt swapped to floating	855	—	855	—
Total liabilities	<u>\$ 1,727</u>	<u>\$ —</u>	<u>\$ 1,727</u>	<u>\$ —</u>

	Fair Value Measurements Using:			
	Total as of December 31, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 66	\$ —	\$ 66	\$ —
Cross-currency interest rate swaps	25	—	25	—
Other noncurrent assets				
Interest rate swaps	2	—	2	—
Investments in marketable common stock	4	4	—	—
Equity swap	196	196	—	—
Total assets	<u>\$ 293</u>	<u>\$ 200</u>	<u>\$ 93</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 73	\$ —	\$ 73	\$ —
Commodity derivatives	7	—	7	—
Current portion of long-term debt				
Fixed rate debt swapped to floating	125	—	125	—
Long-term debt				
Fixed rate debt swapped to floating	1,651	—	1,651	—
Other noncurrent liabilities				
Interest rate swaps	1	—	1	—
Total liabilities	<u>\$ 1,857</u>	<u>\$ —</u>	<u>\$ 1,857</u>	<u>\$ —</u>

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Valuation Methods

Foreign currency exchange derivatives – The Company selectively hedges anticipated transactions that are subject to foreign exchange rate risk primarily using foreign currency exchange hedge contracts. The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices. As cash flow hedges under ASC 815, "Derivatives and Hedging," the effective portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statements of income. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at December 31, 2015, September 30, 2015 and December 31, 2014. The fair value of foreign currency exchange derivatives not designated as hedging instruments under ASC 815 are recorded in the consolidated statements of income.

Commodity derivatives – The Company selectively hedges anticipated transactions that are subject to commodity price risk, primarily using commodity hedge contracts, to minimize overall price risk associated with the Company's purchases of lead, copper, tin and aluminum. The commodity derivatives are valued under a market approach using publicized prices, where available, or dealer quotes. As cash flow hedges, the effective portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions, typically sales, occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statements of income. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in commodity prices at December 31, 2015, September 30, 2015 and December 31, 2014.

Interest rate swaps and related debt – The Company selectively uses interest rate swaps to reduce market risk associated with changes in interest rates for its fixed-rate bonds. As fair value hedges, the interest rate swaps and related debt balances are valued under a market approach using publicized swap curves. Changes in the fair value of the swap and hedged portion of the debt are recorded in the consolidated statements of income. In the fourth quarter of fiscal 2013, the Company entered into one fixed to floating interest rate swap totaling approximately \$125 million to hedge the coupon of its 7.7% notes that matured in March 2015 and four fixed to floating interest rate swaps totaling \$800 million to hedge the coupon of its 5.5% notes maturing January 2016. In the third quarter of fiscal 2014, the Company entered into four fixed to floating interest rate swaps totaling \$400 million to hedge the coupon of its 2.6% notes maturing December 2016, three fixed to floating interest rate swaps totaling \$300 million to hedge the coupon of its 1.4% notes maturing November 2017 and one fixed to floating interest rate swap totaling \$150 million to hedge the coupon of its 7.125% notes maturing July 2017. There were twelve interest rate swaps outstanding as of December 31, 2015 and September 30, 2015. There were thirteen interest rate swaps outstanding as of December 31, 2014.

Cross-currency interest rate swaps – The Company selectively uses cross-currency interest rate swaps to hedge the foreign currency rate risk associated with certain of its investments in Japan. The cross-currency interest rate swaps are valued using observable market data. Changes in the market value of the swaps are reflected in the CTA component of AOCI where they offset gains and losses recorded on the Company's net investment in Japan. At December 31, 2015, the Company had three cross-currency interest rate swaps outstanding totaling 15 billion yen. At September 30, 2015 and December 31, 2014, the Company had four cross-currency interest rate swaps outstanding totaling 20 billion yen.

Foreign currency denominated debt – The Company has entered into a foreign currency denominated debt obligation to selectively hedge portions of its net investment in Japan. The currency effect of the debt obligation is reflected in the CTA component of AOCI where it offsets gains and losses recorded on the Company's net investment in Japan. The foreign denominated debt obligation is valued under a market approach using publicized spot prices. At December 31, 2015, the Company had 37 billion yen of foreign denominated debt outstanding designated as net investment hedges in its net investment in Japan. The Company did not have any foreign denominated debt outstanding designated as a net investment hedge at September 30, 2015 or December 31, 2014.

Investments in marketable common stock – The Company invests in certain marketable common stock, which is valued under a market approach using publicized share prices. There were no unrealized gains or losses recorded in AOCI on these investments as of December 31, 2015, September 30, 2015 and December 31, 2014.

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Equity swaps – The Company selectively uses equity swaps to reduce market risk associated with certain of its stock-based compensation plans, such as its deferred compensation plans. The equity swaps are valued under a market approach as the fair value of the swaps is equal to the Company’s stock price at the reporting period date. Changes in fair value of the equity swaps are reflected in the consolidated statements of income within selling, general and administrative expenses.

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The fair value of long-term debt, which was \$6.5 billion, \$6.7 billion and \$6.9 billion at December 31, 2015, September 30, 2015 and December 31, 2014, respectively, was determined primarily using market quotes classified as Level 1 inputs within the ASC 820 fair value hierarchy.

17. Segment Information

Effective October 1, 2015, the Company reorganized the reportable segments within its Building Efficiency business to align with its new management reporting structure and business activities. Prior to this reorganization, Building Efficiency was comprised of three reportable segments for financial reporting purposes: North America Systems and Service, Asia and Other. As a result of this change, Building Efficiency is now comprised of four reportable segments for financial reporting purposes: Systems and Service North America, Products North America, Asia and Rest of World. Historical information has been revised to reflect the new Building Efficiency reportable segments.

A summary of the significant Building Efficiency reportable segment changes is as follows:

- The North America Unitary Products business, Air Distribution Technologies business and refrigeration systems business, as well as heating, ventilating and air conditioning (HVAC) products installed for Navy and Marine customers, previously included in the “Other” segment, are now part of a new reportable segment named “Products North America.”
- The building controls parts business in North America, previously included in the “North America Systems and Service” segment, is now part of the “Products North America” segment.
- The remainder of the “Other” segment has been renamed “Rest of World.”
- Certain reportable segment allocation methodologies have been refined for centralized costs such as engineering and headquarters.

At March 31, 2015, the Company determined that its GWS segment met the criteria to be classified as a discontinued operation, which required retrospective application to financial information for all periods presented. Refer to Note 4, "Discontinued Operations," of the notes to consolidated financial statements for further information regarding the Company's discontinued operations.

ASC 280, "Segment Reporting," establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it has seven reportable segments for financial reporting purposes. The Company’s seven reportable segments are presented in the context of its three primary businesses – Building Efficiency, Automotive Experience and Power Solutions.

Building Efficiency

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

- Systems and Service North America provides products and services to non-residential building and industrial applications in the North American marketplace. The products and services include HVAC and controls systems, energy efficiency solutions and technical services, including inspection, scheduled maintenance, and repair and replacement of mechanical and control systems.

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- Products North America designs and produces heating and air conditioning solutions for residential and light commercial applications, and also markets products and refrigeration systems to the replacement and new construction markets in the North American marketplace. Products North America also includes HVAC products installed for Navy and Marine customers globally.
- Asia provides HVAC, controls and refrigeration systems and technical services to the Asian marketplace. Asia also includes the Johnson Controls-Hitachi Air Conditioning joint venture, which was formed October 1, 2015.
- Rest of World provides HVAC, controls and refrigeration systems and technical services to markets in Europe, the Middle East and Latin America.

Automotive Experience

Automotive Experience designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport utility/crossover vehicles.

- Seating produces automotive seat metal structures and mechanisms, foam, trim, fabric and complete seat systems.
- Interiors produces instrument panels, floor consoles and door panels.

Power Solutions

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

Management evaluates the performance of the segments based primarily on segment income, which represents income from continuing operations before income taxes and noncontrolling interests excluding net financing charges, significant restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans. General corporate and other overhead expenses are allocated to segments in determining segment income. As mentioned above, the previously reported GWS segment met the criteria to be classified as a discontinued operation, and general corporate overhead was not allocated to discontinued operations. The Company reported discontinued operations through retrospective application to all periods presented, resulting in general corporate allocation changes between the segments in the prior periods.

Financial information relating to the Company's reportable segments is as follows (in millions):

	Net Sales	
	Three Months Ended December 31,	
	2015	2014
Building Efficiency		
Systems and Service North America	\$ 984	\$ 957
Products North America	557	558
Asia	992	501
Rest of World	423	481
	<u>2,956</u>	<u>2,497</u>
Automotive Experience		
Seating	4,086	4,135
Interiors	147	1,148
	<u>4,233</u>	<u>5,283</u>
Power Solutions	<u>1,740</u>	<u>1,844</u>
Total net sales	<u>\$ 8,929</u>	<u>\$ 9,624</u>

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	Segment Income (Loss)	
	Three Months Ended December 31,	
	2015	2014
Building Efficiency		
Systems and Service North America	\$ 93	\$ 64
Products North America	17	44
Asia	62	49
Rest of World	(5)	—
	<u>167</u>	<u>157</u>
Automotive Experience		
Seating	166	201
Interiors	12	33
	<u>178</u>	<u>234</u>
Power Solutions	342	315
Total segment income	<u>\$ 687</u>	<u>\$ 706</u>
Net financing charges	(68)	(71)
Income from continuing operations before income taxes	<u>\$ 619</u>	<u>\$ 635</u>

18. Commitments and Contingencies

The Company accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. Reserves for environmental liabilities totaled \$24 million, \$23 million and \$23 million at December 31, 2015, September 30, 2015 and December 31, 2014, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company does not currently believe that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the Power Solutions business. At December 31, 2015, September 30, 2015 and December 31, 2014, the Company recorded conditional asset retirement obligations of \$58 million, \$59 million and \$53 million, respectively.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

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19. Subsequent Events

On January 25, 2016, the Company announced that it had entered into a definitive merger agreement (the "Merger Agreement") with Tyco International plc ("Tyco"), a wholly owned indirect subsidiary of Tyco ("Merger Sub") and the other party thereto under which the Company will combine with Tyco, a global fire and security provider. Under the terms of the agreement, which has been unanimously approved by the boards of directors of both parties, each outstanding share of the Company's common stock, other than shares held by the Company, its subsidiaries, Tyco or Merger Sub, will be converted into the right to receive (subject to proration as described below), at the holder's election, either: (i) one (1) (the "Exchange Ratio") ordinary share of the combined company (the "Share Consideration"); or (ii) an amount in cash equal to \$34.88 (the "Cash Consideration"). Elections will be prorated so that the Company's shareholders will receive in the aggregate approximately \$3.864 billion of cash in the merger. Holders that do not make an election will be treated as having elected to receive the Share Consideration. The Exchange Ratio takes into account the effects of a Tyco share consolidation contemplated by the Merger Agreement whereby, immediately prior to the merger, every issued and unissued ordinary share of Tyco will be consolidated into 0.955 of a share of Tyco. As a result of the merger, the Company's shareholders will own approximately 56 percent of the equity of the combined company, and Tyco shareholders will own approximately 44 percent of the equity of the combined company.

The transaction is expected to be completed by the end of fiscal year 2016, subject to certain closing conditions, including, among others, (i) the approval and adoption of the Merger Agreement by holders of two thirds of the shares of the Company's common stock entitled to vote on such matter, (ii) the approval by the Tyco shareholders at a special meeting of the Tyco shareholders (the "Tyco Special Meeting") of (A) the issuance of Tyco shares in connection with the merger, (B) the Tyco share consolidation and (C) the increase in Tyco's authorized share capital, in each case, by a majority of the votes cast on these matters at the Tyco Special Meeting, and of certain amendments to Tyco's articles of association, including a change of its name to "Johnson Controls plc," by at least 75% of the votes cast on these matters at the Tyco Special Meeting, (iii) the expiration or termination of any waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the consent of, or filing with, certain specified antitrust authorities, and certain other customary regulatory approvals, and (iv) Tyco's obtaining the financing required to close the merger on the terms set forth in the Merger Agreement.

Under the terms of the Merger Agreement, the combined company will be renamed "Johnson Controls plc," and the shares of the combined company will be listed on the New York Stock Exchange and trade under the symbol "JCI." The Merger Agreement also provides for the combined company to maintain Tyco's Irish legal domicile and global headquarters in Cork, Ireland and for its primary operational headquarters in North America to be in Milwaukee, Wisconsin.

At the effective time of the merger, the board of directors of the combined company will consist of eleven directors, six of whom will be directors of the Company's board of directors prior to the closing and five of whom will be directors of the Tyco board of directors prior to the closing, comprised of the Company's and Tyco's current Chief Executive Officers and nine other directors to be mutually agreed between the Company and Tyco. One of the six directors from the Company's board of directors prior to the closing shall be elected independent lead director. As of the effective time of the merger, Alex A. Molinaroli, the Company's current Chairman, President, and Chief Executive Officer, will be appointed as Chairman and Chief Executive Officer of the combined company, and George R. Oliver, Tyco's current Chief Executive Officer, will serve as President and Chief Operating Officer of the combined company. Mr. Oliver will succeed Mr. Molinaroli as Chief Executive Officer on the 18-month anniversary of the effective time (or such earlier time that Mr. Molinaroli ceases to be Chief Executive Officer). At that time, Mr. Molinaroli will become the Executive Chair, with the executive functions set forth in his employment agreement, and will serve in such role for 12 months. Following such 12-month period (or such earlier time that Mr. Molinaroli ceases to be Chairman) (the "Second Succession Date"), Mr. Oliver will become Chairman and Chief Executive Officer of the combined company. From the effective time until the date that is 3 months after the Second Succession Date, the appointment, removal or replacement of the Chief Executive Officer, Chairman, Executive Chairman, President or Chief Operating Officer of the combined company other than as described in this paragraph would require the affirmative vote of at least 75% of the non-executive directors of the combined company.



Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying consolidated statements of financial position of Johnson Controls, Inc. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, of comprehensive income (loss), and of cash flows for the three-month periods ended December 31, 2015 and 2014. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position as of September 30, 2015 and the related consolidated statements of income, of shareholders' equity attributable to Johnson Controls, Inc., of comprehensive income (loss), and of cash flows for the year then ended (not presented herein), and in our report dated November 18, 2015 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statements of financial position as of September 30, 2015, is fairly stated in all material respects in relation to the consolidated statements of financial position from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
February 1, 2016

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statements for Forward-Looking Information

Unless otherwise indicated, references to "Johnson Controls," the "Company," "we," "our" and "us" in this Quarterly Report on Form 10-Q refer to Johnson Controls, Inc. and its consolidated subsidiaries.

The Company has made statements in this document that are forward-looking and, therefore, are subject to risks and uncertainties. All statements in this document other than statements of historical fact are statements that are, or could be, deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In this document, statements regarding the Company's or the combined company's future financial position, sales, costs, earnings, cash flows, other measures of results of operations, capital expenditures or debt levels and plans, objectives, outlook, targets, guidance or goals are forward-looking statements. Words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "forecast," "project" or "plan" or terms of similar meaning are also generally intended to identify forward-looking statements. The Company cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond the Company's control, that could cause the Company's or the combined company's actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: the Company's and/or Tyco International plc's ("Tyco") ability to obtain necessary shareholder approvals or to satisfy any of the other conditions to the transaction on a timely basis or at all, any delay or inability of the combined company to realize the expected benefits and synergies of the transaction, changes in tax laws, regulations, rates, policies or interpretations, the loss of key senior management, anticipated tax treatment of the combined company, the value of the Tyco shares to be issued in the transaction, significant transaction costs and/or unknown liabilities, potential litigation relating to the proposed transaction, the risk that disruptions from the proposed transaction will harm the Company's business, competitive responses to the proposed transaction, general economic and business conditions that affect the combined company following the transaction, the planned separation of the Automotive Experience business on business operations, assets or results, required regulatory approvals that are material conditions for proposed transactions to close, the strength of the U.S. or other economies, automotive vehicle production levels, mix and schedules, energy and commodity prices, the availability of raw materials and component products, currency exchange rates, and cancellation of or changes to commercial contracts. Additional risks and factors are discussed in Item 1A of Part II of this Quarterly Report on Form 10-Q and Item 1A of Part I of the Company's most recent Annual Report on Form 10-K for the year ended September 30, 2015 filed with the United States Securities and Exchange Commission (SEC) on November 18, 2015 and available at www.sec.gov and www.johnsoncontrols.com under the "Investors" tab. Shareholders, potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this document are only made as of the date of this document, and the Company assumes no obligation, and disclaims any obligation, to update forward-looking statements to reflect events or circumstances occurring after the date of this document.

Overview

Johnson Controls is a global diversified technology and industrial leader serving customers in more than 150 countries. The Company creates quality products, services and solutions to optimize energy and operational efficiencies of buildings; lead-acid automotive batteries and advanced batteries for hybrid and electric vehicles; and seating and interior systems for automobiles.

Johnson Controls was originally incorporated in the state of Wisconsin in 1885 as Johnson Electric Service Company to manufacture, install and service automatic temperature regulation systems for buildings. The Company was renamed to Johnson Controls, Inc. in 1974. In 1978, the Company acquired Globe-Union, Inc., a Wisconsin-based manufacturer of automotive batteries for both the replacement and original equipment markets. The Company entered the automotive seating industry in 1985 with the acquisition of Michigan-based Hoover Universal, Inc. In 2005, the Company acquired York International, a global supplier of heating, ventilating, air-conditioning and refrigeration equipment and services. In 2014, the Company acquired Air Distribution Technologies, Inc. (ADT), one of the largest independent providers of air distribution and ventilation products in North America.

The Company is going through a multi-year portfolio transformation. Included in this transformation are several strategic transactions which occurred during fiscal 2015 including the divestiture of its Global Workplace Solutions (GWS) business and the contribution of its Automotive Experience Interiors business to the newly created joint venture with Yanfeng Automotive Trim Systems. Additionally, the Company intends to pursue the separation of its Automotive Experience business through a spin-off. On October 1, 2015, the Company formed a joint venture with Hitachi to expand its Building Efficiency product offerings.

The Building Efficiency business is a global market leader in designing, producing, marketing and installing integrated heating, ventilating and air conditioning (HVAC) systems, building management systems, controls, security and mechanical equipment. In addition, the Building Efficiency business provides technical services and energy management consulting. The Company also provides residential air conditioning and heating systems and industrial refrigeration products.

The Automotive Experience business is one of the world's largest automotive suppliers, providing innovative seating and interior systems through our design and engineering expertise. The Company's technologies extend into virtually every area of the interior including seating, door systems, floor consoles and instrument panels. Customers include most of the world's major automakers. The Power Solutions business is a leading global supplier of lead-acid automotive batteries for virtually every type of passenger car, light truck and utility vehicle. The Company serves both automotive original equipment manufacturers (OEMs) and the general vehicle battery aftermarket. The Company also supplies advanced battery technologies to power start-stop, hybrid and electric vehicles.

The following information should be read in conjunction with the September 30, 2015 consolidated financial statements and notes thereto, along with management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended September 30, 2015. References in the following discussion and analysis to "Three Months" refer to the three months ended December 31, 2015 compared to the three months ended December 31, 2014.

At March 31, 2015, the Company determined that its GWS segment met the criteria to be classified as a discontinued operation, which required retrospective application to financial information for all periods presented. Refer to Note 4, "Discontinued Operations," of the notes to consolidated financial statements for further information regarding the Company's discontinued operations.

Effective October 1, 2015, the Company reorganized the reportable segments within its Building Efficiency business to align with its new management reporting structure and business activities. Prior to this reorganization, Building Efficiency was comprised of three reportable segments for financial reporting purposes: North America Systems and Service, Asia and Other. As a result of this change, Building Efficiency is now comprised of four reportable segments for financial reporting purposes: Systems and Service North America, Products North America, Asia and Rest of World. Historical information has been revised to reflect the new Building Efficiency reportable segments. Refer to Note 7, "Goodwill and Other Intangible Assets," and Note 17, "Segment Information," of the notes to consolidated financial statements for further information.

During the quarter ended December 31, 2015, the Company early adopted Accounting Standards Update (ASU) No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in the consolidated statements of financial position. The change has been reported through retrospective application of ASU No. 2015-17 to all periods presented. Refer to Note 1, "Financial Statements," of the notes to consolidated financial statements for further information regarding the impact of the adoption of this guidance on the Company's consolidated statements of financial position.

Outlook

On January 28, 2016, the Company announced that it expects fiscal 2016 second quarter earnings from continuing operations, excluding any transaction, integration and separation costs, and other non-recurring items, to be \$0.80 - \$0.83 per diluted share. The Company also reaffirmed its full year guidance of \$3.70 - \$3.90 per diluted share, excluding transaction, integration and separation costs, and other non-recurring items. Estimated separation costs for the proposed spin-off of the Automotive Experience business are \$400 million to \$600 million in fiscal 2016.

On July 24, 2015, the Company announced its intent to pursue a separation of the Automotive Experience business through a spin-off to shareholders in October 2016. The new publicly traded company will be named Adient. The proposed spin-off is subject to various conditions, is complex in nature, and may be affected by unanticipated developments, credit and equity markets, or changes in market conditions. Completion of the proposed spin-off will be contingent upon customary closing conditions, including final approval from our Board of Directors.

Merger Transaction

On January 25, 2016, the Company announced that it had entered into a definitive merger agreement (the "Merger Agreement") with Tyco, a wholly owned indirect subsidiary of Tyco ("Merger Sub") and the other party thereto under which the Company will combine with Tyco, a global fire and security provider. Under the terms of the agreement, which has been unanimously approved

by the boards of directors of both parties, each outstanding share of the Company's common stock, other than shares held by the Company, its subsidiaries, Tyco or Merger Sub, will be converted into the right to receive (subject to proration as described below), at the holder's election, either: (i) one (1) (the "Exchange Ratio") ordinary share of the combined company (the "Share Consideration"); or (ii) an amount in cash equal to \$34.88 (the "Cash Consideration"). Elections will be prorated so that JCI shareholders will receive in the aggregate approximately \$3.864 billion of cash in the merger. Holders that do not make an election will be treated as having elected to receive the Share Consideration. The Exchange Ratio takes into account the effects of a Tyco share consolidation contemplated by the Merger Agreement whereby, immediately prior to the merger, every issued and unissued ordinary share of Tyco will be consolidated into 0.955 of a share of Tyco. As a result of the merger, the Company's shareholders will own approximately 56 percent of the equity of the combined company, and Tyco shareholders will own approximately 44 percent of the equity of the combined company.

The transaction is expected to be completed by the end of fiscal year 2016, subject to certain closing conditions, including, among others, (i) the approval and adoption of the Merger Agreement by holders of two thirds of the shares of the Company's common stock entitled to vote on such matter, (ii) the approval by the Tyco shareholders at a special meeting of the Tyco shareholders (the "Tyco Special Meeting") of (A) the issuance of Tyco shares in connection with the merger, (B) the Tyco share consolidation and (C) the increase in Tyco's authorized share capital, in each case, by a majority of the votes cast on these matters at the Tyco Special Meeting, and of certain amendments to Tyco's articles of association, including a change of its name to "Johnson Controls plc," by at least 75% of the votes cast on these matters at the Tyco Special Meeting, (iii) the expiration or termination of any waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the consent of, or filing with, certain specified antitrust authorities, and certain other customary regulatory approvals, and (iv) Tyco's obtaining the financing required to close the merger on the terms set forth in the Merger Agreement.

Under the terms of the Merger Agreement, the combined company will be renamed "Johnson Controls plc," and the shares of the combined company will be listed on the New York Stock Exchange and trade under the symbol "JCI." The Merger Agreement also provides for the combined company to maintain Tyco's Irish legal domicile and global headquarters in Cork, Ireland and for its primary operational headquarters in North America to be in Milwaukee, Wisconsin.

At the effective time of the merger, the board of directors of the combined company will consist of eleven directors, six of whom will be directors of the Company's board of directors prior to the closing and five of whom will be directors of the Tyco board of directors prior to the closing, comprised of the Company's and Tyco's current Chief Executive Officers and nine other directors to be mutually agreed between the Company and Tyco. One of the six directors from the Company's board of directors prior to the closing shall be elected independent lead director. As of the effective time of the merger, Alex A. Molinaroli, the Company's current Chairman, President, and Chief Executive Officer, will be appointed as Chairman and Chief Executive Officer of the combined company, and George R. Oliver, Tyco's current Chief Executive Officer, will serve as President and Chief Operating Officer of the combined company. Mr. Oliver will succeed Mr. Molinaroli as Chief Executive Officer on the 18-month anniversary of the effective time (or such earlier time that Mr. Molinaroli ceases to be Chief Executive Officer). At that time, Mr. Molinaroli will become the Executive Chair, with the executive functions set forth in his employment agreement, and will serve in such role for 12 months. Following such 12-month period (or such earlier time that Mr. Molinaroli ceases to be Chairman) (the "Second Succession Date"), Mr. Oliver will become Chairman and Chief Executive Officer of the combined company. From the effective time until the date that is three months after the Second Succession Date, the appointment, removal or replacement of the Chief Executive Officer, Chairman, Executive Chairman, President or Chief Operating Officer of the combined company other than as described in this paragraph would require the affirmative vote of at least 75% of the non-executive directors of the combined company.

Liquidity and Capital Resources

The Company believes its capital resources and liquidity position at December 31, 2015 are adequate to meet projected needs. The Company believes requirements for working capital, capital expenditures, dividends, share repurchases, pension contributions, debt maturities and any potential acquisitions during the remainder of fiscal 2016 will be funded from operations, supplemented by short- and long-term borrowings, if required. The Company currently manages its short-term debt position in the U.S. and euro commercial paper markets and bank loan markets. The Company continues to adjust its commercial paper maturities and issuance levels given market reactions to industry events and changes in the Company's credit rating. In the event the Company is unable to issue commercial paper, it would have the ability to draw on its \$2.5 billion revolving credit facility, which matures in August 2018. There were no draws on the revolving credit facility as of December 31, 2015. As such, the Company believes it has sufficient financial resources to fund operations and meet its obligations for the foreseeable future.

The Company's debt financial covenants require a minimum consolidated shareholders' equity attributable to Johnson Controls, Inc. of at least \$3.5 billion at all times and allow a maximum aggregated amount of 10% of consolidated shareholders' equity

attributable to Johnson Controls, Inc. for liens and pledges. For purposes of calculating the Company's covenants, consolidated shareholders' equity attributable to Johnson Controls, Inc. is calculated without giving effect to (i) the application of Accounting Standards Codification (ASC) 715-60, "Defined Benefit Plans - Other Postretirement," or (ii) the cumulative foreign currency translation adjustment. As of December 31, 2015, consolidated shareholders' equity attributable to Johnson Controls, Inc. as defined in the Company's debt financial covenants was \$11.7 billion and there was a maximum of \$240 million of liens outstanding. The Company expects to remain in compliance with all covenants and other requirements set forth in its credit agreements and indentures for the foreseeable future. None of the Company's debt agreements limit access to stated borrowing levels or require accelerated repayment in the event of a decrease in the Company's credit rating.

The key financial assumptions used in calculating the Company's pension liability are determined annually, or whenever plan assets and liabilities are re-measured as required under accounting principles generally accepted in the U.S., including the expected rate of return on its plan assets. In fiscal 2016, the Company believes the long-term rate of return will approximate 7.50%, 4.50% and 5.50% for U.S. pension, non-U.S. pension and postretirement plans, respectively. During the first three months of fiscal 2016, the Company made approximately \$19 million in total pension contributions. In total, the Company expects to contribute approximately \$113 million in cash to its defined benefit pension plans in fiscal 2016. The Company does not expect to make any significant contributions to its postretirement plans in fiscal 2016.

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, the Company committed to a significant restructuring plan in fiscal 2015 and recorded \$397 million of restructuring and impairment costs in the consolidated statements of income within continuing operations. The restructuring action related to cost reduction initiatives in the Company's Automotive Experience, Building Efficiency and Power Solutions businesses and at Corporate. The costs consist primarily of workforce reductions, plant closures and asset impairments. The Company currently estimates that upon completion of the restructuring action, the fiscal 2015 restructuring plan will reduce annual operating costs from continuing operations by approximately \$250 million, which is primarily the result of lower cost of sales and selling, general and administrative expenses due to reduced employee-related costs and depreciation expense. The Company expects that a portion of these savings, net of execution costs, will be achieved in fiscal 2016 and the full annual benefit of these actions is expected in fiscal 2017. For fiscal 2016, the savings from continuing operations, net of execution costs, are expected to approximate 50% of the expected annual operating cost reduction. The restructuring action is expected to be substantially complete in fiscal 2016. The restructuring plan reserve balance of \$164 million at December 31, 2015 is expected to be paid in cash.

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, the Company committed to significant restructuring plans in fiscal 2014 and 2013 and recorded \$324 million and \$903 million, respectively, of restructuring and impairment costs in the consolidated statements of income within continuing operations. The restructuring actions related to cost reduction initiatives in the Company's Automotive Experience, Building Efficiency and Power Solutions businesses and included workforce reductions, plant closures, and asset and goodwill impairments. The Company currently estimates that upon completion of the restructuring actions, the fiscal 2014 and 2013 restructuring plans will reduce annual operating costs from continuing operations by approximately \$175 million and \$350 million, respectively, which is primarily the result of lower cost of sales due to reduced employee-related costs and lower depreciation and amortization expense. The Company expects that the full annual benefit of these actions, net of execution costs, will be achieved in fiscal 2016. The restructuring actions are expected to be substantially complete in fiscal 2016. The respective year's restructuring plan reserve balances of \$84 million and \$55 million, respectively, at December 31, 2015 are expected to be paid in cash.

Net Sales

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Net sales	\$ 8,929	\$ 9,624	-7%

The decrease in consolidated net sales for the three months ended December 31, 2015 was due to lower sales in the Automotive Experience business (\$780 million) and the unfavorable impact of foreign currency translation (\$486 million), partially offset by higher sales in the Building Efficiency business (\$557 million) and Power Solutions business (\$14 million). Excluding the unfavorable impact of foreign currency translation, consolidated net sales decreased 2% as compared to the prior year. The deconsolidation of the majority of the Automotive Experience Interiors business on July 2, 2015 was partially offset by the favorable impacts of incremental sales related to the Hitachi joint venture formed on October 1, 2015 in the Building Efficiency business,

higher Automotive Experience volumes and higher battery shipments in the Power Solutions business. Refer to the segment analysis below within Item 2 for a discussion of net sales by segment.

Cost of Sales / Gross Profit

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Cost of sales	\$ 7,296	\$ 8,015	-9%
Gross profit	1,633	1,609	1%
% of sales	18.3%	16.7%	

Cost of sales decreased as compared to the three month period ended December 31, 2014, and gross profit as a percentage of sales increased by 160 basis points. Gross profit in the Building Efficiency business included the incremental gross profit related to the Hitachi joint venture; however, at lower margins than the historical business. Gross profit in the Power Solutions business was favorably impacted by higher volumes and lower lead acquisition costs. Gross profit in the Automotive Experience business was favorably impacted by higher volumes and lower purchasing costs, partially offset by net unfavorable pricing and commercial settlements. Foreign currency translation had a favorable impact on cost of sales of approximately \$400 million. Refer to the segment analysis below within Item 2 for a discussion of segment income by segment.

Selling, General and Administrative Expenses

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Selling, general and administrative expenses	\$ 1,082	\$ 1,005	8%
% of sales	12.1%	10.4%	

Selling, general and administrative expenses (SG&A) increased 8% as compared to the three month period ended December 31, 2014, and SG&A as a percentage of sales increased 170 basis points. The Building Efficiency business SG&A increased primarily due to incremental SG&A related to the Hitachi joint venture. The Power Solutions business SG&A decreased primarily due to lower employee related expenses and cost reduction initiatives. The Automotive Experience business SG&A decreased primarily due to the deconsolidation of the majority of the Automotive Experience Interiors business in the prior year, partially offset by Automotive Experience separation costs of \$87 million. Foreign currency translation had a favorable impact on SG&A of \$47 million. Refer to the segment analysis below within Item 2 for a discussion of segment income by segment.

Net Financing Charges

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Net financing charges	\$ 68	\$ 71	-4%

Net financing charges were lower for the three month periods ended December 31, 2015 primarily due to favorable foreign exchange results related to financing activities, partially offset by higher interest expense due to slightly higher interest rates.

Equity Income

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Equity income	\$ 136	\$ 102	33%

The increase in equity income for the three months ended December 31, 2015 was primarily due to current year income related to partially owned affiliates of the Hitachi joint venture in the Building Efficiency business and current year income related to the Automotive Experience Interiors joint venture transaction on July 2, 2015. Refer to the segment analysis below within Item 2 for a discussion of segment income by segment.

Income Tax Provision

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Income tax provision	\$ 129	\$ 118	9%
Effective tax rate	21%	19%	

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the annual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.

For the three months ended December 31, 2015, the Company's effective tax rate for continuing operations was 21%. The effective rate was lower than the U.S. federal statutory rate of 35% primarily due to global tax planning and foreign tax rate differentials, partially offset by the tax impacts of separation costs related to the proposed spin-off of the Automotive Experience business. For the three months ended December 31, 2014, the Company's effective tax rate for continuing operations was 19%. The effective rate was lower than the U.S. federal statutory rate of 35% primarily due to global tax planning and foreign tax rate differentials.

In the first quarter of fiscal 2015, the Company settled tax audits in multiple jurisdictions. The benefit of those settlements was substantially offset by a net tax provision recorded in the quarter where it was more likely than not that the losses would not be realized.

Income From Discontinued Operations, Net of Tax

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Income from discontinued operations, net of tax	\$ —	\$ 29	*

* Measure not meaningful

Refer to Note 4, "Discontinued Operations," of the notes to consolidated financial statements for further information regarding the Company's discontinued operations.

Income Attributable to Noncontrolling Interests

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Income from continuing operations attributable to noncontrolling interests	\$ 40	\$ 36	11%
Income from discontinued operations attributable to noncontrolling interests	—	3	*

* Measure not meaningful

The increase in income from continuing operations attributable to noncontrolling interests for the three months ended December 31, 2015, was primarily due to current year income related to the Hitachi joint venture in the Building Efficiency business.

Refer to Note 4, "Discontinued Operations," of the notes to consolidated financial statements for further information regarding the Company's discontinued operations.

Net Income Attributable to Johnson Controls, Inc.

(in millions)	Three Months Ended December 31,		Change
	2015	2014	
Net income attributable to Johnson Controls, Inc.	\$ 450	\$ 507	-11%

The decrease in net income attributable to Johnson Controls, Inc. for the three months ended December 31, 2015 was primarily related to higher SG&A due to Automotive Experience separation costs, the unfavorable impact of foreign currency translation and lower income from discontinued operations, partially offset by higher gross profit and an increase in equity income. Diluted earnings per share attributable to Johnson Controls, Inc. for the three months ended December 31, 2015 was \$0.69 compared to \$0.76 for the three months ended December 31, 2014.

Segment Analysis

Management evaluates the performance of its business units based primarily on segment income, which is defined as income from continuing operations before income taxes and noncontrolling interests excluding net financing charges, significant restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.

Building Efficiency

(in millions)	Net Sales Three Months Ended December 31,			Segment Income (Loss) Three Months Ended December 31,		
	2015	2014	Change	2015	2014	Change
Systems and Service North America	\$ 984	\$ 957	3%	\$ 93	\$ 64	45%
Products North America	557	558	0%	17	44	-61%
Asia	992	501	98%	62	49	27%
Rest of World	423	481	-12%	(5)	—	*
	<u>\$ 2,956</u>	<u>\$ 2,497</u>	<u>18%</u>	<u>\$ 167</u>	<u>\$ 157</u>	<u>6%</u>

* Measure not meaningful

Net Sales:

- The increase in Systems and Service North America was due to higher volumes of controls systems and service (\$48 million), partially offset by lower volumes related to a prior year business divestiture (\$9 million) and the unfavorable impact of foreign currency translation (\$12 million).
- The decrease in Products North America was due to the unfavorable impact of foreign currency translation (\$8 million), partially offset by higher volumes of residential products (\$7 million).
- The increase in Asia was due to incremental sales related to the Hitachi joint venture (\$537 million) and higher service volumes (\$9 million), partially offset by the unfavorable impact of foreign currency translation (\$30 million), and lower volumes of equipment and control systems (\$25 million).
- The decrease in Rest of World was due to the unfavorable impact of foreign currency translation (\$48 million), and lower volumes in Latin America (\$16 million) and Europe (\$13 million), partially offset by higher volumes in the Middle East (\$19 million).

Segment Income:

- The increase in Systems and Service North America was due to lower selling, general and administrative expenses (\$18 million), higher volumes (\$10 million) and favorable margin rates (\$4 million), partially offset by the unfavorable impact of foreign currency translation (\$2 million) and lower income due to a prior year business divestiture (\$1 million).
- The decrease in Products North America was due to higher selling, general and administrative expenses due to product investments (\$26 million), unfavorable margin rates (\$3 million), current year transaction costs (\$1 million) and the unfavorable impact of foreign currency translation (\$1 million), partially offset by higher volumes (\$2 million), higher equity income (\$1 million) and prior year transaction costs (\$1 million).
- The increase in Asia was due to incremental operating income related to the Hitachi joint venture (\$21 million), prior year transaction and integration costs (\$6 million), favorable margin rates (\$4 million), and lower selling, general and administrative expenses (\$1 million), partially offset by current year transaction and integration costs (\$12 million), the unfavorable impact of foreign currency translation (\$4 million) and lower volumes (\$3 million).
- The decrease in Rest of World was due to higher selling, general and administrative expenses (\$6 million), lower volumes (\$3 million) and the unfavorable impact of foreign currency translation (\$1 million), partially offset by higher equity income (\$5 million).

Automotive Experience

(in millions)	Net Sales Three Months Ended December 31,			Segment Income Three Months Ended December 31,		
	2015	2014	Change	2015	2014	Change
Seating	\$ 4,086	\$ 4,135	-1%	\$ 166	\$ 201	-17%
Interiors	147	1,148	-87%	12	33	-64%
	<u>\$ 4,233</u>	<u>\$ 5,283</u>	<u>-20%</u>	<u>\$ 178</u>	<u>\$ 234</u>	<u>-24%</u>

Net Sales:

- The decrease in Seating was due to the unfavorable impact of foreign currency translation (\$258 million), and net unfavorable pricing and commercial settlements (\$28 million), partially offset by higher volumes (\$218 million) and incremental sales related to a prior year business acquisition (\$19 million).
- The decrease in Interiors was due to the deconsolidation of the majority of the Interiors business in the prior year (\$989 million), the unfavorable impact of foreign currency translation (\$12 million), and net unfavorable pricing and commercial settlements (\$5 million), partially offset by higher volumes (\$5 million).

Segment Income:

- The decrease in Seating was due to current year separation costs related to the proposed Automotive Experience spin-off (\$87 million), the unfavorable impact of foreign currency translation (\$10 million), net unfavorable pricing and commercial settlements (\$9 million), and unfavorable mix (\$3 million), partially offset by higher volumes (\$24 million), lower selling, general and administrative expenses (\$20 million), lower engineering expenses (\$10 million), lower purchasing costs (\$8 million), lower operating costs (\$8 million), higher equity income (\$2 million) and incremental operating income related to a prior year business acquisition (\$2 million).
- The decrease in Interiors was due to the impact of the July 2, 2015 joint venture transaction and related prior year held for sale depreciation impact (\$24 million), net unfavorable pricing and commercial settlements (\$5 million), higher operating costs (\$3 million), the unfavorable impact of foreign currency translation (\$1 million) and current year integration costs (\$1 million), partially offset by lower selling, general and administrative expenses (\$6 million), prior year transaction costs (\$6 million) and higher volumes (\$1 million).

Power Solutions

(in millions)	Three Months Ended December 31,		
	2015	2014	Change
Net sales	\$ 1,740	\$ 1,844	-6%
Segment income	342	315	9%

- Net sales decreased due to the unfavorable impact of foreign currency translation (\$118 million) and the impact of lower lead costs on pricing (\$45 million), partially offset by higher sales volumes (\$55 million), and favorable pricing and product mix (\$4 million).
- Segment income increased due to lower selling, general and administrative expenses (\$20 million), favorable pricing and product mix (\$19 million), and higher volumes (\$17 million), partially offset by the unfavorable impact of foreign currency translation (\$20 million) and higher operating costs (\$9 million).

Backlog

Building Efficiency's backlog relates to its control systems and service activity. At December 31, 2015, unearned backlog was \$4.5 billion, a decrease compared to \$4.6 billion at December 31, 2014. Adjusted for foreign currency, backlog was consistent as compared to the first quarter of last year.

Financial Condition

Working Capital

(in millions)	December 31, 2015	September 30, 2015	Change	December 31, 2014	Change
Current assets	\$ 10,921	\$ 10,469		\$ 11,862	
Current liabilities	(11,301)	(10,446)		(11,313)	
	(380)	23	*	549	*
Less: Cash	(414)	(597)		(168)	
Add: Short-term debt	611	52		1,075	
Add: Current portion of long-term debt	1,242	813		139	
Less: Assets held for sale	—	(55)		(2,112)	
Add: Liabilities held for sale	—	42		1,706	
Working capital (as defined)	<u>\$ 1,059</u>	<u>\$ 278</u>	*	<u>\$ 1,189</u>	-11%
Accounts receivable	\$ 5,745	\$ 5,751	0%	\$ 5,360	7%
Inventories	2,769	2,377	16%	2,439	14%
Accounts payable	4,936	5,174	-5%	4,584	8%

* Measure not meaningful

- The Company defines working capital as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt, and the current portion of assets and liabilities held for sale. Management believes that this measure of working capital, which excludes financing-related items, provides a more useful measurement of the Company's operating performance.
- The increase in working capital at December 31, 2015 as compared to September 30, 2015 was primarily due the impact of the Hitachi joint venture, a decrease in accounts payable due to timing of supplier payments, and lower accrued compensation and benefits primarily due to timing of incentive compensation payments, partially offset by a decrease in accounts receivable due to the timing of customer receipts. Compared to December 31, 2014, the decrease in working capital was primarily due the impact of the Automotive Experience Interiors joint venture transaction and changes in foreign exchange rates, partially offset by the impact of the Hitachi joint venture.
- The Company's days sales in accounts receivable at December 31, 2015 were 60, higher than 56 at September 30, 2015 and 58 at December 31, 2014. There have been no significant adverse changes in the level of overdue receivables or changes in revenue recognition methods.
- The Company's inventory turns for the three months ended December 31, 2015 were lower than the comparable period ended September 30, 2015 and higher than the comparable period ended December 31, 2014 primarily due to changes in inventory production levels.
- Days in accounts payable at December 31, 2015 were 67 days, lower than 74 and 70 at the comparable periods ended September 30, 2015 and December 31, 2014, respectively.

Cash Flows

(in millions)	Three Months Ended December 31,	
	2015	2014
Cash used by operating activities	\$ (13)	\$ (160)
Cash used by investing activities	(384)	(254)
Cash provided by financing activities	214	229
Capital expenditures	(282)	(262)

- The decrease in cash used by operating activities for the three months ended December 31, 2015 was primarily due to favorable changes in accounts payable and accrued liabilities, and lower income tax payments, partially offset by changes in accounts receivable.
- The increase in cash used by investing activities for the three months ended December 31, 2015 was primarily due to cash paid for the Hitachi investment in the current year.
- The decrease in cash provided by financing activities for the three months ended December 31, 2015 was primarily due to higher short-term debt increases in the prior year and an increase in dividends paid to noncontrolling interests related to the Hitachi joint venture in the current year, partially offset by prior year stock repurchases.
- The increase in capital expenditures for the three months ended December 31, 2015 primarily relates to capital investments in the Power Solutions business.

Deferred Taxes

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

The Company has certain subsidiaries, mainly located in Brazil, China, France, Slovakia, Spain and the United Kingdom, which have generated operating and/or capital losses and, in certain circumstances, have limited loss carryforward periods. In accordance with ASC 740, "Income Taxes," the Company is required to record a valuation allowance when it is more likely than not the Company will not utilize deductible amounts or net operating losses for each legal entity or consolidated group based on the tax rules in the applicable jurisdiction, evaluating both positive and negative historical evidences as well as expected future events and tax planning strategies.

Capitalization

(in millions)	December 31, 2015	September 30, 2015	Change	December 31, 2014	Change
Short-term debt	\$ 611	\$ 52		\$ 1,075	
Current portion of long-term debt	1,242	813		139	
Long-term debt	5,301	5,745		6,322	
Total debt	<u>7,154</u>	<u>6,610</u>	8%	<u>7,536</u>	-5%
Shareholders' equity attributable to Johnson Controls, Inc.	10,506	10,376	1%	10,823	-3%
Total capitalization	<u>\$ 17,660</u>	<u>\$ 16,986</u>	4%	<u>\$ 18,359</u>	-4%
Total debt as a % of total capitalization	<u>41%</u>	<u>39%</u>		<u>41%</u>	

- The Company believes the percentage of total debt to total capitalization is useful to understanding the Company's financial condition as it provides a review of the extent to which the Company relies on external debt financing for its funding and is a measure of risk to its shareholders.
- At December 31, 2015 and 2014, the Company had committed bilateral euro denominated revolving credit facilities totaling 237 million euro. Additionally, at December 31, 2015 and 2014, the Company had committed bilateral U.S. dollar denominated revolving credit facilities totaling \$135 million. As of December 31, 2015, facilities in the amount of 237 million euro are scheduled to expire in fiscal year 2016 and facilities in the amount of \$135 million are scheduled to expire in fiscal year 2017. There were no draws on any of these revolving facilities as of December 31, 2015.
- In December 2015, the Company entered into a nine-month, \$125 million, floating rate term loan scheduled to mature in September 2016. Proceeds from the term loan were used for general corporate purposes.
- In December 2015, the Company entered into a nine-month, \$200 million, floating rate term loan scheduled to mature in September 2016. Proceeds from the term loan were used for general corporate purposes.
- In June 2015, the Company entered into a five-year, 37 billion yen floating rate syndicated term loan scheduled to mature in June 2020. Proceeds from the syndicated term loan were used for general corporate purposes.
- In May 2015, the Company made a partial repayment of 32 million euro in principal amount, plus accrued interest, of its 70 million euro floating rate credit facility scheduled to mature in November 2017.
- In March 2015, the Company retired \$125 million in principal amount, plus accrued interest, of its 7.7% fixed rate notes that matured in March 2015.
- In February 2015, the Company entered into a seven-month, \$150 million, floating rate term loan scheduled to mature in September 2015. Proceeds from the term loan were used for general corporate purposes. The loan was repaid in the quarter ending September 30, 2015.
- In January 2015, the Company entered into a one-year, \$90 million, committed revolving credit facility scheduled to mature in January 2016. The Company drew on the full credit facility during the quarter ended March 31, 2015. Proceeds from the revolving credit facility were used for general corporate purposes. The \$90 million was repaid in September 2015.
- In December 2014, the Company entered into a nine-month, \$500 million, floating rate term loan scheduled to mature in September 2015. Proceeds from the term loan were used for general corporate purposes. The loan was repaid in the quarter ending September 30, 2015.

- In December 2014, the Company entered into a nine-month, \$100 million, floating rate term loan scheduled to mature in September 2015. Proceeds from the term loan were used for general corporate purposes. The loan was repaid in the quarter ending September 30, 2015.
- The Company also selectively makes use of short-term credit lines. The Company estimates that, as of December 31, 2015, it could borrow up to \$1.9 billion based on average borrowing levels during the quarter on committed credit lines.
- The Company believes its capital resources and liquidity position at December 31, 2015 are adequate to meet projected needs. The Company believes requirements for working capital, capital expenditures, dividends, stock repurchases, pension contributions, debt maturities and any potential acquisitions in the remainder of fiscal 2016 will continue to be funded from operations, supplemented by short- and long-term borrowings, if required. The Company currently manages its short-term debt position in the U.S. and euro commercial paper markets and bank loan markets. In the event the Company is unable to issue commercial paper, it would have the ability to draw on its \$2.5 billion revolving credit facility, which matures in August 2018. There were no draws on the revolving credit facility as of December 31, 2015. As such, the Company believes it has sufficient financial resources to fund operations and meet its obligations for the foreseeable future.
- The Company earns a significant amount of its operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. The Company currently does not intend nor foresee a need to repatriate these funds. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits. The Company expects existing domestic cash and liquidity to continue to be sufficient to fund the Company's domestic operating activities and cash commitments for investing and financing activities for at least the next twelve months and thereafter for the foreseeable future. In addition, the Company expects existing foreign cash, cash equivalents, short-term investments and cash flows from operations to continue to be sufficient to fund the Company's foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next twelve months and thereafter for the foreseeable future. Should the Company require more capital in the U.S. than is generated by operations domestically, the Company could elect to raise capital in the U.S. through debt or equity issuances. This alternative could result in increased interest expense or other dilution of the Company's earnings. The Company has borrowed funds domestically and continues to have the ability to borrow funds domestically at reasonable interest rates.
- The Company's debt financial covenants require a minimum consolidated shareholders' equity attributable to Johnson Controls, Inc. of at least \$3.5 billion at all times and allow a maximum aggregated amount of 10% of consolidated shareholders' equity attributable to Johnson Controls, Inc. for liens and pledges. For purposes of calculating the Company's covenants, consolidated shareholders' equity attributable to Johnson Controls, Inc. is calculated without giving effect to (i) the application of ASC 715-60, "Defined Benefit Plans - Other Postretirement," or (ii) the cumulative foreign currency translation adjustment. As of December 31, 2015, consolidated shareholders' equity attributable to Johnson Controls, Inc. as defined per the Company's debt financial covenants was \$11.7 billion and there was a maximum of \$240 million of liens outstanding. The Company expects to remain in compliance with all covenants and other requirements set forth in its credit agreements and indentures for the foreseeable future. None of the Company's debt agreements limit access to stated borrowing levels or require accelerated repayment in the event of a decrease in the Company's credit rating.

New Accounting Standards

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in the consolidated statements of financial position. During the quarter ended December 31, 2015, the Company early adopted ASU No. 2015-17 and applied the change retrospectively to all periods presented. Refer to Note 1, "Financial Statements," of the notes to consolidated financial statements for further information regarding the impact of the adoption of this guidance on the Company's consolidated statements of financial position.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory." ASU No. 2015-11 requires inventory that is recorded using the first-in, first-out method to be measured at the lower of cost or net realizable value. ASU No. 2015-11 will be effective retrospectively for the Company for the quarter ending December 31, 2017, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Such investments should be

disclosed separate from the fair value hierarchy. ASU No. 2015-07 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements but will impact pension asset disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU No. 2015-03 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU No. 2015-02 amends the analysis performed to determine whether a reporting entity should consolidate certain types of legal entities. ASU No. 2015-02 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 clarifies the principles for recognizing revenue when an entity either enters into a contract with customers to transfer goods or services or enters into a contract for the transfer of non-financial assets. The original standard was effective retrospectively for the Company for the quarter ending December 31, 2017; however in August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09 by one-year for all entities. The new standard will become effective retrospectively for the Company for the quarter ending December 31, 2018, with early adoption permitted, but not before the original effective date. The Company is currently assessing the impact adoption of this guidance will have on its consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, and requires expanded disclosures for discontinued operations. ASU No. 2014-08 was effective for the Company for the quarter ended December 31, 2015. The adoption of this guidance did not have any impact on the Company's consolidated financial statements as there were no dispositions or disposals during the quarter ended December 31, 2015.

Other Financial Information

The interim financial information included in this Quarterly Report on Form 10-Q has not been audited by PricewaterhouseCoopers LLP (PwC). PwC has, however, applied limited review procedures in accordance with professional standards for reviews of interim financial information. Accordingly, you should restrict your reliance on their reports on such information. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its reports on the interim financial information because such reports do not constitute "reports" or "parts" of the registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2015, the Company had not experienced any adverse changes in market risk exposures that materially affected the quantitative and qualitative disclosures presented in the Company's Annual Report on Form 10-K for the year ended September 30, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15 (e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon their evaluation of these disclosure controls and procedures, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures were effective as of December 31, 2015 to ensure that information required to be disclosed by the Company

in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding disclosure.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting during the three months ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As noted in Item 1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2015, liabilities potentially arise globally under various environmental laws and worker safety laws for activities that are not in compliance with such laws and for the cleanup of sites where Company-related substances have been released into the environment.

Currently, the Company is responding to allegations that it is responsible for performing environmental remediation, or for the repayment of costs spent by governmental entities or others performing remediation, at approximately 38 sites in the United States. Many of these sites are landfills used by the Company in the past for the disposal of waste materials; others are secondary lead smelters and lead recycling sites where the Company returned lead-containing materials for recycling; a few involve the cleanup of Company manufacturing facilities; and the remaining fall into miscellaneous categories. The Company may face similar claims of liability at additional sites in the future. Where potential liabilities are alleged, the Company pursues a course of action intended to mitigate them.

The Company accrues for potential environmental liabilities in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. Reserves for environmental liabilities totaled \$24 million, \$23 million and \$23 million at December 31, 2015, September 30, 2015 and December 31, 2014, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company does not currently believe that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the Power Solutions business. At December 31, 2015, September 30, 2015 and December 31, 2014, the Company recorded conditional asset retirement obligations of \$58 million, \$59 million and \$53 million, respectively.

In June 2013, the Company self-reported to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) alleged Foreign Corrupt Practices Act (FCPA) violations related to its Building Efficiency marine business in China dating back to 2007. These allegations were isolated to the Company's marine business in China which had annual sales ranging from \$20 million to \$50 million during this period. The Company, under the oversight of its Audit Committee and Board of Directors, proactively initiated an investigation into this matter with the assistance of external legal counsel and external forensic accountants. In connection with this investigation, the Company has made and continues to evaluate certain enhancements to its FCPA compliance program. The Company continues to fully cooperate with the SEC and the DOJ, including engaging in discussions regarding the resolution of the matter, which are ongoing. The Company does not anticipate any material adverse effect on its business or financial condition as a result of this matter.

An investigation by the European Commission (EC) related to European lead recyclers' procurement practices is currently underway, with the Company one of several named companies subject to review. On June 24, 2015, the EC initiated proceedings and adopted a statement of objections alleging infringements of competition rules in Europe against the Company and certain

other companies. The Company will continue to cooperate with the EC in their proceedings and do not anticipate any material adverse effect on our business or financial condition. The Company's policy is to comply with antitrust and competition laws and, if a violation of any such laws is found, to take appropriate remedial action and to cooperate fully with any related governmental inquiry. Competition and antitrust law investigations may continue for several years and can result in substantial fines depending on the gravity and duration of the violations.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

ITEM 1A. RISK FACTORS

There have been no material changes to the disclosure regarding risk factors presented in Item 1A to the Company's Annual Report on Form 10-K for the year ended September 30, 2015, except for the additional risk factors presented below within the "General Risks."

Completion of the merger with Tyco is subject to a number of conditions, and if these conditions are not satisfied or waived (if permissible under applicable law), the merger will not be completed.

The completion of the merger with Tyco is subject to certain closing conditions, including, among others, (i) the approval and adoption of the Merger Agreement by holders of two thirds of the Company's shares entitled to vote on such matter, (ii) the approval by Tyco's shareholders at a special meeting of the Tyco shareholders (the "Tyco Special Meeting") of (A) the issuance of Tyco shares in connection with the merger, (B) the Tyco share consolidation and (C) the increase in Tyco's authorized share capital, in each case, by a majority of the votes cast on these matters at the Tyco Special Meeting, and of certain amendments to Tyco's articles of association, including a change of its name to "Johnson Controls plc," by at least 75% of the votes cast on these matters at the Tyco Special Meeting, (iii) the expiration or termination of any waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the consent of, or filing with, certain specified antitrust authorities, and certain other customary regulatory approvals, and (iv) Tyco's obtaining the financing required to close the merger on the terms set forth in the Merger Agreement. There can be no assurance that the conditions to the completion of the merger will be satisfied or waived (if permissible under applicable law) or that the merger will be completed. Additionally, if the merger is not completed because the Merger Agreement is terminated under certain circumstances, the Company may be required to pay Tyco a termination fee of up to \$500 million and/or reimburse Tyco's expenses of up to \$35 million plus up to an additional \$65 million of Tyco's financing expenses (which reimbursement would be deducted from any termination fee owed to Tyco).

The combined company may fail to realize the anticipated benefits of the merger.

The success of the merger will depend on, among other things, the combined company's ability to combine the Company's and Tyco's businesses in a manner that facilitates growth opportunities and realizes anticipated synergies, and achieves the projected stand-alone cost savings and revenue growth trends identified by each company. It is expected that the combined company will benefit from operational and general and administrative cost synergies resulting from the consolidation of capabilities and branch optimization, as well as greater tax efficiencies from global management and global cash movement. The combined company may also enjoy revenue synergies, including product and service cross-selling, a more diversified and expanded product offering and balance across geographic regions.

However, the combined company must successfully combine the businesses of the Company and Tyco in a manner that permits these cost savings and synergies to be realized. In addition, the combined company must achieve the anticipated savings and synergies without adversely affecting current revenues and investments in future growth. If the combined company is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

Other factors may prevent the combined company from realizing the anticipated benefits of the merger or impact its future performance. These include, among other items, the possibility that the contingent liabilities of either party (including contingent tax liabilities) are larger than expected, the existence of unknown liabilities, adverse consequences and unforeseen increased expenses associated with the merger and possible adverse tax consequences to the combined company pursuant to changes in applicable tax laws or regulations. In addition, the combined company may be subject to additional restrictions resulting from Tyco's incurrence of debt in connection with the merger.

The Company will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on the Company and consequently on the combined company. These uncertainties may impair each of the Company's and Tyco's ability to attract, retain and motivate key personnel until the merger is completed, and could cause suppliers, customers and others that deal with the parties to seek to change existing business relationships with them. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with the businesses, the combined company's business following the merger could be negatively impacted. In addition, the Merger Agreement restricts each of the Company and Tyco from making certain acquisitions and expenditures, entering into certain contracts, and taking other specified actions until the merger occurs without the consent of the other party. These restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to the completion of the merger.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In November 2012, the Company's Board of Directors authorized a stock repurchase program to acquire up to \$500 million of the Company's outstanding common stock, which supersedes any prior programs. In September 2013, the Company's Board of Directors authorized up to an additional \$500 million in stock repurchases of the Company's outstanding common stock, and in November 2013, the Company's Board of Directors authorized an additional \$3.0 billion under the stock repurchase program, both incremental to prior authorizations. Stock repurchases under the stock repurchase program may be made through open market, privately negotiated, or structured transactions or otherwise at times and in such amounts as Company management deems appropriate. The stock repurchase program does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice.

The Company entered into an Equity Swap Agreement, dated March 13, 2009, with Citibank, N.A. (Citibank). The Company selectively uses equity swaps to reduce market risk associated with its stock-based compensation plans, such as its deferred compensation plans. These equity compensation liabilities increase as the Company's stock price increases and decrease as the Company's stock price decreases. In contrast, the value of the Equity Swap Agreement moves in the opposite direction of these liabilities, allowing the Company to fix a portion of the liabilities at a stated amount.

In connection with the Equity Swap Agreement, Citibank may purchase unlimited shares of the Company's stock in the market or in privately negotiated transactions. The Company disclaims that Citibank is an "affiliated purchaser" of the Company as such term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act or that Citibank is purchasing any shares for the Company. The Equity Swap Agreement has no stated expiration date. The net effect of the change in fair value of the Equity Swap Agreement and the change in equity compensation liabilities was not material to the Company's earnings for the three months ended December 31, 2015.

The following table presents information regarding the repurchase of the Company's common stock by the Company as part of the publicly announced program and purchases of the Company's common stock by Citibank in connection with the Equity Swap Agreement during the three months ended December 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs
10/1/15 - 10/31/15				
Purchases by Company	—	—	—	\$ 1,039,079,297
11/1/15 - 11/30/15				
Purchases by Company	—	—	—	\$ 1,039,079,297
12/1/15 - 12/31/15				
Purchases by Company	—	—	—	\$ 1,039,079,297
10/1/15 - 10/31/15				
Purchases by Citibank	—	—	—	NA
11/1/15 - 11/30/15				
Purchases by Citibank	—	—	—	NA
12/1/15 - 12/31/15				
Purchases by Citibank (1)	—	—	—	NA

(1) In December 2015, Citibank reduced its holding of the Company's stock by 200,000 shares in connection with the Equity Swap Agreement.

ITEM 6. EXHIBITS

Reference is made to the separate exhibit index contained on page 53 filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JOHNSON CONTROLS, INC.

Date: February 1, 2016

By: /s/ Brian J. Stief

Brian J. Stief
Executive Vice President and
Chief Financial Officer

JOHNSON CONTROLS, INC.

Form 10-Q

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of January 24, 2016, by and among Johnson Controls, Inc., Tyco International plc, and certain other parties named therein, including Jagara Merger Sub, LLC (incorporated by reference to Exhibit 2.1 to Johnson Controls, Inc.'s Current Report on Form 8-K filed January 27, 2016) (Commission File No. 1-5097).
10.1	Johnson Controls, Inc. Executive Deferred Compensation Plan, as amended and restated effective January 1, 2016.
10.2	Johnson Controls, Inc. Retirement Restoration Plan, as amended and restated effective January 1, 2016.
10.3	Johnson Controls, Inc. Deferred Compensation Plan for Certain Directors, as amended and restated effective January 5, 2016.
10.4	Amended and Restated Executive Employment Agreement, dated as of January 24, 2016, by and between Johnson Controls, Inc. and Alex A. Molinaroli (incorporated by reference to Exhibit 10.1 to Johnson Controls, Inc.'s Current Report on Form 8-K filed January 27, 2016) (Commission File No. 1-5097).
10.5	Amended and Restated Change of Control Executive Employment Agreement, dated as of January 24, 2016, by and between Johnson Controls, Inc. and Alex A. Molinaroli (incorporated by reference to Exhibit 10.2 to Johnson Controls, Inc.'s Current Report on Form 8-K filed January 27, 2016) (Commission File No. 1-5097).
15	Letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated February 1, 2016, relating to Financial Information.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Johnson Controls, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Position, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

**JOHNSON CONTROLS, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN**

**ARTICLE 1.
PURPOSE AND DURATION**

Section 1.1. Purpose. The Johnson Controls, Inc. Executive Deferred Compensation Plan (the "Plan") permits certain employees of the Company and its Affiliates to defer amounts otherwise payable or shares deliverable under separate bonus or equity plans or programs maintained by the Company or an Affiliate.

Section 1.2. Duration. The Plan was originally effective on October 1, 2001, as a consolidation of the deferral features of various separate plans. The Plan has been amended several times since it was originally effective, and is most recently amended and restated effective as of January 1, 2016 (the "Amended and Restated Effective Date"). The Plan shall remain in effect until terminated by the Board pursuant to Section 9.6.

**ARTICLE 2.
DEFINITIONS AND CONSTRUCTION**

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

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

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

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

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

(e) "Affiliated Company" or "Affiliated Companies" shall include any company or companies controlled by, controlling or under common control with the Company.

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

(g) "Board" means the Board of Directors of the Company.

(h) "Change of Control" has the meaning ascribed in Section 8.2 or Section 8.4, as applicable.

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

(j) "Committee" means the Compensation Committee of the Board, which shall consist of not less than two members of the Board, each of whom is also a director of the Company and qualifies as a "non-employee director" for purposes of Rule 16b-3 of the Exchange Act.

(k) "Company" means Johnson Controls, Inc., and its successors as provided in Section 9.8.

(l) "Deferrable Compensation" means the following types of compensation that may be deferred under the Plan:

(1) Annual Incentive Awards: All or a portion of a Participant's performance cash award under the Johnson Controls, Inc. Annual Incentive Performance Plan (or any successor plan thereto) and, with the consent of the Administrator, any other annual bonus plan maintained by the Company or an Affiliate.

(2) Long-Term Incentive Awards: All or a portion of a Participant's performance cash award under the Johnson Controls, Inc. Long-Term Incentive Performance Plan (or any successor plan thereto) and, with the consent of the Administrator, any other multi-year bonus plan maintained by the Company or an Affiliate.

(3) Restricted Shares: The Shares that would have otherwise been issued to a Participant in the form of restricted stock under any plan of the Company providing for the grant of restricted stock, but only to the extent the Committee (with respect to those Participants who are Company officers), or the Administrator (with respect to all other Participants), designates the restricted stock as being eligible for deferral hereunder.

(4) Other Incentive Compensation: Any other incentive award or compensation that the Committee (with respect to those Participants who are Company officers), or the Administrator (with respect to all other Participants), designates is eligible for deferral hereunder.

(m) "Deferral" means the amount credited, in accordance with a Participant's election or as required by the Plan, to the Participant's Account in lieu of the payment in cash thereof, or the issuance of Shares with respect thereto. Deferrals include the following:

(1) Annual Incentive Deferrals: A deferral of all or a portion of a Participant's Annual Incentive Award, as described in subsection (l)(1).

- (2) Long-Term Incentive Deferrals: A deferral of all or a portion of a Participant's Long-Term Incentive Award, as described in subsection (l)(2).
- (3) Share Deferrals: A deferral of Shares of restricted stock, as described in subsection (l)(3).
- (4) Other Incentive Compensation: A deferral of any other type of Deferrable Compensation, as described in subsection (l)(4).
- (5) Automatic Deferred Dividends: A deferral of the dividends or dividend equivalents paid with respect to equity-based awards that are automatically deferred hereunder pending the vesting or earning of such equity-based award.

(n) "ERISA" means the Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.

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

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

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

(r) "Participant" means an employee of the Company or any Affiliate who is employed in the United States and is participating in the Company's Stock Ownership Program, and any other employee of the Company or any Affiliate who is selected for participation under a Company or Affiliate plan described in paragraph (l) and who is offered the ability (or is required) to make Deferrals hereunder. Notwithstanding the foregoing, the Committee shall limit the foregoing group of eligible employees to a select group of management and highly compensated employees, as determined by the Committee in accordance with ERISA. Where the context so requires, a Participant also means a former employee entitled to receive a benefit hereunder.

(s) "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

(t) "Plan Year" means the fiscal year of the Company.

(u) "Separation from Service" means a Participant's cessation of service for the Company and all Affiliates within the meaning of Code Section 409A, including the following rules:

- (1) If a Participant takes a leave of absence from the Company or an Affiliate for purposes of military leave, sick leave or other bona fide leave of absence, the Participant's employment will be deemed to continue for the first six (6) months of the leave of absence, or if longer, for so long as the Participant's right to reemployment is provided by either by statute or by contract; provided that if the leave of absence is due to the Participant's medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of six (6) months or more, and such impairment causes the Participant to be unable to perform the duties of his position with the Company or an Affiliate or a substantially similar position of employment, then the leave period may be extended for up to a total of twenty-nine (29) months. If the period of the leave exceeds the time periods set forth above and the Participant's right to reemployment is not provided by either statute or contract, the Participant will be considered to have incurred a Separation from Service on the first day following the time periods set forth above.
- (2) A Participant will be presumed to have incurred a Separation from Service when the level of bona fide services performed by the Participant for the Company and its Affiliates permanently decreases to a level equal to 20% or less of the average level of services performed by the Participant for the Company or its Affiliates during the immediately preceding thirty-six (36) month period (or such lesser period of service).
- (3) The Participant will be presumed not to have incurred a Separation from Service while the Participant continues to provide bona fide services to the Company or an Affiliate in any capacity (whether as an employee or independent contractor) at a level that is at least 50% or more of the average level of services performed by the Participant for the Company or its Affiliates during the immediately preceding thirty-six (36) month period (or such lesser period of service).

(v) "Share" means a share of common stock of the Company.

(w) "Share Unit Account" means the account described in Article 7, which is deemed invested in Shares.

(x) "Share Units" means the hypothetical Shares that are credited to the Share Unit Account in accordance with Article 7.

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

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

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

ARTICLE 3. **PARTICIPATION**

Section 3.1. Effective Date. Each individual for whom an Account is maintained under the Plan as of the Amended and Restated Effective Date shall continue in participation hereunder on the day following the Amended and Restated Effective Date.

Section 3.2. New Participants. Each employee of the Company or an Affiliate shall automatically become a Participant on the date he makes (or is deemed to make) a deferral election under

ARTICLE 4. **DEFERRALS OF COMPENSATION**

Section 4.1. Deferral Elections. A Participant may elect to defer all or part of his Deferrable Compensation pursuant to one or more of the following provisions, as applicable to such compensation, subject to any limitations imposed by the Committee (with respect to Participants who are Company officers) or the Administrator (with respect to all other Participants). A Participant's election to defer an award shall be effective only for the award to which the election relates, and shall not carry over from award to award. All deferral elections shall be for a minimum of \$1,000. As of the end of the applicable election period, the Participant's deferral election shall be irrevocable except as provided in Section 4.3.

(a) Calendar Year. A Participant may make a deferral election during the calendar year preceding the calendar year for which an award is made.

(b) Forfeitable Rights. With respect to an award which is subject to a risk of forfeiture, a Participant may make a deferral election prior to or within the first thirty (30) days following the grant date; provided, the election may apply only to the portion of the award that vests on or after the first anniversary of the award grant date. This election shall be available even if the terms of the award provide that the award will vest prior to the first anniversary of the award grant date in the event of the Participant's death, disability (as defined in Code Section 409A) or a change of control event (as defined in Code Section 409A); provided that, if the award so vests prior to the first anniversary of the grant date, then if and to the extent required by Code Section 409A, such deferral election shall be cancelled.

(c) Initial Eligibility. A Participant may make a deferral election within the first thirty (30) days of becoming a Participant; provided such Participant has not previously been eligible for participation in any other deferred compensation plan that is required to be aggregated with this Plan for purposes of Code Section 409A. Such election shall only be effective with respect to compensation for services to be performed subsequent to the date of the election.

(d) Performance-Based Compensation. With respect to a performance-based award, a Participant may make a deferral election within the first 180 days of the performance period for which the award is made. Notwithstanding the foregoing:

- (1) if the Company determines that an award qualifies as performance-based compensation within the meaning of Code Section 409A, the Company may specify

a later election period, which in all events must end 180 days prior to the end of the performance period for such award; provided that any election made hereunder shall not be applicable to compensation that is readily ascertainable at the time of the election, or

- (2) if the Company determines that an award does not qualify as performance-based compensation within the meaning of Code Section 409A, or determines that, at the time of the election described above, the compensation payable under such award will be readily ascertainable, then the Company may specify an earlier election period consistent with the requirements of Code Section 409A.

(e) Other Deferrals Rules. A Participant may make a deferral election at such other times not described above as may be permitted by the Company consistent with the requirements of Code Section 409A.

Section 4.2. Deferral of Automatic Deferred Dividends. All cash dividends and dividend equivalents units paid with respect to unearned or unvested equity-based awards granted by the Company to a Participant (and for which the Participant has not otherwise made a deferral election hereunder) shall be automatically deferred as Automatic Deferred Dividends. Automatic Deferred Dividends shall be subject to the same risk of forfeiture as the equity-based awards to which such Deferrals relate.

Section 4.3. Cancellation of Deferral Elections. If the Administrator determines that a Participant's deferral elections must be cancelled in order for the Participant to receive a hardship distribution under the Johnson Controls Savings and Investment (401k) Plan (or any successor plan thereto), or any other 401(k) plan maintained by the Company or an Affiliate, the Participant's deferral election(s) shall be cancelled if permitted under Code Section 409A. A Participant whose deferral election(s) are cancelled pursuant to this Section 4.3 may make a new deferral election under Sections 4.1 or 4.2, and pursuant to the requirements of Code Section 409A, with respect to future incentive awards, unless otherwise prohibited by the Administrator.

Section 4.4. Administration of Deferral Elections. All deferral elections must be made in the form and manner and within such time periods as the Company prescribes in order to be effective.

ARTICLE 5. **HYPOTHETICAL INVESTMENT OPTIONS**

Section 5.1. Investment Election.

(a) Investment Elections. Subject to subsection (b) and unless otherwise determined by the Administrator, amounts credited to a Participant's Account shall reflect the investment experience of the Investment Options selected by the Participant. The Participant may make an initial investment election at the time of enrollment in the Plan in whole increments of one percent (1%). Subject to subsection (b), a Participant may also elect to reallocate his or her Account, and may elect to allocate any future Deferrals, among the various Investment Options in whole increments of one percent (1%) from time to time as prescribed by the Administrator. Notwithstanding the foregoing, unless otherwise determined by the Administrator, Share Deferrals or Other Incentive Compensation measured in relation to a Share shall be automatically invested in the Share Unit Account and may be re-allocated out of such Investment Option only after the Share Deferrals or Other Incentive Compensation are either vested or earned, subject to any additional restrictions on re-allocation as may be imposed by the Company. Such investment elections shall

remain in effect until changed by the Participant. All investment elections shall become effective as soon as practicable after receipt of such election by the Administrator, and must be made in the form and manner and within such time periods as the Administrator prescribes in order to be effective. In the absence of an effective election, the Participant's Account (to the extent the Plan does not require Deferrals to be allocated to the Share Unit Account) shall be deemed invested in the default fund specified for the Johnson Controls Inc. Savings and Investment (401k) Plan (or any successor plan thereto).

(b) Automatic Investment of Deferred Dividends. Automatic Deferred Dividends shall be automatically deemed invested in the Share Unit Account and shall not be re-allocated out of such account.

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

Section 5.2. Allocations to Investment Options.

(a) General Rule. All Deferrals will be deemed invested in an Investment Option as of the date on which the deferrals would have otherwise been paid to the Participant.

(b) Automatic Deferred Dividends. If a Participant is holding restricted shares of the Company's stock or other unearned or unvested equity-based awards with accompanying dividend equivalent rights when the Company declares a cash dividend on its Shares, the Participant's Share Unit Account will be credited with Automatic Deferred Dividends, as of the date the cash dividend is paid to the Company's shareholders. The amount of the Automatic Deferred Dividends credited to the Participant's Stock Unit Account shall be determined by multiplying the number of restricted shares or dividend equivalent rights held by such Participant on the date the dividend is declared by the amount of the dividend paid on one Share.

Section 5.3. Securities Law Restrictions. Notwithstanding anything to the contrary herein, all elections under Article 5 or 6 by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Administrator prior to implementation. In accordance with Section 9.3, the Administrator may restrict additional transactions, rescind transactions, or impose other rules and procedures, to the extent deemed desirable by the Administrator in order to comply with the Exchange Act, including, without limitation, application of the review and approval provisions of this Section 5.3 to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.4. Accounts are For Record Keeping Purposes Only. Plan Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of the Company or any Affiliate to fund such benefits.

ARTICLE 6. **DISTRIBUTION OF ACCOUNTS**

Section 6.1. Form of Distribution. A Participant, at the time he makes an initial deferral election under the Plan pursuant to any provision of Article 4, shall elect the form of distribution with respect to each of the following sub-accounts:

(a) Annual Incentive Deferrals, including interest, earnings or losses thereon.

(b) Long-Term Incentive Deferrals, including interest, earnings or losses thereon.

(c) Share Deferrals, as adjusted for gains or losses thereon, that are held in the Participant's Share Unit Account as of that date. Notwithstanding the foregoing, if a Participant receives a single lump sum payment of his or her vested Share Deferrals under the Plan, any Share Deferrals vesting after such payment date shall be paid in a single lump sum promptly (but not more than seventy-five (75) days) after the vesting date.

(d) Other Incentive Compensation Deferrals, including interest, earnings or losses thereon.

Such election shall be made in such form and manner as the Administrator may prescribe, and shall be irrevocable. The election shall specify whether distributions shall be made in a single lump sum or from two (2) to ten (10) annual installments. In the absence of a distribution election with respect to a particular subaccount, payment shall be made in ten (10) annual installments.

No distribution election shall be made with respect to Deferred Automatic Deferred Dividends, which are automatically paid in a lump sum as provided in Section 6.2(b).

Section 6.2. Time of Distribution.

(a) Separation from Service. Except as set forth in subsection (b), upon a Participant's Separation from Service for any reason, the Participant, or his Beneficiary in the event of his death, shall be entitled to payment of the amount accumulated in such Participant's Account in cash.

(b) Payment of Automatic Deferred Dividends. Notwithstanding anything herein to the contrary, the portion of the Participant's Share Unit Account that is related to Automatic Deferred Dividends shall be paid to the Participant in a lump sum within seventy-five (75) days of the date the shares of restricted stock or other equity-based awards to which such Automatic Deferred Dividends relate vest or are earned. Payment may be made in cash, Shares or a mixture of cash and Shares, as determined by the Committee in its discretion. Any Shares distributed with respect to the Participant's Share Unit Account hereunder shall be deemed issued under the plan of the Company pursuant to which the related equity-based award was granted.

Section 6.3. Manner of Distribution. Except as set forth in Section 6.2(b), the Participant's Account shall be paid in cash in the following manner:

- (a) Lump Sum. If payment is to be made in a lump sum,
 - (1) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, payment shall be made in the first calendar quarter of the following year, and
 - (2) for those Participants whose Separation from Service occurs from July 1 through December 31 of a year, payment shall be made in the third calendar quarter of the following year.

The lump sum payment shall equal the balance of the Participant's Account as of the Valuation Date immediately preceding the distribution date.

(b) Installments. If payment is to be made in annual installments, the first annual payment shall be made:

- (1) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, in the first calendar quarter of the following year, and
- (2) for those Participants whose Separation from Service occurs during the period from July 1 through December 31 of a year, in the third calendar quarter of the following year.

The amount of the first annual payment shall equal the value of 1/10th (or 1/9th, 1/8th, 1/7th, etc. depending on the number of installments elected) of the balance of the Participant's Account as of the Valuation Date immediately preceding the distribution date. All subsequent annual payments shall be made in the first calendar quarter of each subsequent calendar year, and shall be in an amount equal to the value of 1/9th (or 1/8th, 1/7th, 1/6th, etc. depending on the number of installments elected) of the balance of the Participant's Account as of the Valuation Date immediately preceding the distribution date. The final annual installment payment shall equal the then remaining balance of such Account as of the Valuation Date preceding such final payment date.

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

Section 6.4. Distribution of Remaining Account Following Participant's Death. In the event of the Participant's death prior to receiving all payments due under this Article 6, the balance of the Participant's Account shall be paid to the Participant's Beneficiary in a lump sum in the first calendar quarter or the third calendar quarter, whichever first occurs after the Participant's death; provided that if the Participant dies prior to November 18, 2010, the death benefit shall be paid according to the prior provisions of the Plan. Notwithstanding the foregoing, in lieu of such lump sum death benefit, a Participant who has an installment payment election in effect may, prior to his or her termination of employment, elect to have any remaining installment payments continue to his or her Beneficiary in the event the Participant dies after beginning to receive such installment payments, provided that such election shall be given effect only if filed at least twelve (12) months prior to the date of the Participant's death.

Section 6.5. Tax Withholding. The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash and/or Fair Market Value of Shares sufficient to satisfy the Company's or Affiliate's foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Participant's Account balance shall be reduced by the amount needed to pay the Participant's portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramiding of the Code Section 3401 wages and taxes, but no greater than the aggregate of the FICA tax amount and the income tax withholding related to such FICA tax amount.

Section 6.6. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant's death).

Section 6.7. Additional Payment Provisions.

- (a) Acceleration of Payment. Notwithstanding the foregoing:
- (1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within ninety (90) days after the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant's income as a result of such failure.
 - (2) If an amount under the Plan is required to be immediately distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Administrator harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.
- (b) Delay in Payment. Notwithstanding the foregoing:
- (1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company or an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.
 - (2) If the distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7.
RULES WITH RESPECT TO SHARE UNITS

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

at the time such dividend is paid, and each Share Unit thereafter credited to the Participant's Share Unit Account at a time when such rights are attached to Shares, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one Share plus the then Fair Market Value of such right or rights then attached to one Share.

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

Section 7.3. No Shareholder Rights With Respect to Share Units. Participants shall have no rights as a stockholder pertaining to Share Units credited to their Accounts.

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

Section 8.1. Acceleration of Payments. Notwithstanding any other provision of this Plan, within 30 days after a Change of Control, each Participant (or any Beneficiary thereof entitled to receive payments hereunder), including Participants (or Beneficiaries) receiving installment payments under the Plan, shall be entitled to receive a lump sum payment in cash of all amounts accumulated in such Participant's Account. Such payment shall be made as soon as practicable (but not more than ninety (90) days) following the Change of Control; *provided* that the payment shall not be made prior to the date that is five (5) years after the occurrence of events that would have constituted a Change of Control as it was defined in this Plan prior to the Amended and Restated Effective Date.

The provisions of this Article 8 shall apply to amounts that were grandfathered under this Plan pursuant to Code Section 409A as well as to amounts that were not grandfathered.

In determining the amount accumulated in a Participant's Share Unit Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company's common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the "Composite Tape") during the sixty (60)-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 8.2(a) or Section 8.4(a), as applicable, the highest price per Share of the Company paid in such transaction or series of transactions.

Section 8.2. New Definition of a Change of Control. Subject to Section 8.4, a Change of Control means any of the following events, *provided* that each such event would constitute a change in control event within the meaning of Code Section 409A:

(a) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then-outstanding Shares (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of

Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (4) any acquisition by any corporation pursuant to a transaction that complies with Section 8.2(c)(1)-(3);

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

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or an Affiliated Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Section 8.3. Maximum Payment Limitation.

(a) Limit on Payments. Except as provided in subsection (b) below, if any portion of the payments or benefits described in this Plan or under any other agreement with or plan of the Company or an Affiliate (in the aggregate, "Total Payments"), would constitute an "excess parachute payment", then the Total Payments to be made to the Participant shall be reduced such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be one dollar (\$1) less than the maximum amount which the Participant may receive without becoming subject to the tax imposed by Section 4999 of the Code

or which the Company may pay without loss of deduction under Section 280G(a) of the Code. The terms "excess parachute payment" and "parachute payment" shall have the meanings assigned to them in Section 280G of the Code, and such "parachute payments" shall be valued as provided therein. Present value shall be calculated in accordance with Section 280G(d)(4) of the Code. Within forty (40) days following delivery of notice by the Company to the Participant of its belief that there is a payment or benefit due the Participant which will result in an excess parachute payment, the Participant and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by the Company's independent auditors and acceptable to the Participant in his sole discretion (which may be regular outside counsel to the Company), which opinion sets forth (1) the amount of the Base Period Income, (2) the amount and present value of Total Payments and (3) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section. As used in this Section, the term "Base Period Income" means an amount equal to the Participant's "annualized includible compensation for the base period" as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Participant. Such opinion shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such opinion determines that there would be an excess parachute payment, the payments hereunder that are includible in Total Payments or any other payment or benefit determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by the Participant in writing delivered to the Company within thirty (30) days of his receipt of such opinion or, if the Participant fails to so notify the Company, then as the Company shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section, the Participant and the Company shall obtain, at the Company's expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant. If the provisions of Sections 280G and 4999 of the Code are repealed without succession, then this Section shall be of no further force or effect.

(b) Employment Contract Governs. The provisions of subsection (a) above shall not apply to a Participant whose employment is governed by an employment contract that provides for Total Payments in excess of the limitation described in subsection (a) above.

Section 8.4. Prior Definition of a Change of Control. Notwithstanding anything to the contrary in Section 8.2, until the date that is twelve (12) months after the Amended and Restated Effective Date, a Change of Control means any of the following events, provided that each such event would constitute a change in control event within the meaning of Code Section 409A:

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

- (1) Fifty percent (50%) of the Outstanding Company Common Stock or
- (2) Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"),

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

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

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

For purposes of this Section 8.4, persons will not be considered to be acting as a "group" solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a "group" if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

ARTICLE 9. **GENERAL PROVISIONS**

Section 9.1. Administration.

(a) General. The Committee shall have overall discretionary authority with respect to administration of the Plan; *provided* that the Administrator shall have discretionary authority and

responsibility for the general operation and daily administration of the Plan and to decide claims and appeals as specified herein. If at any time the Committee shall not be in existence or not be composed of members of the Board who qualify as "non-employee directors", then all determinations affecting Participants who are subject to Section 16 of the Exchange Act shall be made by the full Board, and all determinations affecting other Participants shall be made by the Board or an officer of the Company or other committee appointed by the Board (with the assistance of the Administrator). The Committee or Administrator may, in its discretion, delegate any or all of its authority and responsibility; *provided* that the Committee shall not delegate authority and responsibility with respect to non-ministerial functions that relate to the participation by Participants who are subject to Section 16 of the Exchange Act at the time any such delegated authority or responsibility is exercised. To the extent of any such delegation, any references herein to the Committee or Administrator, as applicable, shall be deemed references to such delegatee. Interpretation of the Plan shall be within the sole discretion of the Committee or the Administrator with respect to their respective duties hereunder. If any delegatee of the Committee or the Administrator shall also be a Participant or Beneficiary, any determinations affecting the delegatee's participation in the Plan shall be made by the Committee or Administrator, as applicable.

(b) Authority and Responsibility. In addition to the authority specifically provided herein, the Committee and Administrator shall have the discretionary authority to take any action or make any determination deemed necessary for the proper administration of the Plan with regard to the respective duties of each under the Plan, including but not limited to: (1) prescribe rules and regulations for the administration of the Plan; (2) prescribe forms for use with respect to the Plan; (3) interpret and apply all of the Plan's provisions, reconcile inconsistencies or supply omissions in the Plan's terms; (4) make appropriate determinations, including factual determinations, and calculations; and (5) prepare all reports required by law. Any action taken by the Committee shall be controlling over any contrary action of the Administrator. The Committee and the Administrator may delegate their ministerial duties to third parties and to the extent such delegation, references to the Committee or Administrator herein shall mean such delegates, if any.

(c) Decisions Binding. The Committee's and Administrator's determinations shall be final and binding on all parties with an interest hereunder, unless determined to be arbitrary and capricious.

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

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

Section 9.2. Designation of Beneficiary. Each Participant may designate a Beneficiary in such form and manner and within such time periods as the Administrator may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Administrator while the Participant was alive shall be given effect. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of distribution, the designation shall vest in the Beneficiary the

distribution payable after the Participant's death, and such distribution if not paid by the Beneficiary's death shall be made to the Beneficiary's estate. In the event there is no valid beneficiary designation in effect at the time of the Participant's death, in the event the Participant's designated Beneficiary does not survive the Participant, or in the event that the beneficiary designation provides that the Beneficiary must be living at the time of distribution and such designated Beneficiary does not survive to the distribution date, the Participant's estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date the Administrator receives notice of the Participant's divorce or legal separation.

Section 9.3. Restrictions to Comply with Applicable Law. All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

Section 9.4. Claims Procedures.

(a) Initial Claim. If a Participant or Beneficiary (the "claimant") believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his legal representative shall file a written claim for such benefit with the Administrator within ninety (90) days of the date the payment that is in dispute should have been made. The Administrator shall review the claim and render a decision within ninety (90) days following the receipt of the claim; *provided* that the Administrator may determine that an additional ninety (90)-day extension is necessary due to circumstances beyond the Administrator's control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor, and the date by which the Administrator expects to render a decision. If the claimant's claim is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include: the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of which such material or information is necessary; and a description of the Plan's review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination upon review.

(b) Request for Appeal. The claimant has the right to appeal the Administrator's decision by filing a written appeal to the Administrator within sixty (60) days after the claimant's receipt of the Administrator's decision, although to avoid penalties under Code Section 409A, the claimant's appeal must be filed within one hundred eighty (180) days of the date payment could have been timely made in accordance with the terms of the Plan and pursuant to Regulations promulgated under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant's appeal. The claimant may submit written comments, documents, records and other information relating to his claim with the appeal. The Administrator will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Administrator shall make a determination on the appeal within sixty (60) days after receiving the claimant's written appeal; *provided* that the Administrator may determine that an additional sixty (60)-day extension is necessary due to circumstances beyond the Administrator's control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Administrator expects to render a decision. If the

claimant's appeal is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include: the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim; and a statement of the claimant's right to bring a civil action under section 502(a) of ERISA. If the claimant does not receive a written decision within the time period(s) described above, the appeal shall be deemed denied on the last day of such period(s).

(c) ERISA Fiduciary. For purposes of ERISA, the Committee shall be considered the named fiduciary under the Plan and the plan administrator, except with respect to claims and appeals, for which the Administrator shall be considered the named fiduciary.

Section 9.5. Participant Rights Unsecured.

(a) Unsecured Claim. The right of a Participant or his Beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant nor any Beneficiary shall have any rights in or against any amount credited to his Account or any other specific assets of the Company or an Affiliate. The right of a Participant or Beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except as permitted under Section 6.8(a)(2) or 9.2. The rights of a Participant hereunder are exercisable during the Participant's lifetime only by him or his guardian or legal representative.

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

(c) No Right to Employment. Participation in this Plan, or any modifications thereof, or the payments of any benefits hereunder, shall not be construed as giving to any person any right to be retained in the service of the Company or any Affiliate, limiting in any way the right of the Company or any Affiliate to terminate such person's employment at any time, evidencing any agreement or understanding that the Company or any Affiliate will employ such person in any particular position or any particular rate of compensation or guaranteeing such person any right to receive any other form or amount of remuneration from the Company or any Affiliate.

Section 9.6. Amendment or Termination of Plan.

(a) Amendment. The Committee may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) Deferrals to be made on or after the amendment date to the extent not prohibited by Code Section 409A; *provided, however*, that no amendment may reduce or eliminate any Account balance accrued to the date of such amendment (except as such Account balance may be reduced as a result of investment losses allocable to such Account) without a Participant's consent except as otherwise specifically provided herein; and *provided further* that the Board must approve any amendment that expands the class of employees eligible for participation under the Plan, that materially increases the benefits provided under the Plan or that is required to be approved by the Board

by any applicable law or the listing requirements of the national securities exchange upon which the Company's common stock is then traded. In addition, the Administrator may at any time amend the Plan to make administrative changes and changes necessary to comply with applicable law.

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

- (1) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.
- (2) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. In such event, the single sum payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of the Plan's termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination.

Section 9.7. Administrative Expenses. Costs of establishing and administering the Plan will be paid by the Company and its participating Affiliates.

Section 9.8. Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participants and their heirs, executors, administrators, and legal representatives.

Section 9.9. Governing Law; Limitation on Actions; Dispute Resolution.

(a) Governing Law. This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin (without reference to conflict of law principles thereof) to the extent such laws are not preempted by federal law.

(b) Limitation on Actions. Any action or other legal proceeding with respect to the Plan may be brought only after the claims and appeals procedures of Section 9.4 are exhausted and only within period ending on the earlier of (1) one year after the date claimant receives notice or deemed notice of a denial upon appeal under Section 9.4(b), or (2) the expiration of the applicable statute of limitations period

under applicable federal law. Any action or other legal proceeding not adjudicated under ERISA must be arbitrated in accordance with the provisions of subsection (c).

(c) Arbitration.

(1) Application. Notwithstanding any employee agreement in effect between a Participant and the Company or any Affiliate, if a Participant or Beneficiary brings a claim that relates to benefits under this Plan that is not covered under ERISA, and regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association ("AAA") and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

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

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

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

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

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

writing that sets forth the essential findings and conclusions on which the arbitrator's award is based.

- (5) Representation and Costs. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney's or representative's fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys' fees, the arbitrator may award costs and reasonable attorneys' fees as provided by such statute.
- (6) Discovery; Location; Rules of Evidence. Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.
- (7) Confidentiality. The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.

ADDENDUM
SPECIAL TRANSITION RULES

Pursuant to the provisions of IRS Notice 2005-1:

1. In reliance on the 6-month advance deferral election for performance-based compensation, the Company provided each Participant with an opportunity to file a new deferral election by March 31, 2005, with respect to each of such Participant's Annual and Long-Term Incentive Awards that had not yet been paid as of the date the election was filed.
2. The Company provided each Participant with an opportunity to file a new distribution election (including a death benefit election for Mr. Andrew Schildt) during calendar year 2005, with respect to each of his Annual Incentive Deferrals sub-account, Long-Term Incentive Deferrals sub-account and Share Deferrals sub-account. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for each of his sub-accounts.
3. The Company permitted the following individuals to cancel participation in the Plan and receive a lump sum payout in 2005 of his Account Balance: John Fiori

Pursuant to the provisions of IRS Notice 2006-79:

1. The Company provided each Participant with an opportunity to file a new distribution election during calendar year 2006 and/or 2007. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for his Plan Account, and allowed Participants to elect a whole or partial lump sum payment to be made either in 2007 (provided the election was made by December 31, 2006 and was irrevocable with respect to the 2007 payment) or 2008 (provided the election was made by December 31, 2007). The last distribution election received by the Administrator before January 1, 2008 is irrevocable with respect to 2008.

Pursuant to the provisions of IRS Notice 2007-86:

1. The Company will provide each Participant with an opportunity to file a new distribution election during calendar year 2008. The new distribution election allows the Participant to select a lump sum or up to ten (10) annual installments for his Plan Account, and allows Participants to elect a whole or partial lump sum payment to be made in 2009 (provided the election was made by December 31, 2008). The last distribution election received by the Administrator before January 1, 2009 is irrevocable.

**JOHNSON CONTROLS, INC.
RETIREMENT RESTORATION PLAN**

**ARTICLE 1.
PURPOSE AND DURATION**

Section 1.1. Purpose. The purpose of the Johnson Controls Retirement Restoration Plan (formerly the Equalization Benefit Plan) is to restore retirement benefits to certain participants in the Company's pension or savings plans whose benefits under said plans are or will be limited by reason of Code Sections 401(a)(17), 401(k), 401(m), 402(g) and/or 415, and/or by reason of the election of such employees to defer income or reduce salary pursuant to this Plan or to defer annual incentive payments pursuant to the Johnson Controls, Inc. Executive Deferred Compensation Plan. This Plan is completely separate from the tax-qualified pension plans maintained by the Company and is not funded or qualified for special tax treatment under the Code. The Plan is intended to be an unfunded plan covering a select group of management and highly compensated employees for purposes of ERISA.

Section 1.2. Duration of the Plan. The Plan became effective as of January 1, 1980, and was previously amended and restated effective July 15, 2015. The Plan is now being amended and restated effective January 1, 2016 (the "Amended and Restated Effective Date"). The provisions of the Plan as amended and restated apply to each individual with an interest hereunder on or after the Amended and Restated Effective Date. The Plan shall remain in effect until terminated pursuant to Article 9.

**ARTICLE 2.
DEFINITIONS AND CONSTRUCTION**

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

(a) "Actuarial Equivalent" means a benefit of equivalent value determined in accordance with acceptable actuarial principles, utilizing the interest and mortality rates specified for actuarial equivalence in the Pension Plan.

(b) "Administrator" means the Employee Benefits Policy Committee of the Company.

(c) "Affiliate" means each entity that is required to be included in the Company's controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); provided that for purposes of determining when a Participant has incurred a Separation from Service, the phrase "at least 48 percent" shall be used in place of "at least 80 percent" each place it appears in the regulations thereunder.

(d) "Affiliated Company" or "Affiliated Companies" shall include any company or companies controlled by, controlling or under common control with the Company.

(e) "Annual Incentive Plan" means the Johnson Controls, Inc. Annual Incentive Performance Plan as from time to time amended and in effect and any successor to such plan maintained by the Company.

(f) “Annuity Starting Date” means, with respect to a Participant’s vested Pension Plan Supplement Benefit, the later to occur of: (i) the first day of the month coincident with or following the Participant’s attainment of age fifty-five (55) (even if the Participant does not survive to such date) or (ii) the first day of the month coincident with or following the Participant’s Separation from Service.

(g) “Board” means the Board of Directors of the Company.

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

(i) “Committee” means the Compensation Committee of the Board.

(j) “Company” means Johnson Controls, Inc., a Wisconsin corporation, and its successors as provided in Article 14.

(k) “ERISA” means the Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.

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

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

(n) “Investment Options” means the Share Unit Account and any other options made available by the Administrator, which shall be used for the purpose of measuring hypothetical investment experience attributable to a Participant’s Savings Supplement Account.

(o) “Participant” means an employee of the Company or an Affiliate who is described in an applicable Appendix hereto; *provided* that the Committee shall limit the foregoing group of eligible employees to a select group of management and highly compensated employees, as determined by the Committee in accordance with ERISA. Where the context so requires, a Participant also means a former employee entitled to receive a benefit hereunder.

(p) “Pension Plan” means the Johnson Controls Pension Plan, a defined benefit pension plan, and any successor to such plan maintained by the Company.

(q) “Pension Plan Benefits” means the aggregate monthly benefits payable under the Pension Plan.

(r) “Pension Plan Supplement Benefits” means the aggregate monthly benefits payable under an applicable Appendix hereto as a supplement to a Participant’s Pension Plan Benefits.

(s) “Person” means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

(t) “Savings Plan” means the Johnson Controls Savings and Investment (401(k)) Plan, a defined contribution plan, and any successor to such plan maintained by the Company.

(u) “Savings Supplement Account” means the record keeping account or accounts maintained to record the interest of each Participant under Article 5 of the Plan and the applicable Appendices. A Savings Supplement Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant’s behalf, and may consist of such subaccounts or balances as the Administrator may determine to be necessary or appropriate.

(v) “Separation from Service” means a Participant’s cessation of service for the Company and all Affiliates within the meaning of Code Section 409A, including the following rules:

- (1) If a Participant takes a leave of absence from the Company or an Affiliate for purposes of military leave, sick leave or other bona fide leave of absence, the Participant’s employment will be deemed to continue for the first six (6) months of the leave of absence, or if longer, for so long as the Participant’s right to reemployment is provided by either by statute or by contract; provided that if the leave of absence is due to the Participant’s medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of six (6) months or more, and such impairment causes the Participant to be unable to perform the duties of his position with the Company or an Affiliate or a substantially similar position of employment, then the leave period may be extended for up to a total of 29 months. If the period of the leave exceeds the time periods set forth above and the Participant’s right to reemployment is not provided by either statute or contract, the Participant will be considered to have incurred a Separation from Service on the first day following the end of the time periods set forth above.
- (2) A Participant will be presumed to have incurred a Separation from Service when the level of bona fide services performed by the Participant for the Company and its Affiliates permanently decreases to a level that equal to 20% or less of the average level of services performed by the Participant for the Company and its Affiliates during the immediately preceding 36 month period (or such lesser period of service).
- (3) The Participant will be presumed not to have incurred a Separation from Service while the Participant continues to provide bona fide services to the Company or an Affiliate in any capacity (whether as an employee or independent contractor) at a level that at least fifty percent (50%) of the average level of services performed by the Participant for the Company and its Affiliates during the immediately preceding 36 month period (or such lesser period of service).

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

(x) “Share Unit Account” means the portion of the Participant’s Savings Supplement Account that is deemed invested in Shares.

(y) “Share Units” means the hypothetical Shares that are credited to the Share Unit Accounts in accordance with Section 5.3.

(z) “Spouse” means the person to whom a Participant is lawfully married as recognized under Federal law; *provided that* for purposes of payment of the death benefit under Section 4.3, “Spouse” means the person to whom a deceased Participant was lawfully married as recognized under Federal law throughout the 1-year period preceding the date of his or her death.

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

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

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

ARTICLE 3. **ADMINISTRATION**

Section 3.1. General. The Committee shall have overall discretionary authority with respect to administration of the Plan, *provided that* the Administrator shall have discretionary authority and responsibility for the general operation and daily administration of the Plan and to decide claims and appeals as specified herein. If at any time the Committee shall not be in existence, then the administrative functions of the Committee shall be assumed by the Board (with the assistance of the Administrator), and any references herein to the Committee shall be deemed to include references to the Board.

Section 3.2. Authority and Responsibility. In addition to the authority specifically provided herein, the Committee and the Administrator shall have the discretionary authority to take any action or make any determination deemed necessary for the proper administration of the Plan with regard to the respective duties of each, including but not limited to the power and authority to: (a) prescribe rules and regulations for the administration of the Plan; (b) prescribe forms for use with respect to the Plan; (c) interpret and apply all of the Plan’s provisions, reconcile inconsistencies or supply omissions in the Plan’s terms; (d) make appropriate determinations, including factual determinations, and calculations; and (e) prepare all reports required by law. Any action taken by the Committee shall be controlling over any contrary action of the Administrator. The Committee and the Administrator may delegate their ministerial duties to third parties and to the extent of such delegation, references to the Committee or Administrator hereunder shall mean such delegates, if any.

Section 3.3. Decisions Binding. The Committee's and the Administrator's determinations shall be final and binding on all parties with an interest hereunder, unless determined to be arbitrary and capricious.

Section 3.4. Procedures for Administration. The Committee's determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by the members of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. Service on the Committee shall constitute service as a director of the Company so that the Committee members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee services to the same extent that they are entitled under the Company's By-laws and Wisconsin law for their services as directors of the Company. The Administrator's determinations shall be made in accordance with procedures it establishes.

Section 3.5. Restrictions to Comply with Applicable Law. All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and the Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

Section 3.6. Accelerated Vesting. Notwithstanding anything to the contrary herein, if a Participant terminates employment from the Company or any of its Affiliates (including as a result of the Participant's employer ceasing to be an Affiliate) in connection with a sale transaction, then the Participant shall become fully vested in his or her benefits hereunder, unless otherwise determined by the Committee (with respect to Participants who are officers of the Company) or by an executive officer of the Company (with respect to Participants who are not officers of the Company) prior to the date of such termination of employment. In addition, the Committee (with respect to Participants who are officers of the Company) and an executive officer of the Company (with respect to Participants who are not officers of the Company) shall have the discretion to vest any Participant in his or her benefits hereunder, in whole or in part, upon the Participant's termination of employment from the Company and its Affiliates in any other circumstances.

ARTICLE 4. **PENSION PLAN SUPPLEMENT**

Section 4.1. Eligibility for and Amount of Benefits. Participants shall be eligible for Pension Plan Supplement Benefits in accordance with the terms of the applicable Appendix.

Section 4.2. Payment of Pension Plan Supplement Benefits. The following provisions apply to all Participants except those specified on the Addendum.

(a) Timing of Payment. Payment of the vested Pension Plan Supplement Benefit shall begin on the Participant's Annuity Starting Date, or if later, the first day of the seventh month following the month in which the Participant's Separation from Service occurs (the "Delayed Payment Date"). If monthly payments are to begin on a Delayed Payment Date, then all monthly payments that were due from the Annuity Starting Date to the Delayed Payment Date shall be accumulated and paid in a lump sum on the Delayed Payment Date, and the Participant shall receive an additional payment of interest (equal to the interest rate

assumption used for non-lump sum Actuarial Equivalence) calculated on a simple (i.e. non-compounded) basis from the Annuity Starting Date to the Delayed Payment Date.

(b) Normal Form of Payment. Subject to the Participant's election of an alternative form of benefit under subsection (c),

- (1) For a Participant who has no Spouse on the Annuity Starting Date, payment shall be made in the form of a single life annuity, which provides monthly payments for the life of the Participant, beginning on the Annuity Starting Date and ending with the payment due for the month in which the Participant's death occurs, in the amount calculated under the applicable Appendix.
- (2) For a Participant who has a Spouse on the Annuity Starting Date, payment shall be made in the form of a joint and fifty percent (50%) survivor annuity, which provides monthly payments for the life of the Participant in reduced amounts which are the Actuarial Equivalent of the payments calculated under the applicable Appendix, and in the event the Participant predeceases his Spouse, monthly payments equal to fifty percent (50%) of such reduced amounts shall be continued to such Spouse for the Spouse's life. Payments of such benefits shall end with the payment due for the month in which the later of the death of the Participant or his Spouse (as applicable) occurs.

(c) Optional Forms of Benefit. In lieu of the normal form of payment described in subsection (b), a Participant may elect at any time prior to his Annuity Starting Date to receive his benefit in one of the following optional forms of payment. Payments made under each optional form of payment shall be the Actuarial Equivalent of the benefit payment amount determined under the applicable Appendix. The Participant's election of an optional form of distribution shall be made in the form and manner and within such timeframes as the Administrator may prescribe and shall be irrevocable once benefit payments commence.

- (1) Joint and Survivor Annuity: The joint and survivor annuity form provides monthly payments to the Participant while living and, in the event the Participant predeceases his or her joint annuitant, monthly payments equal to 100%, 75% or 50% (as elected by the Participant) of the Participant's monthly payments shall be continued to such joint annuitant for his or her life. Such payments shall end with the payment due on the first day of the month in which the later of the death of the Participant or the joint annuitant (as applicable) occurs.
- (2) Life Only Annuity: The Life Only Annuity form provides monthly payments to the Participant for life, ending with the payment due on the first day of the month in which the death of the Participant occurs.

(d) Life Annuity - 10 Years Certain: The Life Annuity - 10 Years Certain form provides monthly payments to the Participant while living and, in the event the Participant dies before receiving 120 monthly payments, such payments will continue to the Participant's designated beneficiary. Such payments

shall end with the payment due on the first day of the month in which the death of the Participant occurs or with the 120th payment, as applicable.

Section 4.3. Death Benefit. The Spouse, if any, of a deceased Participant shall be entitled to a pre-retirement surviving spouse's benefit if the Participant's death occurs before his or her Annuity Starting Date and after the Participant has become vested in his or her Pension Plan Supplement Benefit. The amount of the pre-retirement surviving spouse benefit payable to the Participant's Spouse shall be equal to the amount that would have been payable to the Spouse had the Participant (i) ceased employment; (ii) commenced a Pension Plan Supplement Benefit at the Annuity Starting Date having elected a joint and 50% survivor annuity form of benefit payment with his or her Spouse as contingent annuitant; and (iii) died the next day. Payments shall be made in the form of a single life annuity for the life of the Spouse and shall commence on the Annuity Starting Date, and end with the payment due for the month in which the Spouse's death occurs. If a deceased Participant's Spouse dies before the Annuity Starting Date, no benefit shall be payable under this Article 4.

Section 4.4. Small Benefit Cashout. Notwithstanding the foregoing, if the single sum Actuarial Equivalent value of a Participant's Pension Plan Supplement Benefit as determined on the date of the Participant's Separation from Service or death is less than the applicable dollar limit under Code Section 402 (g)(1)(B) as in effect for such year, then the Actuarial Equivalent single sum value of the Pension Plan Supplement Benefit shall be paid to the Participant or Spouse in a lump sum within 90 days of the date of the Participant's Separation from Service or death.

ARTICLE 5. **SAVINGS PLAN SUPPLEMENT**

Section 5.1. Eligibility for and Amount of Benefits. Participants shall be eligible for a Savings Plan Supplement Account in accordance with the terms of the applicable Appendix.

Section 5.2. Investment Election. Amounts credited to a Participant's Savings Supplement Account shall reflect the investment experience of the Investment Options selected by the Participant. The Participant may make an initial investment election at the time of enrollment in the Plan. A Participant may also elect to reallocate his or her Savings Supplement Account, and may elect to allocate any future deferrals, among the various Investment Options from time to time. Such investment elections shall remain in effect until changed by the Participant. All investment elections shall become effective as soon as practicable after receipt of such election, and must be made in the form and manner and within such time periods as the Administrator may prescribe in order to be effective. In the absence of an effective election, the Participant's Savings Supplement Account shall be deemed invested in the default fund specified for the Savings Plan (or any successor plan thereto). Deferrals will be deemed invested in an Investment Option as of the date on which the deferrals are allocated under the Plan as described in the Appendices.

On each Valuation Date, the Administrator or its delegate shall credit the deemed investment experience with respect to the selected Investment Options to each Participant's Savings Supplement Account.

Notwithstanding anything herein to the contrary, the Company retains the right to allocate actual amounts hereunder without regard to a Participant's request.

Section 5.3. Valuation of Share Unit Account. When any amounts are to be allocated to a Share Unit Account (whether in the form of deferrals or amounts that are deemed transferred from another Investment Option), such amount shall be converted to whole and fractional Share Units, by dividing the amount to be allocated by the Fair Market Value of a Share on the effective date of such allocation. If any

dividends or other distributions are paid on Shares while a Participant has Share Units credited to his Account, such Participant shall be credited with a dividend award equal to the amount of the cash dividend paid or Fair Market Value of other property distributed on one Share, multiplied by the number of Share Units credited to his Share Unit Account on the date the dividend is declared. The dividend award shall be converted into additional Share Units as provided above using the Fair Market Value of a Share on the date the dividend is paid or distributed. Any other provision of this Plan to the contrary notwithstanding, if a dividend is declared on Shares in the form of a right or rights to purchase shares of capital stock of the Company or any entity acquiring the Company, no additional Share Units shall be credited to the Participant's Share Unit Account with respect to such dividend, but each Share Unit credited to a Participant's Share Unit Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant's Share Unit Account at a time when such rights are attached to Shares, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one Share plus the then Fair Market Value of such right or rights then attached to one Share.

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

Section 5.4. Securities Law Restrictions. Notwithstanding anything to the contrary herein, all elections under this Article by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Administrator prior to implementation. In accordance with Section 3.5, the Administrator may restrict additional transactions, rescind transactions, or impose other rules and procedures, to the extent deemed desirable by the Administrator in order to comply with the Exchange Act, including, without limitation, application of the review and approval provisions of this Section 5.4 to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.5. Accounts are For Record Keeping Purposes Only. The Savings Supplement Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under Article 5 of the Plan, and shall not constitute or imply an obligation on the part of the Company or any Affiliate to fund such benefits.

Section 5.6. Payment of Benefits. Upon a Participant's Separation from Service for any reason, the Participant shall be entitled to payment of the vested balance of the Participant's Savings Supplement Account in cash in the manner specified in the applicable Appendix.

Section 5.7. Death Benefit. In the event of the Participant's death prior to receiving all payments due under this Article 5, the vested balance of the Participant's Savings Supplement Account shall be paid to the Participant's beneficiary in a cash lump sum in the first calendar quarter or the third calendar quarter, whichever first occurs after the Participant's death; provided that if the Participant dies prior to November 18, 2010, the death benefit shall be paid according to the prior provisions of the Plan. Notwithstanding the foregoing, in lieu of such lump sum death benefit, a Participant who has an installment payment election in effect may, prior to his or her termination of employment, elect to have any remaining installment payments continue to his or her Beneficiary in the event the Participant dies after beginning to receive such installment payments, provided that such election shall be given effect only if filed at least twelve (12) months prior to the date of the Participant's death.

ARTICLE 6. ADDITIONAL PAYMENT PROVISIONS

Section 6.1. Acceleration of Payment. Notwithstanding the foregoing,

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

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

Section 6.2. Delay in Payment. Notwithstanding the foregoing,

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

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

ARTICLE 7. **NON-ALIENATION OF PAYMENTS**

Section 7.1. Non-Alienation. Except as specifically provided herein, benefits payable under the Plan shall not be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit payment, whether currently or thereafter payable, shall not be recognized by the Administrator or the Company. Any benefit payment due hereunder shall not in any manner be liable for or subject to the debts or liabilities of any Participant or other person entitled thereto. If any such person shall attempt to alienate, sell, transfer, assign, pledge or encumber any benefit payments to be made to that person under the Plan or any part thereof, or if by reason of such person's bankruptcy or other event happening at any time, such payments would devolve upon anyone else or would not be enjoyed by such person, then the Administrator, in its discretion, may terminate such person's interest in any such benefit payment, and hold or apply it to or for the benefit of that person, the spouse, children or other dependents thereof, or any of them, in such manner as the Administrator deems proper.

Section 7.2. Designation of Beneficiary. Each Participant may designate a beneficiary in such form and manner and within such time periods as the Administrator may prescribe. A Participant can change his beneficiary designation at any time, *provided* that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Administrator (or its delegate) while the

Participant was alive shall be given effect. If a Participant designates a beneficiary without providing in the designation that the beneficiary must be living at the time of each distribution, the designation shall vest in the beneficiary all of the distribution whether payable before or after the beneficiary's death, and any distributions remaining upon the beneficiary's death shall be made to the beneficiary's estate. In the event there is no valid beneficiary designation in effect at the time of the Participant's death, in the event the Participant's designated beneficiary does not survive the Participant, or in the event that the beneficiary designation provides that the Beneficiary must be living at the time of each distribution and such designated beneficiary does not survive to a distribution date, the Participant's estate will be deemed the beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date of the Participant's divorce or legal separation from such spouse, *provided* the Administrator has notice of such divorce or legal separation prior to payment.

ARTICLE 8. **LIMITATION OF RIGHTS**

Section 8.1. No Right to Employment. Participation in this Plan, or any modifications thereof, or the payments of any benefits hereunder, shall not be construed as giving to any person any right to be retained in the service of the Company or any Affiliate, limiting in any way the right of the Company or any Affiliate to terminate such person's employment at any time, evidencing any agreement or understanding that the Company or any Affiliate will employ such person in any particular position or at any particular rate of compensation or guaranteeing such person any right to receive any other form or amount of remuneration from the Company or any Affiliate.

Section 8.2. No Right to Benefits.

(a) Unsecured Claim. The right of a Participant, his Spouse or his beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant, his Spouse nor any beneficiary shall have any rights in or against any amount credited to his Savings Supplement Account, any accrued benefit under Article 4 or any other specific assets of the Company or an Affiliate. The right of a Participant or beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except as permitted under Section 7.2. The rights of a Participant hereunder are exercisable during the Participant's lifetime only by him or his guardian or legal representative.

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

ARTICLE 9. **AMENDMENT OR TERMINATION**

Section 9.1. Amendment. The Committee may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) accruals or deferrals to be made on or after the amendment date to the extent not prohibited by Code Section 409A; *provided*,

however, that no amendment may reduce or eliminate any vested accrued benefit under Article 4 or the Savings Supplement Account balance accrued under Article 5 to the date of such amendment (except as benefit may be reduced as a result of the amount payable under the Pension Plan or except as such Savings Supplement Account balance may be reduced as a result of investment losses allocable to such account) without a Participant's consent except as otherwise specifically provided herein; and *provided further* that any amendment that expands the class of employees eligible for participation under the Plan or that materially increases the amount of benefits payable hereunder must be approved by the Board. In addition, the Administrator may at any time amend the Plan to make administrative or ministerial changes or changes necessary to comply with applicable law.

Section 9.2. Termination. The Committee may terminate the Plan in accordance with the following provisions. Upon termination of the Plan, any deferral elections then in effect shall be cancelled to the extent permitted by Code Section 409A and any accruals under Article 4 shall cease as if the termination date of the Plan were the Annuity Starting Date. Upon termination of the Plan, the Committee may authorize the payment of all amounts accrued under the Plan in a single sum payment (with the single sum value of the Pension Plan Supplement Benefits to be equal to the Actuarial Equivalent of such accrual as determined on the date of Plan termination) without regard to any distribution election then in effect, only in the following circumstances:

- (1) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.
- (2) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. In such event, the single sum payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of the Plan's termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination.

Section 9.3. Entitlement to Benefits. It is understood that an individual's entitlement to Pension Plan Supplement Benefits may be automatically reduced as the result of an increase in his Pension Plan Benefits. Nothing herein shall be construed in any way to limit the right of the Company to amend or modify the Pension Plan or Savings Plan.

ARTICLE 10.
SPECIAL RULES APPLICABLE IN THE EVENT OF A
CHANGE OF CONTROL OF THE COMPANY

Section 10.1. Acceleration of Payments. Notwithstanding any other provision of this Plan, each Participant (or any Spouse or beneficiary thereof entitled to receive payments hereunder), including Participants (or Spouses or beneficiaries) receiving installment or annuity payments under the Plan, shall be entitled to receive a lump sum payment in cash of all amounts accumulated in such Participant's Savings Supplement Account and the single sum Actuarial Equivalent value of the Participant's accrued Pension Plan Supplement Benefits. Such payment shall be made within ninety (90) days following the Change of Control; *provided* that the payment shall not be made prior to the date that is five (5) years after the occurrence of events that would have constituted a Change of Control as it was defined in this Plan prior to the Amended and Restated Effective Date.

The provisions of this Article 10 shall apply to amounts that were grandfathered under this Plan pursuant to Code Section 409A as well as to amounts that were not grandfathered.

In determining the amount accumulated in a Participant's Share Unit Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company's common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the "Composite Tape") during the sixty-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 10.2(a) or Section 10.4(a), as applicable, the highest price per Share of the Company paid in such transaction or series of transactions.

Section 10.2. New Definition of a Change of Control. Subject to Section 10.4, a Change of Control means any of the following events, provided that each such event would constitute a change in control event within the meaning of Code Section 409A:

(a) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then-outstanding Shares (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (4) any acquisition by any corporation pursuant to a transaction that complies with Section 10.2(c)(1)-(3);

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

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or an Affiliated Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Section 10.3. Maximum Payment Limitations.

(a) Limit on Payments. Except as provided in subsection (b) below, if any portion of the payments or benefits described in this Plan or under any other agreement with or plan of the Company or an Affiliate (in the aggregate, “Total Payments”), would constitute an “excess parachute payment”, then the Total Payments to be made to the Participant shall be reduced such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be one dollar (\$1) less than the maximum amount which the Participant may receive without becoming subject to the tax imposed by Section 4999 of the Code or which the Company may pay without loss of deduction under Section 280G(a) of the Code. The terms “excess parachute payment” and “parachute payment” shall have the meanings assigned to them in Section 280G of the Code, and such “parachute payments” shall be valued as provided therein. Present value shall be calculated in accordance with Section 280G(d)(4) of the Code. Within forty (40) days following delivery of notice by the Company to the Participant of its belief that there is a payment or benefit due the Participant which will result in an excess parachute payment, the Participant and the Company, at the Company’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by the Company’s independent auditors and acceptable to the Participant in his sole discretion (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments and (C) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section. As used in this Section, the term “Base Period Income” means an amount equal to the Participant’s “annualized includible compensation for the base period” as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company’s independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code, which determination

shall be evidenced in a certificate of such auditors addressed to the Company and the Participant. Such opinion shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such opinion determines that there would be an excess parachute payment, the payments hereunder that are includible in Total Payments or any other payment or benefit determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by the Participant in writing delivered to the Company within thirty days of his receipt of such opinion or, if the Participant fails to so notify the Company, then as the Company shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section, the Participant and the Company shall obtain, at the Company's expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant. If the provisions of Sections 280G and 4999 of the Code are repealed without succession, then this Section shall be of no further force or effect.

(b) Employment Contract Governs. The provisions of subsection (a) above shall not apply to a Participant whose employment is governed by an employment contract that provides for Total Payments in excess of the limitation described in subsection (a) above.

Section 10.4. Prior Definition of a Change of Control. Notwithstanding anything to the contrary in Section 10.2, until the date that is twelve (12) months after the Amended and Restated Effective Date, a Change of Control means any of the following events, provided that each such event would constitute a change in control event within the meaning of Code Section 409A:

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

- (1) Fifty percent (50%) of the Outstanding Company Common Stock or
- (2) Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"),

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

(b) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board during any twelve (12)-month period, *provided* that any individual becoming a director subsequent to the Amended and Restated Effective Date whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising

the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board;
or

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

For purposes of this Section 10.4, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

ARTICLE 11. **ERISA PROVISIONS**

Section 11.1. Claims Procedures.

(a) **Initial Claim.** If a Participant, Spouse or beneficiary (the “claimant”) believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his legal representative shall file a written claim for such benefit with the Administrator within ninety (90) days of the date the payment that is in dispute should have been made. The Administrator shall review the claim and render a decision within ninety (90) days following the receipt of the claim; provided that the Administrator may determine that an additional ninety (90) day extension is necessary due to circumstances beyond the Administrator’s control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefore, and the date by which the Administrator expects to render a decision. If the claimant’s claim is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan’s review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse determination upon review.

(b) Request for Appeal. The claimant has the right to appeal the Administrator's decision by filing a written appeal to the Administrator within sixty (60) days after the claimant's receipt of the Administrator's decision, although to avoid penalties under Code Section 409A, the claimant's appeal must be filed within one hundred eighty (180) days of the date payment could have been timely made in accordance with the terms of the Plan and pursuant to Regulations promulgated under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant's appeal. The claimant may submit written comments, documents, records and other information relating to his claim with the appeal. The Administrator will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Administrator shall make a determination on the appeal within sixty (60) days after receiving the claimant's written appeal; *provided* that the Administrator may determine that an additional sixty (60)-day extension is necessary due to circumstances beyond the Administrator's control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Administrator expects to render a decision. If the claimant's appeal is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim; and a statement of the claimant's right to bring a civil action under section 502(a) of ERISA. If the claimant does not receive a written decision within the time period(s) described above, the appeal shall be deemed denied on the last day of such period(s).

Section 11.2. ERISA Fiduciary. For purposes of ERISA, the Committee shall be considered the named fiduciary under the Plan and the plan administrator, except with respect to claims and appeals, for which the Administrator shall be considered the named fiduciary.

ARTICLE 12. **TAX WITHHOLDING**

The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash sufficient to satisfy the Company's or Affiliate's foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Company may distribute from the Participant's benefit under Article 4 or Savings Supplement Account balance under Article 5 the amount needed to pay the Participant's portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramiding of the section 3401 wages and taxes, but no greater than the aggregate of the FICA amount and the income tax withholding related to such FICA amount.

ARTICLE 13. **OFFSET**

The Company shall have the right to offset from the benefits payable hereunder (at the time such benefit would have otherwise been paid) any amount that the Participant owes to the Company or any Affiliate without the consent of the Participant (or his Spouse or beneficiary, in the event of the Participant's death).

ARTICLE 14.
SUCCESSORS

All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE 15.
DISPUTE RESOLUTION

Section 15.1. Governing Law. This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin, without regard to conflict of law principles thereof, to the extent such laws are not preempted by federal law.

Section 15.2. Limitation on Actions. Any action or other legal proceeding under ERISA with respect to the Plan may be brought only after the claims and appeals procedures of Article 11 are exhausted and only within the period ending on the earlier of (i) one year after the date the claimant receives notice of a denial or deemed denial upon appeal under Section 11.1(b), or (ii) the expiration of the applicable statute of limitations period under applicable federal law. Any action or other legal proceeding not adjudicated under ERISA must be arbitrated in accordance with the provisions of Section 15.3.

Section 15.3. Arbitration.

(a) Application. Notwithstanding any employee agreement in effect between a Participant and the Company or any Affiliate, if a Participant, Spouse or beneficiary brings a claim that relates to benefits under this Plan that is not covered under ERISA, and regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

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

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

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

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

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

(e) Representation and Costs. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his/her attorney's or representative's fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys' fees, the arbitrator may award costs and reasonable attorneys' fees as provided by such statute.

(f) Discovery; Location; Rules of Evidence. Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

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

APPENDIX A
OFFICERS

1. Eligibility. This Appendix A covers officer employees of the Company who are participants in the Pension Plan and/or the Savings Plan, and whose benefits under the Pension Plan and/or Savings Plan are limited as described in Section 1.1. Notwithstanding the foregoing, an officer who was employed by York International Corporation or a subsidiary thereof on December 9, 2005, shall not be eligible to accrue a Pension Plan Supplement benefit.

2. Participation Date. An officer employee shall become a Participant on the date he or she is elected as an officer of the Company by the Company's Board of Directors.

3. Pension Plan Supplement.

(a) Eligibility. Any Participant who retires under the Pension Plan on or after January 1, 1980, or such Participant's Spouse who is entitled to a benefit under the Pension Plan, shall be entitled to a benefit payable hereunder in accordance with this Section 3. Notwithstanding the foregoing, if a Participant is not eligible to receive a benefit under the Pension Plan, then such Participant shall not be eligible to receive a Pension Plan Supplement under this Appendix A.

(b) Amount of Pension Plan Supplement. The amount of monthly benefits to which an eligible individual is entitled shall equal the excess, if any, of:

(1) The amount of such Participant's, surviving Spouse's or other beneficiaries' Pension Plan Benefits computed under the provisions of the Pension Plan as of the Annuity Starting Date, without regard to the limitations imposed by reason of Section 415 of the Code or the limit on considered compensation under Section 401(a)(17) of the Code, and on the assumption that all amounts of cash compensation which the Participant elected to defer under the Annual Incentive Plan and/or under Article 5 of this Plan were paid as "Compensation" as defined in the Pension Plan (to the extent not already included in such "Compensation" under the applicable Pension Plan definition); over

(2) The amount of Pension Plan Benefits payable to such Participant, surviving Spouse or other beneficiary for each month under the Pension Plan, as computed under the provisions of the Pension Plan as if the Annuity Starting Date under this Plan were the annuity starting date under the Pension Plan.

(c) Vesting. The Pension Plan Supplement Benefits provided in this Appendix shall vest in accordance with the vesting provisions of the Pension Plan, *provided that*, effective September 15, 2009 any provision under the Pension Plan providing for the vesting of benefits upon death shall be disregarded and as a result Pension Plan Supplemental Benefits shall not become vested automatically upon a Participant's death. If a Participant who was covered by Appendix C becomes an officer who is covered by this Appendix A, the vesting provisions of this Appendix A shall apply to the Participant's entire Pension Plan Supplement Benefits.

4. Savings Plan Supplement.

(a) Before-Tax Contributions Allocation. For each calendar year, each Participant may elect that, in the event the Participant's ability to make Before-Tax Matched Contributions under the Savings Plan is limited by reason of Sections 401(k), 402(g) or 415 of the Code and/or the limit on considered compensation under Section 401(a)(17) of the Code, then the difference between the amount of Before-Tax Matched Contributions that the Participant could have made under the Savings Plan for any calendar year (assuming the Participant elected the maximum amount of Before-Tax Matched Contributions for the calendar year and did not change his election during the calendar year) and the amount that would have been contributed as Before-Tax Matched Contributions but for such limits shall be credited, as of December 31 of such year, to the Participant's Savings Supplement Account. A Participant's election shall be made prior to the first day of the calendar year to which it relates, and shall be irrevocable as of the first day of such year.

Notwithstanding the foregoing, in the first calendar year in which an individual becomes a Participant, the Participant shall be automatically deemed to have elected to defer six percent (6%) of his or her compensation that is paid after the date he or she becomes a Participant and that exceeds the Code Section 401(a)(17) limit for such year; *provided* that the foregoing shall not apply to any individual who first becomes a Participant on or after November 1.

A Participant's election (or deemed election in the initial year of participation) shall be effective only for the calendar year to which the election relates, and shall not carry over from year to year. An election (or deemed election) under this subsection (a) shall constitute an election by the Participant to reduce the Participant's salary by the amount determined under this subsection. The Participant's election shall be made in the form and manner and within such timeframes as the Administrator may prescribe.

(b) Matching Contributions Allocation. A Participant's Savings Supplement Account shall also be credited as of each December 31 with an amount equal to the difference between the amount of Matching Contributions actually credited to the Participant's Savings Plan account for the year and the amount of Matching Contributions that would have been so credited if the amount determined under subsection (a) had actually been contributed to the Savings Plan (determined without regard to the limitations imposed by Sections 401(m) and 415 of the Code), but only with respect to the period the Participant is covered by this Plan; *provided* the Participant has met the eligibility requirements to receive a Matching Contribution under the Savings Plan for such year. The Matching Contributions credited hereunder shall be subject to the same vesting requirements as are imposed on matching contributions under the Savings Plan, except that service with York International Corporation prior to January 1, 2006 will not count as vesting service for purposes of this Plan. Service with Air Distribution Technologies, Inc. prior to May 16, 2014 shall count as vesting service for purposes of this Plan.

(c) Retirement Income Allocation. A Participant's Savings Supplement Account also shall be credited as of each December 31 with an amount equal to the difference between the amount of Retirement Income Contributions actually credited to the Participant's Savings Plan account for the year and the amount of Retirement Income Contributions that would have been so credited if the limit on considered compensation under Section 401(a)(17) of the Code did not apply; *provided* the Participant has met the eligibility requirements to receive a Retirement Income Contribution under the Savings Plan for such year. The Retirement Income Contributions credited hereunder shall be subject to the same vesting requirements as are imposed on Retirement Income Contributions under the Savings Plan, except that service with York International Corporation prior

to January 1, 2006 will not count as vesting service for purposes of this Plan. Service with Air Distribution Technologies, Inc. prior to May 16, 2014 shall count as vesting service for purposes of this Plan.

(d) Transfer Among Appendices. If a Participant who was covered by Appendix B becomes an officer who is covered by this Appendix A, the vesting provisions of this Appendix A shall apply to the Participant's entire Savings Supplement Account.

(e) Modification of Compensation. Notwithstanding the foregoing, when determining a Participant's compensation for purposes of subsections (a), (b) and (c), the only bonus that may be included is the amount a Participant receives (or would receive but for a deferral election) under the Annual Incentive Plan for the calendar year.

(f) Cancellation of Deferral Elections. If the Administrator determines that a Participant's deferral elections must be cancelled in order for the Participant to receive a hardship distribution under the Savings Plan, or any other 401(k) plan maintained by the Company or an Affiliate, the Participant's deferral election(s) shall be cancelled. A Participant whose deferral election(s) are cancelled pursuant to this subsection (e) may make a new deferral election under subsection (a) with respect to future calendar years, unless otherwise prohibited by the Administrator.

(g) Distribution Election.

- (1) If a Participant was previously participating under Appendix B, then the portion of the Participant's Savings Supplement Account that is credited under Appendix B (plus earnings thereon) shall be paid in a lump sum.
- (2) The amounts deferred hereunder in the first year of participation (and earnings thereon), if any, shall be paid in a lump sum.
- (3) The amounts deferred hereunder on and after January 1 of the year following the year the Participant is first eligible hereunder shall be paid in accordance with the Participant's distribution election, which must be submitted by December 31 of the first year of participation. Such election shall be made in such form and manner as the Administrator may prescribe. The election shall specify whether distributions shall be made in a single lump sum or in annual installments of from two (2) to ten (10) years. Such election shall be irrevocable. If no valid election is in effect, distribution shall be made in ten (10) annual installments.

(h) Manner of Distribution. The Participant's Savings Supplement Account shall be paid in cash in the following manner:

- (1) Lump Sum. If payment is to be made in a lump sum,
 - (A) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, payment shall be made in the first calendar quarter of the following year, and

- (B) for those Participants whose Separation from Service occurs from July 1 through December 31 of a year, payment shall be made in the third calendar quarter of the following year.

The lump sum payment shall equal the vested balance of the Participant's Savings Supplement Account as of the Valuation Date immediately preceding the distribution date.

- (2) Installments. If payment is to be made in annual installments, the first annual payment shall be made:
 - (A) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, in the first calendar quarter of the following year, and
 - (B) for those Participants whose Separation from Service occurs during the period from July 1 through December 31 of a year, in the third calendar quarter of the following year.

The amount of the first annual payment shall equal the value of $1/10^{\text{th}}$ (or $1/9^{\text{th}}$, $1/8^{\text{th}}$, $1/7^{\text{th}}$, etc. depending on the number of installments elected) of the vested balance of the Participant's Savings Supplement Account as of the Valuation Date immediately preceding the distribution date. All subsequent annual payments shall be made in the first calendar quarter of each subsequent calendar year, and shall be equal the value of $1/9^{\text{th}}$ (or $1/8^{\text{th}}$, $1/7^{\text{th}}$, $1/6^{\text{th}}$, etc. depending on the number of installments elected) of the vested balance of the Participant's Savings Supplement Account as of the Valuation Date immediately preceding the distribution date. The final annual installment payment shall equal the then remaining vested balance of such Savings Supplement Account as of the Valuation Date preceding such final payment date.

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

- 5. Special Vesting Rules. Notwithstanding anything herein to the contrary, effective September 15, 2009, any provision of the Pension Plan or Savings Plan that provides for full vesting upon death shall be disregarded for purposes of this Plan, such that the Supplemental Benefits, Matching Contributions and Retirement Income Contributions hereunder will not automatically vest upon a Participant's death.

APPENDIX B
HIGHLY COMPENSATED EMPLOYEES (RIC)

1. Eligibility. This Appendix B covers non-officer employees of the Company, Johnson Controls Interiors, LLC (on and after January 1, 2006) and York International Corporation who participate in the Savings Plan, and whose Retirement Income Contribution under such plan is limited by reason of the application of Code Section 401(a)(17).
2. Participation Date. An eligible employee shall become a Participant on the date the Participant's compensation first exceeds the Code Section 401(a)(17) limit. For this purposes, the only bonus that may be included in compensation is the amount a Participant receives (or would receive but for a deferral election) under the Annual Incentive Plan for the calendar year.
3. Vesting. A Participant shall be entitled to benefits under this Appendix only if the Participant retires or otherwise terminates employment with the Company and its Affiliates on or after the Participant's attainment of age fifty-five (55) and on or after the date on which the Participant has completed ten (10) years of service. For purposes of this Plan, a Participant shall be credited with years of service equal to the Participant's years of Vesting Service credited under the Savings Plan, *provided* that years of service with York International Corporation (or any affiliate thereof) prior to January 1, 2006 shall not be counted as years of service hereunder. In the event that a Participant's employment is terminated, including due to death, prior to satisfying the vesting requirements of this paragraph, no benefit shall be payable from this Appendix.
4. Retirement Income Allocation. A Participant's Savings Supplement Account shall be credited as of each December 31 with an amount equal to the difference between the amount of Retirement Income Contributions actually credited to the Participant's Savings Plan account for the year and the amount of Retirement Income Contributions that would have been so credited if the limit on considered compensation under Section 401(a)(17) of the Code did not apply and by including all amounts of cash compensation which the Participant would have received under the Annual Incentive Plan for the year but for a deferral election; *provided* the Participant has met the eligibility requirements to receive a Retirement Income Contribution under the Savings Plan for such year.
5. Manner of Distribution. Amounts credited under this Appendix B (plus earnings thereon) shall be paid in a cash lump sum as follows:
 - (a) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, payment shall be made in the first calendar quarter of the following year, and
 - (b) for those Participants whose Separation from Service occurs from July 1 through December 31 of a year, payment shall be made in the third calendar quarter of the following year.

The lump sum payment shall equal the vested balance of the Participant's Savings Supplement Account as of the Valuation Date immediately preceding the distribution date.

APPENDIX C
HIGHLY COMPENSATED EMPLOYEES (PENSION)

1. Eligibility. This Appendix C covers those non-officer employees of the Company or Johnson Controls Interiors, LLC (on and after January 1, 2006), who are participants in the Pension Plan, and whose benefits under the Pension Plan are limited as described in Section 1.1. Notwithstanding the foregoing, an employee who was employed by York International Corporation or a subsidiary thereof on December 9, 2005, shall not be eligible to accrue a Pension Plan Supplement benefit.

2. Vesting. A Participant shall be entitled to benefits under this Appendix only if the Participant retires or otherwise terminates employment with the Company and its Affiliates on or after the Participant's attainment of age fifty-five (55) and on or after the date on which the Participant has completed ten (10) years of service. For purposes of this Plan, a Participant shall be credited with years of service equal to the Participant's years of Vesting Service credited under the Pension Plan, *provided* that years of service with York International Corporation (or any affiliate thereof) prior to January 1, 2006 shall not be counted as years of service hereunder. In the event that a Participant's employment is terminated, including due to death, prior to satisfying the vesting requirements of this paragraph, no benefit shall be payable from this Appendix.

3. Supplemental Retirement Benefit. A Participant who retires under the Pension Plan on or after January 1, 2005 (or with respect to an employee of Johnson Controls Interiors, LLC, on or after January 1, 2006), or such Participant's Spouse or other beneficiary, shall be entitled to a benefit payable hereunder equal to the excess, if any, of:
 - (a) The amount of such Participant's, surviving Spouse's or other beneficiaries' Pension Plan Benefits computed under the provisions of the Pension Plan as of the Annuity Starting Date (and assuming the Annuity Starting Date under this Plan is the annuity starting date under the Pension Plan), without regard to the limitations imposed by reason of Section 415 of the Code or the limit on considered compensation under Section 401(a)(17) of the Code, and on the assumption that all amounts of cash compensation which the Participant elected to defer under the Annual Incentive Plan and/or under Appendix A of this Plan were paid as "Compensation" as defined in the Pension Plan (to the extent not already included in such "Compensation" under the applicable Pension Plan definition); over

 - (b) The amount of Pension Plan Benefits payable to such Participant, surviving Spouse or other beneficiary for each month under the Pension Plan, as computed under the provisions of the Pension Plan as of the Annuity Starting Date (and assuming the Annuity Starting Date under this Plan is the annuity starting date under the Pension Plan), and subject to the above mentioned limitations.

APPENDIX D MERGED PLANS

PERT Equalization Benefit Plan

Effective January 1, 2006, employees of Johnson Controls Interiors, LLC who were previously eligible to participate in the PERT Equalization Benefit Plan, became eligible for the Johnson Controls Pension and Savings Plans. Accordingly, effective as of January 1, 2006, the PERT Equalization Plan was merged with and into this Plan, with the effect that the account balances under the PERT Equalization Plan were transferred to this Plan. Such account balances will be subject to all of the same terms and conditions of the Plan as apply to the Savings Supplemental Accounts. PERT transferred account balances vest in accordance with the provisions of Appendix C (i.e., upon attainment of age 55 and completion of ten years of service while an employee), provided that the account balance of a Participant who entered the PERT Equalization Plan on January 1, 1999, shall vest in accordance with Section 4.2 of such plan. Notwithstanding the foregoing, in no event shall PERT transferred account balances vest solely upon a participant's death.

During 2005, the PERT Equalization Benefit Plan was operated in good faith compliance with Code Section 409A. The provisions of this Plan that apply to the Savings Supplemental Accounts effective as of January 1, 2005 are deemed to apply to the PERT Equalization Plan effective as of the same date, and the PERT Equalization Plan is amended with respect to the 2005 calendar year to incorporate such provisions.

JCI Pension Restoration Plan

Effective January 1, 2006, the Johnson Controls, Inc. Pension Restoration Plan was merged with and into this Plan, such that the benefits accrued under the Pension Restoration Plan as of December 31, 2005, will be accounted for and subject to the terms of this Plan effective January 1, 2006. Such accrued benefits will be subject to all of the same terms and conditions of the Plan as apply to the Pension Plan Supplement Benefits, but the amount of the benefits payable will be determined in accordance with Appendix C.

During 2005, the JCI Pension Restoration Plan was operated in good faith compliance with Code Section 409A. The provisions of this Plan that apply to the Pension Plan Supplement benefits effective as of January 1, 2005 are deemed to apply to the JCI Pension Restoration Plan effective as of the same date, and the JCI Pension Restoration Plan is amended with respect to the 2005 calendar year to incorporate such provisions.

Air Distribution Technologies, Inc. Restoration Plan

Effective at the close of business on December 31, 2014, the Air Distribution Technologies, Inc. Restoration Plan (the "ADTI Restoration Plan") was merged with and into this Plan, such that the account balances accrued under the ADTI Restoration Plan as of December 31, 2014, will be accounted for and subject to the terms of this Plan effective January 1, 2015. The account balances transferred from the ADTI Restoration Plan, as adjusted for earnings/losses thereon, and distributions therefrom, shall be referred to herein as the "ADTI Restoration Plan Account." The ADTI Restoration Plan Accounts will be subject to all of the same terms and conditions of the Plan as apply to the Savings Supplement Accounts, except as follows:

1. *Vesting.* The ADTI Restoration Plan Accounts will be subject to the vesting schedule set forth in the ADTI Restoration Plan as in effect on December 31, 2014. Under such plan, all participants who were active employees of ADTI on the date that the Company acquired JCI shall be 100% vested in their ADTI Restoration Plan Account.

2. *Payment to Participants.* An ADTI Restoration Plan Account shall be paid in 3 annual installments following the Participant's Separation from Service. The first installment shall be paid during the 75-day window that commences 6 months after the Participant's Separation from Service. The second and third annual installment payments will be made during the 30-day window commencing on each of the first and second anniversary of the Participant's Separation from Service. The amount of each installment will be determined by dividing the vested balance of the ADTI Restoration Plan Account by the number of remaining installments to be paid.

Notwithstanding the foregoing, if the vested balance of a Participant's ADTI Restoration Plan Account (when added to the vested balance of any other nonqualified deferred compensation account maintained by the Company or any Affiliate for such Participant), then such vested balance shall be paid in a single lump sum at the time the first installment would have otherwise been due.

3. *Payment to Beneficiaries.* All beneficiary designations filed under the ADTI Restoration Plan (except those with respect to participants who are deceased as of December 31, 2014) shall be cancelled effective January 1, 2015. Thereafter, the beneficiary designation procedures of this Plan shall apply to the ADTI Restoration Plan Accounts.

Upon the death of a Participant with an unpaid vested balance in his or her ADTI Restoration Plan Account, such unpaid vested balance shall be paid in a lump sum to the Participant's Beneficiary during the 90-day period commencing after 3 months from the date of the Participant's death.

4. *Offset to SERB.* This Plan constitutes a retirement plan of the employer for purposes of the Supplemental Executive Retirement Benefit (SERB) which has been extended to certain Participants. Consequently, the benefits provided under this Plan (whether under this Appendix D or otherwise) shall constitute an offset (i.e., an "Other Benefit") to any Participant's benefit under any SERB Agreement with any employer.
5. *Final Contributions.* Notwithstanding anything herein to the contrary, employer allocations that were due with respect to the 2014 plan year under the terms of the ADTI Restoration Plan shall be credited to the ADTI Restoration Plan Accounts hereunder in 2015.

ADDENDUM
SPECIAL GRANDFATHER AND TRANSITION RULES

Pursuant to the provisions of Notice 2005-1 and the additional transition rules provided in proposed and final regulations under Code Section 409A:

1. The terms of this Amended and Restated Plan shall not apply to any participant who terminated employment prior to January 1, 2005, and was entitled to a payment under Article 4 (prior to its amendment) or the JCI Pension Restoration Plan. Such participants shall continue to be entitled to receive payment of the supplemental pension benefit at the same time and in the same form as the benefit is paid under the Pension Plan.
2. Any Participant who terminated employment during 2005, 2006 and 2007 and who was entitled to a payment under Article 4 (Pension Supplement) or the JCI Pension Restoration Plan received such payment in the same form and at the same time as payments were made under the Pension Plan. Those payments, and any other payments that began to be made under the Plan prior to January 1, 2005, shall continue to be paid in the form of distribution in effect as of the date payments began.
3. The Company provided each Participant with an opportunity to file a new distribution election during calendar years 2005, 2007 and 2008, with respect to his Savings Supplement Account and his vested PERT Equalization Benefit Plan Account, as applicable. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for each of his sub-accounts. The distribution election received by the Administrator as of December 31, 2008 is irrevocable.
4. The Company provided each Participant who did not have a vested interest in his PERT Equalization Benefit Plan Account with an opportunity to file a new distribution election during calendar year 2006, *provided* that such election could not cause a payment otherwise due in 2006 to be deferred to a later year or cause a payment otherwise due in 2007 to be made in 2006. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for each of his sub-accounts. The distribution election received by the Administrator as of December 31, 2006 is irrevocable.
5. During calendar year 2006, the Company provided Mr. C. David Myers with an opportunity to file an election as to the form of distribution for the portion of his Supplemental Plan Account attributable to retirement income supplemental contributions (and earnings thereon). The distribution election received by the Administrator as of December 31, 2006 is irrevocable with respect to such portion of the Supplemental Plan Account. The distribution election on file as of December 31, 2005, continues to apply to the remainder of his Supplemental Plan Account.

JOHNSON CONTROLS, INC.
DEFERRED COMPENSATION PLAN FOR CERTAIN DIRECTORS

ARTICLE 1.
PURPOSE AND DURATION

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

Section 1.2. Duration. The Plan was originally effective on September 25, 1991. The Plan is most recently amended and restated effective as of January 5, 2016 (the "Amended and Restated Effective Date"). The Plan shall remain in effect until terminated pursuant to the provisions of Article 9.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

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

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

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

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

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

(e) "Affiliated Company" or "Affiliated Companies" shall include any company or companies controlled by, controlling or under common control with the Company.

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

(g) "Board" means the Board of Directors of the Company.

(h) "Change of Control" has the meaning ascribed to such term in Section 8.2 or Section 8.3, as applicable.

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

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

(k) "Company" means Johnson Controls, Inc. and its successors as provided in Section 9.7.

(l) "Deferral" means the amount credited, in accordance with a Participant's election, to the Participant's Account in lieu of the payment in cash or Shares.

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

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

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

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

(q) "Outside Director" means a member of the Board who is not an officer or employee of the Company or a subsidiary.

(r) "Participant" means an Outside Director who has elected to make Deferrals pursuant to Article 4 of the Plan. Where the context so requires, a Participant also means a former director entitled to a benefit hereunder.

(s) "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

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

(u) "Share" means a share of common stock of the Company.

(v) "Share Unit Account" means the account described in Article 7, which is deemed invested in Shares.

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

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

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

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

ARTICLE 3. **PARTICIPATION**

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

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

ARTICLE 4.
DEFERRED COMPENSATION

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

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

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

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

ARTICLE 5. HYPOTHETICAL INVESTMENT OPTIONS

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

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

On each Valuation Date, the Administrator (or its delegate) shall credit the deemed investment experience with respect to the selected Investment Options to each Participant's Account. Notwithstanding

anything herein to the contrary, the Company retains the right to allocate actual amounts hereunder without regard to a Participant's request.

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

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

ARTICLE 6. **DISTRIBUTION**

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

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

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

(a) Lump Sum. If payment is to be made in a lump sum, payment shall be made in the first calendar quarter following the calendar quarter in which the Participant's Separation from Service occurs. The lump sum payment shall equal the balance of the Participant's Account as of the Valuation Date immediately preceding the distribution date.

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

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

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

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

Section 6.5. Distribution of Remaining Account Following Participant's Death. In the event of the Participant's death prior to receiving all payments due under this Article 6, the balance of the Participant's Account shall be paid to the Participant's Beneficiary in a lump sum in the first calendar quarter or the third calendar quarter, whichever first occurs after the Participant's death; provided that if the Participant dies prior to November 19, 2010, the death benefit shall be paid according to the prior provisions of the Plan. Notwithstanding the foregoing, in lieu of such lump sum death benefit, a Participant who has an installment payment election in effect may, prior to his or her termination of service as an Outside Director, elect to have any remaining installment payments continue to his or her Beneficiary in the event the Participant dies after beginning to receive such installment payments, provided that such election shall be given effect only if filed at least twelve (12) months prior to the date of the Participant's death.

Section 6.6 Tax Withholding. The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash and/or Fair Market Value of Shares sufficient to satisfy the Company's or Affiliate's foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Participant's Account balance shall be reduced by the amount needed to pay the Participant's portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramiding of the Code Section 3401 wages and taxes, but no greater than the aggregate of the FICA tax amount and the income tax withholding related to such FICA tax amount.

Section 6.7. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant's death).

Section 6.8. Additional Payment Provisions

- (a) Acceleration of Payment. Notwithstanding the foregoing:
- (1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within 90 days after the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant's income as a result of such failure.
 - (2) If an amount under the Plan is required to be immediately distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it

may be distributed according to the terms of such order, provided the Participant holds the Administrator harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.

- (b) Delay in Payment. Notwithstanding the foregoing:
 - (1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company to continue as a going concern, the Company shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.
 - (2) If the distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7. **RULES WITH RESPECT TO SHARE UNITS**

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

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

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

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

Section 8.1. Acceleration of Payment of Accounts. Notwithstanding any other provision of this Plan, within 30 days after a Change of Control, each Participant (or any Beneficiary thereof entitled to receive payment hereunder), including Participants receiving installment payments under the Plan, shall be entitled to receive a lump sum payment in cash of all amounts accumulated in such Participant's Account. Such payment shall be made as soon as practicable (but not more than ninety (90) days) following the Change of Control; *provided* that the payment shall not be made prior to the date that is five (5) years after the occurrence of events that would have constituted a Change of Control as it was defined in this Plan prior to the Amended and Restated Effective Date.

The provisions of this Article 8 shall apply to amounts that were grandfathered under this Plan pursuant to Code Section 409A as well as to amounts that were not grandfathered.

In determining the amount accumulated in a Participant's Share Unit Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company's common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the "Composite Tape") during the sixty (60)-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 8.2(a) or Section 8.3(a), as applicable, the highest price per Share of the Company paid in such transaction or series of transactions.

Section 8.2. New Definition of a Change of Control. Subject to Section 8.3, a Change of Control means any of the following events, provided that each such event would constitute a change in control event within the meaning of Code Section 409A:

(a) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then-outstanding Shares (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (4) any acquisition by any corporation pursuant to a transaction that complies with Section 8.2(c)(1)-(3);

(b) Any time at which individuals who, as of the Amended and Restated Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election

or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or an Affiliated Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Section 8.3. Prior Definition of a Change of Control. Notwithstanding anything to the contrary in Section 8.2, until the date that is twelve (12) months after the Amended and Restated Effective Date, a Change of Control means any of the following events, provided that each such event would constitute a change in control event within the meaning of Code Section 409A:

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

- (1) Fifty percent (50%) of the Outstanding Company Common Stock or
- (2) Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"),

provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then

beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or

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

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

For purposes of this Section 8.3, persons will not be considered to be acting as a "group" solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a "group" if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

ARTICLE 9. **GENERAL PROVISIONS**

Section 9.1. Administration.

(a) **General.** The Committee shall have overall discretionary authority with respect to administration of the Plan; provided that the Administrator shall have responsibility for the general operation and daily administration of the Plan as specified herein. If at any time the Committee shall not be in existence or not be composed of members of the Board who qualify as "non-employee directors", then the Board shall administer the Plan (with the assistance of the Administrator) and all references herein to the Committee shall be deemed to include the Board. The Committee or Administrator may, in their discretion, delegate

any or all of their respective authority and responsibility; provided that the Committee shall not delegate authority and responsibility with respect to non-ministerial functions that relate to the participation by Participants who are subject to Section 16 of the Exchange Act at the time any such delegated authority or responsibility is exercised. To the extent of any such delegation, any references herein to the Committee or Administrator, as applicable, shall be deemed references to such delegate. Interpretation of the Plan shall be within the sole discretion of the Committee or the Administrator with respect to their respective duties hereunder. If any delegate of the Committee or the Administrator shall also be a Participant or Beneficiary, any determinations affecting the delegate's participation in the Plan shall be made by the Committee or Administrator, as applicable.

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

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

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

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

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

such beneficiary designation automatically shall become null and void on the date the Administrator receives notice of the Participant's divorce or legal separation.

Section 9.3. Participant Rights Unsecured.

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

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

Section 9.4. Amendment or Termination of the Plan.

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

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

- (1) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

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

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

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

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

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

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

(b) Arbitration.

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

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

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

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

- (3) Compliance with Personnel Policies. Before proceeding to arbitration on a complaint, the Participant or Beneficiary must initiate and participate in any complaint resolution procedure identified in the Company's personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company complaint resolution procedure has been completed.
- (4) Rules of Arbitration. All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney's fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator's award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator's award is based.
- (5) Representation and Costs. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney's or representative's fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys' fees, the arbitrator may award costs and reasonable attorneys' fees as provided by such statute.
- (6) Discovery; Location; Rules of Evidence. Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.
- (7) Confidentiality. The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties.

Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.

ADDENDUM
SPECIAL TRANSITION RULES

Pursuant to the provisions of IRS Notice 2005-1:

1. The Company provided each Participant with an opportunity to file a new deferral election by March 15, 2005, with respect to any director fees that had not yet been paid as of the date the election was filed.
2. The Company provided each Participant with an opportunity to file a new distribution election during calendar year 2005, with respect to his Account. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for his Account.

Pursuant to the provisions of IRS Notice 2006-79:

1. The Company provided each Participant with an opportunity to file a new distribution election during calendar year 2006 and/or 2007. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for his Plan Account, and allowed Participants to elect a whole or partial lump sum payment to be made either in 2007 (provided the election was made by December 31, 2006 and was irrevocable with respect to the 2007 payment) or 2008 (provided the election was made by December 31, 2007). The last distribution election received by the Administrator before January 1, 2008 is irrevocable with respect to 2008.

Pursuant to the provisions of IRS Notice 2007-86:

1. The Company will provide each Participant with an opportunity to file a new distribution election during calendar year 2008. The new distribution election allows the Participant to select a lump sum or up to ten (10) annual installments for his Plan Account, and allows Participants to elect a whole or partial lump sum payment to be made in 2009 (provided the election was made by December 31, 2008). The last distribution election received by the Administrator before January 1, 2009 is irrevocable.



Exhibit 15

February 1, 2016

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Johnson Controls, Inc. Registration Statement Nos. 333-200406 and 333-201945 on Form S-3 and 333-10707, 333-41564, 333-141578, 333-173326 and 333-188430 on Form S-8.

Commissioners:

We are aware that our report dated February 1, 2016 on our review of interim financial information of Johnson Controls, Inc. (the "Company") as of and for the three-month periods ended December 31, 2015 and 2014 and included in the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2015 is incorporated by reference in the above referenced Registration Statements.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Milwaukee, Wisconsin

CERTIFICATIONS

I, Alex A. Molinaroli, of Johnson Controls, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Johnson Controls, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2016

/s/ Alex A. Molinaroli

Alex A. Molinaroli
Chairman, President and Chief
Executive Officer

CERTIFICATIONS

I, Brian J. Stief, of Johnson Controls, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Johnson Controls, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2016

/s/ Brian J. Stief

Brian J. Stief
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, Alex A. Molinaroli and Brian J. Stief, of Johnson Controls, Inc., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 (Periodic Report) to which this statement is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and
2. information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Johnson Controls, Inc.

Date: February 1, 2016

/s/ Alex A. Molinaroli

Alex A. Molinaroli
Chairman, President and Chief
Executive Officer

/s/ Brian J. Stief

Brian J. Stief
Executive Vice President and
Chief Financial Officer