FOI # 12222

Mary Rose Segulin

Direct Phone: 216.274.2307
Direct Fax: 216.241.2824
Email: msegulin@hahnlaw.com

HAHN LOESER

March 22, 2011

03-24-11A03:09 RCVD

By Certified Mail

The Port Authority of New York and New Jersey
Office of the Secretary
225 Park Avenue South, 17th Floor
New York, New York 10003
ATTN: FOI Administrator

Re: Request for Public Records relating to Stage II Situational Awareness Platform Software and Integration Services for the World Trade Center; RFP 22113 (the "Project")

Dear Sir or Madame:

This firm represents Johnson Controls, Inc. ("JCI") in connection with the above-referenced Project. Pursuant to the New York Freedom of Information Law and New Jersey's Open Public Records Act and the revised By-Laws of The Port Authority of New York and New Jersey, JCI hereby requests copies of the following public records relating to the Project:

1. All documents pertaining to the evaluation criteria and ranking of proposers responding to the above-referenced RFP 22113 (the "Proposers") in connection with the Project;
2. All documents pertaining to the evaluation criteria and ranking of Proposers in connection with the Project not in the public record as of November 1, 2010;
3. All documents pertaining to the evaluation of JCI as a Proposer, including Stage I and Stage II packages; and
4. any other documents in the possession of The Port Authority relating to the Project.

Pursuant to N.Y. PBO. Law §§84-90 and N.J.S. 47:1A-1 *et seq*, all government records shall be subject to public access unless exempt from such access as set forth in the statutes under the Freedom of Information laws of New York and New Jersey and the Freedom of Information Policy of the Port Authority. As such, the above-requested documents are public records that JCI is entitled to inspect.

HAHN LOESER & PARKS LLP attorneys at law
cleveland columbus akron naples fort myers indianapolis
200 Public Square, Suite 2800 Cleveland, Ohio 44114-2316 phone 216.621.0150 fax 216.241.2824 hahnlaw.com

HAHN LOESER

Please mail your response to this Freedom of Information Request to our Cleveland office at the following address:

Mary Rose Segulin, Esq.
Hahn Loeser & Parks LLP
200 Public Square, Suite 2800
Cleveland, Ohio 44114-2316
Telephone: 216.274.2307

Thank you for your kind consideration to this matter. Please do not hesitate to contact me if you have any questions regarding this request.

Very truly yours,

Mary Rose Segulin

Mary Rose Segulin

cc: Jeanette Anderson (by E-Mail)
James Summerville (by E-Mail)
Michael Loughlin (by E-Mail)
Rob Remington, Esq.

3854348.1

THE PORT AUTHORITY OF NY & NJ

Daniel D. Duffy
FOI Administrator

December 11, 2012

Ms. Mary Rose Segulin
Hahn Loeser & Parks LLP
200 Public Square, Suite 2800
Cleveland, OH 44114-2316

Re: Freedom of Information Reference No. 12222

Dear Ms. Segulin:

This is a response to your March 22, 2011 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code", copy attached) for copies of records related to RFP No. 22113 - Stage II Situation Awareness Platform Software and Integration Services for the WTC.

Material responsive to your request and available under the Code can be found on the Port Authority's website at http://www.panynj.gov/corporate-information/foi/12222-C.pdf. Paper copies of the available records are available upon request.

Certain material responsive to your request is exempt from disclosure pursuant to exemptions (1) and (4) of the Code.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,

Daniel D. Duffy
FOI Administrator

Attachment

225 Park Avenue South
New York, , NY 10003
T: 212 435 3642 F: 212 435 7555

Proposals Received:

Stage I

Ratings after scoring of Stage I proposals on September 27, 2010:

Name of Proposer (In Ranked Order)	Software Product	Integration Services	Total
Diebold Enterprise Security Systems	495	405	900
Henry Bros Electronics (tie)	495	390	885
SAIC (tie)	495	390	885
Johnson Controls	477	360	837
Adesta	413	323	735
Michael Stapleton Associates	477	180	657
Microsoft	458	233	691
Boeing	238	293	531
Ingersoll Rand	211	210	421
Schneider Electric	238	180	418

Stage II

Ratings after first scoring on January 20, 2011:

Name of Proposer (in Ranked Order)	Cost	Integration Services	Software Product	Total Weighted Score (out of a possible 1000)	Cost Proposal
Diebold	350	268.33	240	858.33	$7,373,093
Johnson Controls	293.65	303.33	260	856.98	$8,248,677
Henry Bros Electronic	346.15	163.33	160	669.48	$7,246,446
SAIC	210	198.33	130	538.33	$11,443,040

Ratings after final scoring on January 31, 2011:

Name of Proposer (in Ranked Order)	Cost	Integration Services	Software Product	Total Weighted Score (out of a possible 1000)	Cost Proposal
Diebold	350	280	230	860	$6,943,637.79
Johnson Controls	292.60	303.33	250	845.93	$8,274,348.27

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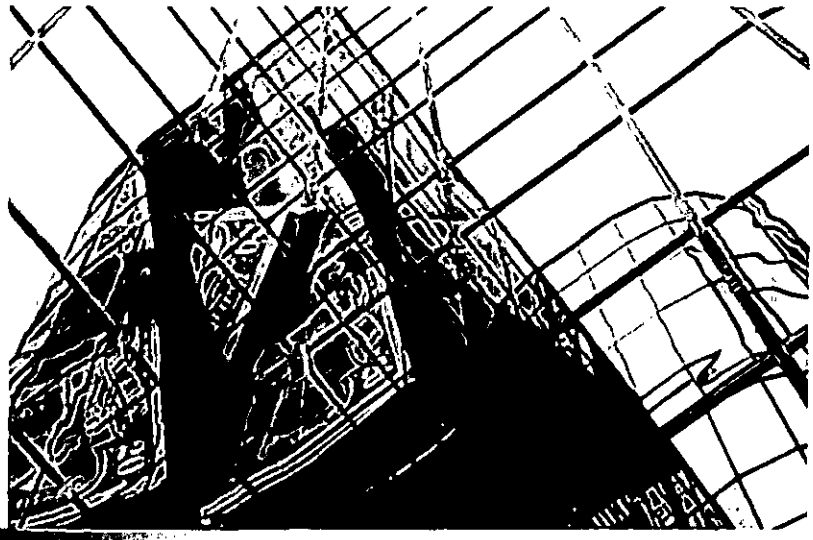
THE PORT AUTHORITY OF NY & NJ

World Trade Center

RFP # 22113

September 2010



Situational Awareness Platform Software & Integration Services

Project:
World Trade Center
RFP #22113
NY, NY

Developer/Owner:
Silverstein Properties
New York, NY

Submitted to:
Ms. Jeanette Anderson
Port Authority NY & NJ
One Madison Ave. 7th Floor
New York, NY 10010

Johnson Controls

TABLE OF CONTENTS

Section 1 – CORPORATE INTRODUCTION
- 1.1 Transmittal Letter from the Regional General Manager
- 1.2 Articles of Incorporation

Section 2 – ATTACHMENT "F"

Section 3 – JOHNSON CONTROLS/QUANTUM SECURE/VIDSYS MAIN RESPONSE

Section 4 – CORPORATE OVERVIEW
- 2.1 Corporate Overview
- 2.2 Bank and Company References
- 2.3 List of Major Completed Projects (Work on Hand)

Section 5 – AGREEMENT ON TERMS

Section 6 – ATTACHMENT "G"
- 6.1 Item A & B Johnson Controls Inc.
- 6.2 Item C VidSys & Quantum Secure
- 6.3 Item D Corporate Financial Statements 10-K

Section 7 – BACKGROUND QUALIFICATION QUESTIONNAIRE

Section 8 – BUDGETARY COST ESTIMATE

Section 9 – LICENSE AGREEMENT(S)
- 9.1 VidSys
- 9.2 Quantum Secure

Section 10 – TRAINING MANUAL(S)
- 10.1 VidSys
- 10.2 Quantum Secure

Section 11 – ATTACHMENTS (1-25)

SUB SECTION

A. 1. Executive Summary
B. 2. SW Products Comprising the Proposed SAPS Systems
C. 3. Complete List of Functions
D. 4. Process Diagram
E. 5. How PIAM and PSIM Work Together
F. 6. Modifications
G. 7. List of Agents/Connectors
H. 8. Manufacturer's Business Practices
I. 9. Manufacturer Technical Support Program
J. 10. Manufacturer Product Development and Testing Organization
K. 11. Competitive Advantage
L. 12. Manufacturer SW Quality Assurance Program
M. 13. Hardware Requirements
N. 14. Testing and Acceptance Procedures
O. 15. Training Program
P. 16.Document Methodology
Q. 17. Johnson Controls Adaptive and Innovative Philosophy
R. 18. Potential Risks
S. 19. Attachment "D"
T. 20. Project Staffing Plan/Resumes
U. 21. Project Management and Quality Assurance
V. 22. General Security Methodology
W. 23. Johnson Controls Staffing Plan
X. 23a. Johnson Controls Staffing Plan Locations
Y. 24. Functional Requirement Specifics
Z. 25. Manufacturers Successful Sample Installations

Section 12 – EXCEPTIONS TO GENERAL CONTRACT TERMS AND CONDITIONS

Johnson Controls, Inc.
777 Terrace Avenue
Hasbrouck Heights, NJ 07604
Phone: (201) 462 - 0700
Fax: (201) 462 - 0701

August 18, 2010

Procurement Department
Attn: Bid/Proposal Custodian
One Madison Avenue, 7th Floor
New York, NY 10010
Attention: Jeanette Anderson
Principal Contracts Specialist

Subject: **RFP # 22113 Situational Awareness Platform Software and Integration Services for the World Trade Center Site**

Johnson Controls Inc. is pleased to submit our proposal to furnish and install a complete Situational Awareness Platform Software and Integration Services for the World Trade Center Site. Johnson Controls Inc. experience with complex Integration projects uniquely qualifies JCI to provide this solution to the Port Authority and the WTC complex. Our proposal is in general accordance with the documentation as prepared by the Port Authority of NY & NJ and as in the Proposer Prerequisites outlined in the Stage I evaluation criteria.

1. Responsible Branch Office:
Johnson Controls Inc.
777 Terrace Ave.
Hasbrouck Heights, NJ 07604
URL : http://www.johnsoncontrols.com

2. Authorized Signatory:
Curt Bagnall Regional General Manager
Tel: 201-462-5350
Mobile:
Fax: 201-462-0701
Email: Curt.L.Bagnall@jci.com

3. Johnson Controls RFP Contacts
Primary
Michael Loughlin –Major Projects Account Executive Security & Fire NYC
Tel: 631-506-9960
Email: Mike.Loughlin@jci.com
Backup
Andre Greco- Regional Sales Manager Northeast Security and Fire
Tel: 860-819-6761
Email: Andre.Greco@jci.com

4. Proposed Subcontractors

Quantum Secure, Inc.
100 Century Center Court
Suite 501
San Jose, CA 95112 USA
Phone: 408 453 1008
Fax: 408 453 1009

VidSys, Inc.

293 Boston Post Road West
Suite 310
Marlborough, MA 01752
Phone: 508.485.2900
Fax: 508.485.2920

5. Corporation Statements:

(a) Statement of the names and residences of the officers
(*A list of all elected corporate officers can be found at the following link*: http://www.jci.com/financial/officers.htm)

"Principal" officers – Stephen A. Roell – President and Chief Executive Officer, R. Bruce McDonald - Chief Financial Officer and Executive Vice President, Jerome D. Okarma – Vice President, Secretary and General Counsel.

(b) Copy of Certificate of Incorporation and delegation of authority (see attached)

Thank you for the opportunity to submit our proposal.

Sincerely,
Johnson Controls Inc.

Curt Bagnall
Regional General Manager

Cc. Michael Loughlin, Andre Greco, JCI

RESTATED ARTICLES OF INCORPORATION
OF
JOHNSON CONTROLS, INC.

Pursuant to the authority and provisions of Chapter 180 of the Wisconsin Statutes, the existing Articles of Incorporation are hereby amended, superseded and restated to read as follows:

STATE OF WISCONSIN
FILED
SEP 14 2007
DEPARTMENT OF
FINANCIAL INSTITUTIONS

ARTICLE I

Name

The name of the corporation is Johnson Controls, Inc.

ARTICLE II

Purpose

The corporation is organized for the purpose of any lawful activity within the purposes for which corporations may be organized under the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statues, including (without in any manner limiting by the following enumeration the generality of the foregoing) the manufacture, sale and installation of, and dealing in, automatic temperature and humidity controls for heating, cooling, ventilating, air-conditioning and industrial processing.

ARTICLE III

Authorized Shares

The aggregate number of shares which this Corporation has authority to issue is 1,802,000,000 shares, consisting of 1,800,000,000 shares of class of designated "Common Stock" of the par value of $0.01-7/18 per share and 2,000,000 shares of class designated "Preferred Stock" of the par value of $1.00 per share. Any and all such shares of Common Stock and Preferred Stock may be issued for such consideration, not less than the par value thereof, as shall be fixed from time to time by the Board of Directors. Any and all such shares so issued, the full consideration for which has been paid or delivered, shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of such share shall not be liable for any further payments except as otherwise provided by applicable Wisconsin Statutes. Notwithstanding any other provision hereof, the Board of Directors shall have no authority to cause any shares of Preferred Stock to be issued if, as a result of such issuance, the aggregate amount payable in the event of voluntary or involuntary liquidation on all shares of Preferred Stock outstanding would exceed $100,000,000. The preferences, limitations and relative rights of each class shall be as follows:

(A) Preferred Stock

(1) Series of Preferred Stock

The Board of Directors shall (have) authority to divide the Preferred Stock into series, and shall determine and fix the relative rights and preferences of the shares of any series so established prior to the issuance thereof, but only with respect to:

(a) The rate of dividend and the date from which such dividends shall be cumulative;
(b) The price at and the terms and conditions on which shares may be redeemed;
(c) The amount payable upon shares in the event of voluntary or involuntary liquidation;
(d) Sinking fund provisions for the redemption or purchase of share;
(e) The terms and conditions on which shares may be converted into shares of Common Stock, if the shares or any series are issued with the privilege of conversion.
(f) Voting rights, if any.

Except as to the matters expressly set forth above in this Paragraph (1), all series of the Preferred Stock of the corporation, whenever designated and issued, shall have the same preferences, limitations and relative rights and shall rank equally, share ratably and be identical in all respects as to all matters.

All shares of any one series of Preferred Stock hereinabove authorized shall be alike in every particular, and each series thereof shall be distinctively designated by letter or descriptive words or figures.

(2) Dividends

The holders of Preferred Stock shall be entitled to receive dividends at the rate per annum specified as to each series pursuant to Paragraph (1), and no more, payable quarterly on the last day of March, June, September, and December in each year for the respective calendar quarter ending on such dates ("Dividend Periods") out of the unreserved earned surplus of the corporation or out of any capital surplus legally available for the payment of such dividends, when and as declared by the Board of Directors. Such dividends shall accrue on each share of Preferred Stock from the first day of the Dividend Period in which such share is issued or from such other date as the Board of Directors may fix for this purpose pursuant to Paragraph (1). All dividends on Preferred Stock shall be cumulative so that if the corporation shall not pay or set apart for payment the dividend, or any part thereof, for any Dividend Period, on the Preferred Stock then issued and outstanding, such deficiency in the dividend on the Preferred Stock shall thereafter be fully paid or declared and set apart for payment, but without interest before any dividend shall be paid or declared and set apart for payment on the Common Stock. The holders of Preferred Stock shall not be entitled to participate in any other or additional earnings or profits of the corporation, except for such premiums, if any, as may be payable in case of redemption, liquidation, dissolution or winding up.

Any dividend paid upon the Preferred Stock at a time when any accrued dividends for any prior Dividend Period are delinquent shall be expressly declared to be in whole or partial payment of the accrued dividends to the extent thereof, beginning with the earliest Dividend Period for which dividends are then wholly or partly delinquent, and shall be so designated to each shareholder to whom payment is made.

No dividends shall be paid upon any shares of any series of Preferred Stock of the corporation for a current Dividend Period unless there shall have been paid or declared and set apart for payment dividends required to be paid to the holders of each other series of Preferred Stock for all past Dividend Periods of such other series. If any dividends are paid on any of the Preferred Stock with respect to any past Dividend Period at any time when less than the total dividends then accumulated and payable for all past Dividend Periods on all of the Preferred Stock then outstanding are to be paid or declared and set apart for payment, then the dividends being paid shall be paid on each series of Preferred Stock in proportions that the dividends than accumulated and payable on each series for all past Dividend Periods bear to the total dividends then accumulated and payable for all such past Dividend Periods on all outstanding Preferred Stock.

(3) Liquidation, Dissolution or Winding Up

In case of voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of each series of Preferred Stock shall be entitled to receive out of the assets of the corporation in money or money's worth the amount specified pursuant to Paragraph (1) with respect to that series of Preferred Stock, together with all accrued but unpaid dividends thereon (whether or not earned or declared), before any of such assets shall be paid or distributed to holders of Common Stock. In case of voluntary or involuntary liquidation, dissolution or winding up of the corporation, if the assets shall be insufficient to pay the holders of all of the series of Preferred stock then outstanding the full amounts to which they may be entitled, the holders of each outstanding series shall share ratably in such assets in proportion to the amounts which would be payable with respect to such series if all amounts payable thereon were paid in full. The consolidation or merger of the corporation with or into nay restoration, or a sale of all or any part of its assets, shall not be deemed a liquidation, dissolution or winding up of the corporation within the meaning of this paragraph.

(4) Redemption

Except as otherwise provided with respect to a particular series pursuant to Paragraph (1), the following general redemption provisions shall apply to each series of Preferred stock (hereinafter in this paragraph referred to as "Series"):

On or prior to the date fixed for redemption of a particular Series or any part thereof as specified in the notice of redemption for said Series, the corporation shall deposit adequate funds for such redemption, in trust for the account of holders of the Series to be redeemed, with a bank having trust company in good standing organized under the laws of the United States of America or the State of Wisconsin doing business in the State of Wisconsin and having capital, surplus and undivided profits aggregating at least One Million Dollars ($1,000,000), and if the name and address of such bank or trust company and the deposit of or intent to deposit the redemption funds in

such trust account shall have been stated in such notice of redemption, them from and after the mailing of such notice and the making of such deposit the shares of the Series called for redemption no longer be deemed to be outstanding for any purpose whatsoever, and all rights of the holders of such share in or with respect to the corporation shall forthwith cease and terminate except only the right of the holders of such shares (2) to transfer such shares prior to the date fixed for redemption, (b) to receive out of said deposit the redemption price of such shares, which shall nevertheless include accrued but unpaid dividends to the date fixed for redemption, without interest, upon surrender of the certificate or certificates representing the shares to be redeemed, and (c) to exercise on or before the close of business on the fifth day preceding the date fixed for redemption privileges of conversion, if any, not theretofore expired.

In case of redemption of only a part of a Series, the corporation shall designate by lot, in such manner as the Board of Directors may determine, the share to be redeemed, or shall effect such redemption pro rata.

Any moneys so deposited by the corporation which shall remain unclaimed by the holders of the shares called for redemption and not converted shall, at the end of six years after the date fixed for redemption, be paid to the corporation upon its request, after which repayment the holders of the shares so called for redemption shall no longer look to the said bank or trust company for the payment of the redemption price but shall look only to the corporation or to others, as the case may be, for the payment of any lawful claim for such moneys which holders of said shares may still have. After said six-year period, the right of any shareholder other person to receive such payment may be forfeited in the manner and with the effect provided under Wisconsin Law. Any portion of the moneys so deposited by the corporation, in respect of shares of the Series converted into Common Stock, shall be repaid to the corporation upon its request.

(5) Conversion Rights

Except as otherwise provided with respect to a particular series pursuant to Paragraph (1), the following general conversion provisions shall apply to each series of Preferred Stock which is convertible into Common Stock (hereinafter, in this paragraph, referred to as "Series"):

(a) All shares of Common Stock issued upon conversion shall be fully paid and nonassessable, and shall be free of all taxes, liens and charges with respect to the issue thereof except taxes, if any, payable by reason of issuance in a name other than that of the holder of the share or shares converted and except as otherwise provided by applicable Wisconsin Statutes.

(b) The number of shares of Common Stock issuable upon conversion of a particular Series at any time shall be the quotient obtained by dividing the aggregate conversion value, as herein provided, of the shares of that Series surrendered for conversion, by the price per share of Common Stock then in effect for that Series as herein provided. The corporation shall not be required, however, upon any such conversion, to issue any fractional share of Common Stock, but in lieu thereof the corporation shall pay to the shareholder who would otherwise be entitled to receive such fractional share if issued, a sum in case equal to the value of such fractional share at the rate of the then market value per share of Common Stock which for purposes hereof shall mean the last reported sale price of Common Stock on the New York Stock Exchange. Share of Preferred Stock shall be deemed to have been converted as of the close of business on the date of receipt at the office of the Transfer Agent of the certificates therefor, duly endorsed, together with written notice by the holder of his election to convert the same.

(c) The basic conversion price per share of Common Stock for a particular Series, as provided for under the detailed description of the individual Series, shall be subject to adjustment from time to time as follows:

(i) In Case the corporation shall (A) pay a dividend or make a distribution of all holders of outstanding shares of its Common Stock as a class in shares of its Common Stock, (B) subdivide or split the outstanding shares of its Common Stock into a larger number of shares, or (C) combine the outstanding shares of its Common Stock into a smaller number of shares, the base conversion price per share of Common Stock in effect immediately prior thereto shall be adjusted retroactively so that the holder of each outstanding share of each Series of Preferred Stock which by its terms is convertible into Common Stock shall thereafter be entitled to receive upon the conversion of such share the number of shares of Common Stock of the corporation which he would have owned and been entitled to receive after the happening of any of the events described above had such share of such Series been converted immediately prior to the happening of such event. An adjustment made pursuant to this clause (c) (i) shall become effective retroactively immediately after such record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, split or combination. such adjustments shall be made successively whenever any event described above shall occur.

(ii) In case the corporation shall issue to all holders of its Common Stock as a class any rights or warrants enabling them to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock (as hereinafter defined) at the record date fir determination of shareholders entitled to receive such rights or warrants, the basic conversion price per share of Common Stock in effect immediately prior thereto for each Series of Preferred Stock which by its terms is convertible into Common Stock shall be adjusted retroactively by multiplying such basic conversion price by a fraction, of which the numerator shall be the sum of the number of shares of Common Stock outstanding at such record date and the number of share of Common Stock which the aggregate exercise price (before deduction of underwriting discounts or commissions and other expenses of the corporation in connection with the issue) of the total number of shares so offered for subscription or purchase would purchase at such current market price per share of which the denominator shall be the sum of the number of shares of Common Stock outstanding at such record date and the number of additional shares of Common Stock so offered for subscription or purchase. An adjustment made pursuant to this clause (c) (ii) shall become effective retroactively immediately after the record date for determination of shareholders entitled to receive such rights or warrants. Such adjustments shall be made successively whenever any event described above shall occur.

(iii) In case the corporation shall distribute to all holders of its Common Stock as a class evidences of its indebtedness or assets (other than cash dividends), the basic conversion price per share of Common Stock in effect immediately prior thereto for each Series of Preferred Stock which by its terms is convertible into Common Stock shall be adjusted retroactively by multiplying such basis conversion price by a fraction, of which the numerator shall be the difference between the current market price per share per share of Common Stock at the record date for determination of shareholders entitled to receive such distribution and the fair value (as determined by the Board of Directors) of the portion of the evidences of indebtedness or assets (other than cash dividends) so distributed applicable to one share of Common Stock, and of which the denominator shall be the current market price per share of Common Stock. An adjustment made pursuant to this clause (c) (iii) shall become effective retroactively immediately after such record date. Such adjustments shall be made successively whenever any event described above shall occur.

(d) For the purpose of any computation under clause (c) (iii) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the high and low sale prices of the Common Stock of the corporation, as reported in the New York Stock Exchange - Composite Transactions (or such other principal market quotation as may then be applicable to such Common Stock) for each of the 30 consecutive trading days commencing 45 trading days before such date.

(e) For the purpose of making the computations prescribed in clause (c) of this Paragraph (5), no adjustment shall be made in the basic conversion price for any Series of Preferred Stock in effect immediately prior to such computation if the amount of such adjustment would be less than fifty cents; provided however, that any adjustments which by reason of this clause (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and provided further that anything to the contrary in the foregoing notwithstanding any adjustment required for purposes of making the computations in said clause (c) shall be made not later than the earlier of (x) 3 years after the effective date provided for under said clause (c) for such adjustment or (y) the date as of which such adjustment would require an increase or decrease of at least 3% in the aggregate number of shares of Common Stock issued and outstanding on the first date on which an event occurred which required the making of a computation prescribed in said clause (c). All calculations under this Paragraph (5) shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be."

(f) In the case of any capital reorganization or reclassification of Common Stock, or if the corporation shall be consolidated with or merged into, or sell or dispose of all substantially all of its property and assets, to any other corporation, proper provisions shall be made as part of the terms of such capital reorganization, reclassification, consolidation, merger or sale that any shares of a particular Series at the time outstanding shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock deliverable upon conversion of such shares of a particular Series would have been entitled upon such capital reorganization, reclassification, consolidation or merger.

(g) No adjustment with respect to dividends upon any Series or with respect to dividends upon Common Stock shall be made in connection with any conversion.

(h) Whenever there is an issue of additional shares Common Stock of the corporation requiring a change in the conversion price as provided above, and whenever there occurs any other event which results in a change in the

existing conversion rights of the holders of shares of a series, the corporation shall file and its transfer agent or agents and at its principal office in Milwaukee, Wisconsin, a statement signed by the President or a Vice President and by the Treasurer or Assistant Treasurer of the corporation, describing specifically such issue of additional shares of Common Stock or such other event (and, in the case of a capital reorganization, reclassification, consolidation or merger, the terms thereof) and the actual conversion prices or basis of conversion as changed by such issue or event and the change, if any, in the securities issuable upon conversion. Whenever there are issued by the corporation to all holders of its Common Stock as a class any rights or warrants enabling them to subscribe for or purchase shares of Common Stock, the corporation shall also file in like manner a statement describing the same and the consideration receivable by the corporation therefrom. The statement so filed shall be open to inspection by any holder of record of shares of any Series.

(i) The corporation shall at all times have authorized and shall at all times reserve and set aside a sufficient number of duly authorized shares of Common Stock for the conversion of all stock of all then outstanding Series which are convertible into Common Stock.

(6) Reissuance of Shares

Any shares of Preferred Stock retired by purchase, redemption, through conversion or through the operation of any sinking fund or redemption or purchase account, shall thereafter have the status of authorized but unissued shares of Preferred Stock of the corporation, and may thereafter be reissued as part of the same series or may be reclassified and reissued by the Board of Directors in the same manner as any other authorized and unissued shares of Preferred Stock.

(7) Voting Rights of Preferred Stock

(a) Ordinary Voting Rights. Holders of Preferred Stock shall be entitled to one vote for each share of such class held on all questions on which shareholders of the corporation are entitled to vote and shall vote together share for share with the holders of Common Stock as one class, except as otherwise provided by law or as hereinafter otherwise provided or as otherwise determined by the Board of Directors at the time of the establishment of such Series of Preferred Stock pursuant to clause (f) of Paragraph (1) of this Section (A).

(b) Special Voting Rights. Holders of Preferred Stock shall have voting rights as provided in the preceding clause (a) and, in addition, the following special voting rights:

(i) Election of Directors. Whenever dividends payable on any series of the Preferred Stock shall be in arrears in an aggregate amount equivalent to six full quarterly dividends on the shares of all of the Preferred Stock of that series then outstanding, the holders of Preferred Stock of that series shall have the exclusive and special right voting separately as a class, to elect two directors of the corporation, and the number of directors constituting the Board of Directors shall be increased to the extent necessary to effectuate such right. Whenever such right of the Board of Directors shall be increased to the extent necessary to effectuate such right. Whenever such right of the holders of any series of the Preferred Stock shall have vested, such right may be exercised initially either at a special meeting of the holders of such series of the Preferred Stock called as hereinafter provided in clause (b) (ii), or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders. The right of the holders of any series of the Preferred Stock voting separately as a class to elect members of the Board of Directors of the corporation as aforesaid shall continue until such time as all dividends accumulated on such series of the Preferred Stock shall have been paid in full, at which time the special right of the holders of such series of the Preferred Stock so to vote separately as a class for the election of directors shall terminate, subject to revesting in the event of each and every subsequent default in an aggregate amount equivalent to six full quarterly dividends.

(ii) Special Meetings of Holders of Preferred Stock. At any time when such special voting power shall have vested in the holders of any series of the Preferred Stock as hereinbefore provided in clause (b) (i), a proper officer of the corporation shall, upon the written request of the holders of record of at least 10% of such series of the Preferred Stock then outstanding addressed to the Secretary of the corporation, call a special meeting of the holders of such series of the Preferred Stock for the purpose of electing directors pursuant to clause (b) (i). Such meeting shall be held at the earliest practicable date in such place as may be designated pursuant to the By-laws (or if there be no designation, at the principal offices of the corporation in Milwaukee, Wisconsin). If such meeting shall not be called by the proper officers of the corporation within 20 days after personal service of the said written request upon the Secretary of the corporation, or within 30 days after mailing the same within the United States of America by registered or certified mail addressed to the Secretary of the corporation at its principal office, then the holders of

record of at least 10% of such series of the Preferred Stock then outstanding may designate in writing one of their numbers to call such meeting at the expense of the corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of shareholders and shall be held in Milwaukee, Wisconsin. Any holder of such series of Preferred Stock so designated shall have access to the stock books of the corporation for the purpose of causing meeting of shareholders to be called pursuant to these provisions. Notwithstanding the provisions of this clause (b) (ii), no such special meeting shall be called during the period within 90 days immediately preceding the date fixed for the next annual meeting of shareholders.

(iii) Special Rules Applicable While Any Series of Preferred Stock Has Special Voting Rights. At any annual or special meeting at which the holders of any series of the Preferred Stock shall have the special right, voting separately as a class, to elect directors as provided in clause (b) (i), the presence, in person or by proxy, of the holders of 33-1/3% of such series of the Preferred Stock shall be required to constitute a quorum of such series for the election of any director by the holders of such series as a class. At any such meeting or adjournment thereof, (A) the absence of a quorum of such series of the Preferred Stock shall not prevent the election of directors other than those to be elected by such series of the Preferred Stock voting as a class, and the absence of a quorum for the election of such other directors shall not prevent the election of the directors to be elected by such series of the Preferred Stock voting as a class and (B) in the absence of either or both such quorums, a majority of the holders present in person or by proxy of the stock or stocks which lack a quorum shall have power to adjourn the meeting for the election of directors which they are entitled to elect from time to time until a quorum shall be present, without notice other than announcement at the meeting.

During any period in which the holders of any series of the Preferred Stock have the right to vote as a class for directors as provided in clause (b) (i), any vacancies in the Board of Directors shall be filled only be vote of a majority (even if that be only a single director) of the remaining directors theretofore elected by the holders of the series or class of stock which elected the directors whose office shall have become vacant. During such period the directors so elected by the holders of any series of the Preferred Stock shall continue in office (A) until the next succeeding annual meeting or until their successors, if any are elected by such holders and qualify, or (B) unless required by applicable law to continue in office for longer period, until termination of the right of the holders of such series of the Preferred Stock to vote as a class for directors, if earlier. If and to the extent permitted by applicable law, immediately upon any termination of the right of the holders of any series of the Preferred Stock to vote as a class for directors as provided in clause (b) (i), the term of office of the directors then in office so elected by the holders of such series shall terminate.

(iv) Action Requiring Approval of Two-Thirds of Outstanding Shares of Each Series of Preferred Stock. The affirmative vote or written consent of the holders of record of at least tow-thirds of the outstanding shares of a series of the Preferred Stock shall be a prerequisite of the right of the corporation.

(A) To create any shares of any securities convertible into or evidencing the right to purchase shares ranking prior to such series of the Preferred Stock with respect to the payment of dividends or of assets upon liquidation, dissolution or winding up; or

(B) To change the designations, preferences, limitations, or relative rights of the outstanding shares or such series of Preferred Stock in any manner prejudicial to the holders thereof.

(v) Action Requiring Approval of a Majority of Outstanding Shares of Each Series of Preferred Stock. The affirmative vote or written consent of the holders of a majority of the outstanding shares of each series of Preferred Stock shall be a prerequisite to the right of the corporation to authorize any shares of Preferred Stock in excess of 2,000,000 shares or any other shares ranking on a parity with Preferred Stock with respect to the payment of dividends or of assets upon liquidation, dissolution or winding up.

(8) Restrictions in Event of Default in Dividends on Preferred Stock

If at any time the corporation shall have failed to pay dividends in full on the Preferred Stock, thereafter and until dividends in full, including all accrued and unpaid dividends for all past quarterly dividend periods on the Preferred Stock outstanding, shall have been declared and set apart in trust for payment or paid, or if at any time the corporation shall have failed to pay in full amounts payable with respect to any obligations to retire shares of the Preferred Stock, thereafter and until such amount shall have been paid in full or set apart in trust for payment (a) the corporation, without the affirmative vote or consent of the holders of at least 66-2/3% of the Preferred Stock at the time outstanding given in person or by proxy, either in writing or by resolution adopted at a special meeting called for the purpose, at which the holders of the Preferred Stock shall vote separately as a class, regardless of series, shall

not redeem less than all of the Preferred Stock at such time outstanding; (b) the corporation shall not purchase any Preferred Stock except in accordance with a purchase offer made in writing to all holders of Preferred Stock of all series upon such terms as the Board of Directors in its sole discretion after consideration of the respective annual dividend rate and other relative rights and preferences of the respective series, shall determine (which determination shall be final and conclusive) will result in fair and equitable treatment among the respective series; provided that (i) the corporation, to meet the requirements of any purchase retirement or sinking fund provisions with respect to any series, may use shares of such series acquired by it prior to such failure and then held by it as treasury stock and (ii) nothing shall prevent the corporation from completing the purchase or redemption of shares of Preferred Stock for which a purchase contract was entered into for any purchase, retirement or sinking fund purposes, or the notice of redemption of which was initially mailed, prior to such failure; and (c) the corporation shall not redeem, purchase or otherwise acquire, or permit any subsidiary to purchase or acquire any shares of any other stock of the corporation ranking junior to the Preferred Stock as to dividends and upon liquidation.

(9) Series B, $2.00 Cumulative Convertible Preferred Stock.

(a) Designation - Series B. There shall be a series of the Preferred Stock of this corporation hereby designated as Series B, $2.00 Cumulative Convertible Preferred Stock (hereinafter in this Paragraph (9) referred to as "Series B Stock") consisting of 1,000,000 shares. The shares of Series B Stock shall have the rights and preferences hereinafter set forth, in addition to those otherwise provided with respect to all shares of Preferred Stock.

(b) Dividends - Series B. The rate of dividends on the Series B Stock shall be $2.00 pre annum, payable quarterly on the last days of March, June, September and December of each year for the respective Dividend Periods ending on such dates. Dividends on shares of Series B Stock shall accrue from and after October 1, 1978 and shall be cumulative from and after such date whether or not on nay quarterly dividend date there shall be funds legally available for the payment of dividends.

(c) Liquidation, Dissolution or Winding Up - Series B. In case of voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of Series B Stock shall be entitled to receive out of the *assets of the corporation in money's worth an amount equal to $40.00 for each share of the Series B Stock, plus all* accrued but unpaid dividends thereon, and no more, before any of such assets shall be paid or distributed to holders of Common Stock. The consolidation or merger of the corporation with or into any other corporation, or a sale of all or any part of its assets, shall not be deemed a liquidation, dissolution or winding up of the corporation within the meaning of this paragraph.

(d) Redemption - Series B.

(1) The shares of Series B Stock shall not be redeemable on or before October 9, 1983 and thereafter will be redeemable at any time at the option of the corporation, exercised by resolution of the Board of Directors, either in whole or in part, at (x) a redemption price per share equal to the lesser of (i) $40.00 per share, or (ii) 110% of the less of (A) the average of the high and low sales prices of the shares of Common Stock, par value $5 per share, of Globe-Union Inc. as reported in the New York Stock Exchange - Composite Transactions (or by any such other national securities exchange on which such shares shall be listed) on the trading day immediately preceding the date on which the shareholders of Globe-Union Inc. approve the Plan and Agreement of Reorganization dated June 27, 1978 between Globe-Union Inc. and the corporation, or (B) the average "when issued" price of the Series B Stock as quoted in the customary "when issued" market on such trading day immediately preceding the date of such approval by the shareholders of Globe-Union Inc., except that in the event that there is not in the opinion of Goldman Sachs & Co. a readily ascertainable "when issued" market for the Series B Stock on such trading day, then such average "when issued" price shall, for purposes of this clause (II) (B), be the average of the high and low sales prices of the Series B Stock as reported in the New York Stock Exchange - Composite Transactions (or by any such other national securities exchange on which such shares shall be listed) on the first trading day on which such shares are traded after October 10, 1978 (or if such Series B Stock is not listed on the New York Stock Exchange (or any such other national securities exchange) on such first trading date after October 10, 1978 then the average of the bid and asked prices of the Series B Stock on such first trading date as quoted by the National Association of Securities Dealers through its automated quotation system), plus (y) in each case a sum equal to all accrued but unpaid dividends of such Series B Stock; provided, however, that the corporation shall have no such right to redeem shares of Series B Stock unless the product of (A) the quotient of the conversion value (as defined in clause (e) below) divided by the basic conversion price (as adjusted from time to time), times (B) the average of the high and low sales prices of the Common Stock of the corporation, as reported in the New York Stock Exchange - Composite Transactions (or such other principal market quotation as may then be

applicable to such Common Stock) for ten consecutive trading days ending with the tenth trading day prior to the date of the corporation's notice of redemption under clause (d) (2) below, is at least $42.00 for each such trading day.

(2) Notice of any redemption of Series B Stock, specifying the time and place of redemption, shall be mailed to each holder of record of the shares to be redeemed, at his address of record, not more than all the shares owned by such shareholder are then to be redeemed, the notice shall also specify the number of shares thereof which are to be redeemed and the number of the certificates representing such shares.

(e) Conversion Right - Series B. Any holder of Series B Stock may convert the same, at any time, into shares of Common Stock on the basis herein provided, at a basic conversion price of $32.40 per share, subject to adjustment from time to time as hereinbefore provided in Paragraph (5), provided that the conversion right of any shares of Series B Stock which shall have been called for redemption shall terminate at the close of business on the fifth day preceding the date fixed for the redemption of such shares. For the purpose of such conversion, shares of Series B Stock shall at all times be taken to have a conversion value of 440.00 per share.

(f) Notice to Holders of Series B Stock. Immediately after the initial issuance of the Series B Stock the corporation shall file with its transfer agent or agents a statement specifying the redemption price provided in clause (d) (1) (x) and the basic conversion price provided in clause (e) (including, in reasonable detail, the manner in which such redemption price and basic conversion price were calculated), and cause a notice, setting forth such redemption price and basic conversion price, to be mailed to holders of record of shares of Series B Stock at their addresses as shown on the books of the corporation."

(B) Common Stock

(1) Dividends

After all dividends on all series of Preferred Stock entitled to dividends which shall have accrued through the ends of the last preceding Dividend Periods set for all such series shall have been paid or declared and set apart for payment at the rates at which such series of Preferred Stock are entitled for the last preceding Dividend Periods set for such series, the holders of the Common Stock shall be entitled to receive such dividends as may be declared thereon from time to time by the Board of Directors, at its discretion, out of any assets of the corporation at the time legally available for payment of dividends of Common Stock.

(2) Dissolution

In the event of the dissolution of the corporation, whether voluntary or involuntary, after distribution to the holders of all shares of Preferred Stock which shall be entitled to a preference over the holders of Common Stock of the full preferential amounts to which they are entitled, the holders of Common Stock shall be entitled to share ratably in the distribution of the remaining assets of the corporation.

(3) Voting Rights of Common Stock

Holders of Common Stock shall be entitled to one vote for each share of such class held on all questions on which shareholders of the corporation as entitled to vote and shall vote together share for share with the holders of Preferred Stock as one class, except as otherwise provided by law or as herein otherwise provided.

(C) General

(1) Pre-emptive Rights

No holder of any class of stock of the corporation shall have any pre-emptive or preferential right to subscribe for or purchase any of the unissued shares of stock the corporation, whether now or hereafter authorized, or any stock of this corporation purchased by this corporation or by its nominee or nominees, or any bonds, certificates of indebtedness, debentures or other securities convertible into stock of this corporation, or any right of subscription to any thereof other than such, if any, as the Board of Directors in its discretion may from time to time determine.

(2) Holders of Record

The corporation shall be entitled to treat the holder of record of any share or shares or stock as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in any such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

(3) Increases Shareholder Voting Requirement in Connection with Certain Merger and Other Transactions

(a) Except as set forth in clause (d) of this Paragraph (3), the affirmative vote or consent of the holders of four-fifths of all classes of stock of this corporation entitled to vote in elections of directors, considered for the purposes of this Paragraph (3) as one class, shall be required (i) for the adoption of any agreement for the merger or consolidation of this corporation with or into any other corporation, or (ii) to authorize any sale, lease, exchange, mortgage, pledge or other disposition of all or any substantial part of the assets of this corporation to, or any sale, lease, exchange, mortgage, pledge or other disposition to this corporation or any subsidiary thereof in exchange for securities of this corporation of any assets of, any other corporation, person or other entity, if, in either case, as of the record date for the determination of shareholders entitled to notice thereof and to vote thereon or consent thereto such other corporation, person or entity is the beneficial owner, directly or indirectly, of more than 10% of the outstanding shares of stock of this corporation entitled to vote in elections of directors considered for the purposes of this Paragraph (3) as one class. Such affirmative vote or consent shall be in addition to the vote or consent of the holders of the stock of this corporation otherwise required by law, these Articles of Incorporation or any agreement between this corporation and any national securities exchange.

(b) For the purposes of this paragraph (3), (i) any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of this corporation (A) which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise or (B) which are beneficially owned, directly or indirectly (including shares deemed owned through application of subclause (A), above), by any other corporation, person or entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposition of stock of this corporation, or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on January 1, 1989, and (ii) the outstanding shares of any class of stock of this corporation shall include shares deemed owned through application of subclauses (A) and (B) above but shall not include any other shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise.

(c) The Board of Directors shall have the power and duty to determine for the purposes of this Paragraph (3), on the basis of information known to such Board, whether (i) such other corporation, person or other entity beneficially owns more than 10% of the outstanding shares of stock of this corporation entitled to vote in elections of directors, (ii) a corporation, person, or entity is an "affiliate" or associate (as defined above) of another, and (iii) the memorandum of understanding referred to below is substantially consistent with the transaction covered thereby. Any such determination shall be conclusive and binding for all purposes of this Paragraph (3).

(d) The provisions of this Paragraph (3) shall not be applicable to (i) any merger or consolidation of this corporation with or into any other corporation, or any sale, lease, exchange, mortgage, pledge or other disposition of all or any substantial part of the assets of this corporation to, or any sale, lease mortgage, pledge or other disposition to this corporation or any subsidiary thereof in exchange for securities of this corporation of any assets of, any other corporation, person or other entity, if the Board of Directors of this corporation shall by resolution have approved a memorandum of understanding with such other corporation, person or other entity, with respect to and substantially consistent with such transaction prior to the time such other corporation, person or other entity shall have become a beneficial owner of more than 10% of the shares of stock of this corporation entitled to vote in elections of directors; or (ii) any merger or consolidation of this corporation with, or any sale, lease, exchange, mortgage, pledge or other disposition to this corporation or any subsidiary thereof of any assets of any corporation of which a majority of the outstanding shares of all classes of stock entitled to vote in elections of directors is owned of record or beneficially by this corporation and its subsidiaries.

(e) No amendment to these Articles of Incorporation shall amend, alter, change or repeal any of the provisions of this Paragraph (3), unless the amendment effecting such amendment, alteration, change or repeal shall receive the affirmative vote or consent of the holders of four-fifths of all classes of stock of this corporation entitled to vote in elections of directors, considered for the purposes of this Paragraph (3) as one class.

ARTICLE IV

Board of Directors

The Board of Directors shall consist of such number of directors (not less than three) as in fixed from time to time by the By-laws. The By-laws may provide, to the extent permitted by law, that the directors be divided into classes and that the terms of office or directors of each class may be more than one year. A director may be removed from office during the term for which he has been elected only by affirmative vote to two-thirds of the outstanding shares entitled to vote for the election of such director.

ARTICLE V

Registered Office and Agent

The address of the registered office is 5757 North Green Bay Avenue, Glendale, Wisconsin 53209, and the name of the registered agent at such address is Jerome D. Okarma.

ARTICLE VI

Indemnification

(A) The corporation shall indemnify any person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suite or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connect with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(B) The corporation shall indemnify any person who was or is a party threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(C) To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the preceding Sections (A) and (B) of this Article VI, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorney's fees, actually and reasonably incurred by him in connection therewith.

(D) Any indemnification under Sections (A) or (B) of this Article VI, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such Sections. Such determination shall be made:

(1) By the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding.

(2) If such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion;

(3) By the shareholders; or

(4) By the chief legal officer of the corporation only in the following circumstances

(a) the indemnified is a non-officer, non-director employee of the corporation, and

(b) the chief legal officer reasonably concludes that the actions of the indemnified were in accordance with the laws of the U.S. and Wisconsin, meet the requirements of this Article and were in accordance with the current Ethics Policy of the corporation; the chief legal officer reports fully on such decisions to the Audit Committee of the Board of Directors at its next meeting.

(E) Expenses, including attorney's fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section (D) upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this Article VI.

(F) The right to indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(G) The corporation may purchase and maintain insurance on behalf of any person who is or was a director, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

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These Restated Articles of Incorporation supersede and take the place of the existing Articles of Incorporation and all amendments to the Articles of Incorporation through July 25, 2007.

This document was drafted by Jerome D. Okarma, Esq.

CERTIFICATE

This is to certify that the foregoing restated articles of incorporation

A. ☐ Does not contain any amendment requiring shareholder approval, and were adopted on _____ by the board of directors or incorporators
(Date)

OR

B. ☒ Contains one or more amendments to the articles of incorporation

(NOTE: Select and mark (X) for A. or B. above.

COMPLETE THIS SECTION only if you have marked "B" above.

Amendment(s) adopted on July 25, 2007 (Date)

(Indicate the method of adoption by checking (X) the appropriate choice below.)

☒ In accordance with sec. 180.1002, Wis. Stats. (By the Board of Directors)

OR

☐ In accordance with sec. 180.1003 and 180.1004, Wis. Stats. (By the Board of Directors and Shareholders)

OR

☐ In accordance with sec. 180.1005, Wis. Stats. (By Incorporators or Board of Directors, before

C. Executed on 9/7/2007
(Date)

(Signature)

Title: ☐ President ☒ Secretary
or other officer title _____

Jerome D. Okarma
(Printed name)

This document was drafted by Jerome D. Okarma
(Name the individual who drafted the document)

INSTRUCTIONS (Ref. sec. 180.1007 Wis. Stats. for document content)

Submit one original and one exact copy to the Department of Financial Institutions, PO Box 7846, Madison WI, 53707-7846, together with a **FILING FEE of $40.00**, payable to the department. Filing fee is **non-refundable**. (If sent by Express or Priority U.s. mail, address to 345 W. Washington Ave., 3rd Floor, Madison WI, 53703.) This document can be made available in alternate formats upon request to qualifying individuals with disabilities. The original must include an original manual signature, per sec. 180.0120(3)(c), Wis. Stats. Upon filing, the information in this document becomes public and might be used for purposes other than that for which it was originally furnished. If you have any questions, please contact the Division of Corporate and Consumer Services at 608-261-7577. Hearing-impaired may call 608-266-8818 for TDY.

Jerome D. Okarma
5757 North Green Bay Avenue
Glendale, WI 53209

▲ Your **return address** and **phone number** during the day: (414) 524 - 3400

INSTRUCTIONS (continued)

Enter the present name of the corporation (before any change effected by the restatement) and continue with the text of the restated articles. The text must contain the information specified for Articles 1 through 5, and may contain additional information that you create in the document.

A or B. Complete the certificate, selecting and marking (X) item A **or** B to indicate whether the restatement was adopted by the board of directors or incorporators (and the date of adoption), or contains amendments requiring shareholder approval. If item B is used, further mark (X) the appropriate statement in item B to indicate the method of adoption. If an amendment provides for an exchange, reclassification or cancellation of issued shares, state the provisions for implementing the amendment if not contained in the amendment itself.

By Board of Directors – Refer to sec. 180.1002 for specific information on the character of amendments that may be adopted by the Board of Directors without shareholder action.

By Board of Directors and Shareholders – Amendments proposed by the Board of Directors and adopted by shareholder approval. Voting requirements differ with circumstances and provisions in the articles of incorporation. See sec. 180.1003, Wis. Stats., for specific information.

By Incorporators or Board of Directors – Before issuance of shares – See sec. 180.1005, Wis. Stats., for conditions attached to the adoption of an amendment approved by a vote or consent of less than 2/3rds of the shares subscribed for.

C. Enter the date of execution and the name and title of the person signing the document. The document must be signed by one of the following: An **officer** of the corporation (or incorporator if directors have not been elected), or a court-appointed receiver, trustee or fiduciary. A director is **not** empowered to sign.

If the document is executed in Wisconsin, sec. 182.01(3) provides that it shall not be filed unless the name of the person (individual) who drafted it is printed, typewritten or stamped thereon in a legible manner. If the document is not executed in Wisconsin, enter that remark.

FILING FEE - $40.00

WI006 - 02/26/2004 C T System Online

ATTACHMENT F – Certified Environmentally Preferable Products/Practices

Proposer Name: Johnson Controls Inc **Date:** 9/7/2010

In line with the Port Authority's efforts to promote products and practices which reduce our impact on the environment and human health, Proposers are encouraged to provide information regarding their environmentally preferable/sustainable business practices as they relate to this contract wherever possible. Proposers **must** complete this form and submit it with their response, if appropriate. Proposers **must** submit appropriate documentation to support the items for which the Proposer indicates a "Yes" and present this documentation in the proper sequence of this Attachment.

1. Packaging

Has the Proposer implemented any of the following environmental initiatives? **(A checkmark indicates "Yes")**

✓ Use of corrugated materials that exceed the EPA recommended post-consumer recycled content
✓ Use of other packaging materials that contain recycled content and are recyclable in most local programs
✓ Promotes waste prevention and source reduction by reducing the extent of the packaging and/or offering packaging take-back services, or shipping carton return
✓ Reduces or eliminates materials which have been bleached with chlorine or chlorine derivatives
✓ Eliminates any packaging that may contain polyvinyl chloride (PVC), or polystyrene or heavy metals

If yes, a description of the practices being followed must be included with the submission.

2. Business Practices / Operations / Manufacturing

Does the Proposer engage in practices that serve to reduce or minimize an impact to the environment, including, but not necessarily limited to, the following items? **(A checkmark indicates "Yes")**

✓ Recycles materials in the warehouse or other operations
✓ Use of alternative fuel vehicles or vehicles equipped with diesel emission control devices for delivery or transportation purposes
✓ Use of energy efficient office equipment or signage or the incorporation of green building design elements
✓ Use of recycled paper (that meets federal specifications) in their marketing and/or resource materials
✓ Other sustainable initiative

If yes, a description of the practices being followed must be included with the submission.

3. Training and Education

Does the Proposer conduct/offer a program to train or inform customers and employees of the environmental benefits of the products to be offered under this contract, and/or does the Proposer conduct environmental training of its own staff?

☑ Yes ☐ No If yes, Proposer must attach a description of the training offered and the specific criteria targeted by the training.

4. Certifications

Has the Proposer or any of its manufacturers and/or subcontractors obtained any of the following product / industry certifications? **(A checkmark indicates "Yes")**

✓ ISO 14000 or adopted some other equivalent environmental management system

✓ Other industry environmental standards (where applicable), such as the CERES principles, LEED Certification, C2C Protocol, Responsible Care Codes of Practice or other similar standards

✓ Third Party product certifications such as Green Seal, Scientific Certification Systems, Smartwood, etc.

If yes, Proposers must attach copies of the certificates obtained.

5. Other Environmental Criteria

Proposers are encouraged to respond to criteria specifically indicated in this RFP as "Management Approach" (and attach the appropriate documentation) to receive consideration in the evaluation.

I hereby certify, under penalty of the law that the above statements are true and correct.

_____ **Name** 9/7/2010 **Date**

Johnson Controls among 2009 'World's Most Ethical Companies'

2009 WORLD'S MOST ETHICAL COMPANIES

WWW.ETHISPHERE.COM

Johnson Controls has been listed by the Ethisphere Institute as one of the World's Most Ethical (WME)Companies for the third straight year. Ethisphere, dedicated to the creation, advancement and sharing of best practices in business ethics, corporate social responsibility, anti-corruption and sustainability, published the WME ranking in Ethisphere Magazine's Q1 2009 issue released on April 20. Through a rigorous, multi-step evaluation process, Ethisphere's researchers and analysts reviewed more than 10,000 companies across 35 industries in order to determine the finalists. Only 99 companies earned the distinction this year. Johnson Controls is one of 44 companies, including GE, American Express, PepsiCo, Starbucks and Ikea, being recognized for the third time. A full list of companies is available at www.ethisphere.com/wme2009 The seven key categories that Ethisphere reviewed include: corporate citizenship and responsibility;corporate governance; innovation that contributes to public well being; industry leadership; executive leadership and tone from the top; integrity track record and reputation; and internal systems and ethics/compliance program. Ethisphere also considered companies' standings on various corporate social responsibility lists, such as FTSE4Good, where Johnson Controls has been listed since 2004. The companies with the highest EQs attain a coveted place among the 2009 World's Most Ethical Companies.

Covalence Ethical Ranking

Ranked #1 in Auto Sector

Covalence

Ethical quotation system

Newsweek

No. 11 Greenest Big Companies in America

Newsweek GREEN RANKINGS 2009

Ethisphere Magazine

Named one of World's Most Ethical Companies in the Automotive Category

Jantzi -Maclean's

Named one of Canada's Top 50 Most Socially Responsible Corporations

Institutional Investor Magazine

Steve Roell Named America's Best CEO, Consumer – Auto and Auto Parts Category

Toyota

Winner of Toyota's Global Contribution Award & Toyota Superior Award for Supplier Diversity

Walmart

Supplier-of-the-Year Award

Institutional Investor

Named one of America's Most Shareholder Friendly Companies

Fortune magazine

Ranked #4 in Motor Vehicle Parts & Accessories among Fortune's Most Admired Companies

CRO magazine

Ranked #22 among CRO 100 Best Corporate Citizens

G.I. Jobs

Ranked #1 of 2,500 U.S. Firms as Military-Friendly Employer

National Minority Supplier Development Council

Corporation of the Year

SAM (Sustainability Asset Management)

2010 Gold Class

Johnson Controls

Corporate Overview

Johnson Controls, Inc. is a Fortune 100 diversified, industrial corporation that was formed and began doing business in 1885. The company was incorporated in the State of Wisconsin in 1900. Johnson Controls employs over 140,000 people worldwide and achieved annual sales in fiscal year 2009 of $28.5 Billion.

Johnson Controls has more than 1,300 locations worldwide. There are approximately 160 field offices in the United States that serve the **Building Efficiency** group – the business unit responsible for security and other technologies encompassed by this RFI. These field offices typically range in size from about 50 to 200 employees, depending on customer volume and proximity to major metropolitan areas.

Building Efficiency Business Unit Overview

Johnson Controls is a leading full-line service provider of security and fire systems as well as systems that control heating, ventilating, air conditioning (HVAC), and lighting in non-residential buildings. Services include general contracting, systems integration, project management, and post installation service and maintenance. We are also the world leader in integrated facility management for Fortune 500 companies, managing more than one billion square feet worldwide.

Johnson Controls has delivered integrated Building Systems solutions to over 50,000 companies worldwide in a variety of markets, including utilities, industrial, transportation, healthcare, financial services, government, education and manufacturing. Our professionals will work with your team to deliver a comprehensive solution featuring advanced technologies, backed by our systems integration expertise.

We offer a broad spectrum of security, fire and energy management system protection technologies and services designed to provide safe, comfortable and efficient facilities. Our ability to service, install and integrate the systems that are essential to your enterprise results in lower first costs, as well as operational efficiencies. Our building systems solutions encompass facility energy management standards as well as protection of people, assets, physical property and intellectual property.

Johnson Controls has made the necessary investments in resources and people to be able to successfully integrate and service multiple building systems and building technologies, which allow you to build upon your existing infrastructure and technology – and prepare for your future needs. Design, planning and maintaining your buildings are all accomplished with Johnson Controls serving as the single point of responsibility, allowing the New York State OGS to focus more attention on their core business.

Johnson Controls offers a comprehensive approach to creating and delivering safety and security solutions tailored to specific needs. Johnson Controls is a recognized world leader in analyzing, designing, integrating and supplying control and security systems solutions and was named the "Security Integrator of the Year" in 2009 by SDM.

The Johnson Controls Security Solutions dedicated staff of security professionals now numbers more than 250, backed by a staff of over 800 specialized security technicians and engineers across the nation.

Johnson Controls has had a presence in the New York area for over 100 years and is staffed by approximately 200 qualified and trained employees. We have had a very strong full service presence in the area that has been providing multiple building system related services to local business, governments, and schools since the late 1800's. Our local Upstate New York Area has been awarded the coveted Best Service Award of North America for customer service and excellence.

Major Security Integration Customers in the Public and Private Sectors

Saratoga WWTP
Saratoga, NY

Anderson School District Five
Anderson, South Carolina

Ave Maria University
Ave Maria, Florida

Bernalillo County Courthouse
Albuquerque, New Mexico

State of CT DOT
Bradley International Airport
Windsor Locks, Connecticut

Broward County School District
Broward County, Florida

Buckman Laboratories International, Inc.
Memphis, Tennessee

Buffalo Public Schools,
Buffalo, New York

City of Buffalo
Buffalo, NY

California Environmental Protection Agency
Sacremento, California

City of Aurora
Aurora, Colorado

Clackamas County
Oregon City, Oregon

Collier County
Florida

New York Power Authority
White Plains, NY

Houghton-Portage Township Schools
Houghton, Michigan

Farm Family Insurance
Greenbush, NY

Miami Children's Hospital
Miami, Florida

Miller Park,
Milwaukee, Wisconsin

Novartis
New Jersey

Office of State Buildings
Louisiana

Organichem Corporation
Rensselaer, New York

Phoenix Life Insurance
Greenbush, NY

Regeneron
Rensselaer, NY

Toronto Pearson International Airport
Toronto, Ontario

University of Minnesota
Twin Cities & Duluth, Minnesota

Wisconsin Lutheran College
Milwaukee, Wisconsin

Johnson Controls

Financial Information

# of Employees:	JCI has a global team of more than 130,000 employees.
Type of Corporation:	C Corp
Federal Employer ID (FEIN):	Johnson Controls, Inc. 39-0380010
Sales & Use Tax Permit No.:	048701
SIC:	2531
Dunn & Bradstreet Number (D&B):	00-609-2860
Dunn & Bradstreet Rating:	5A3
Bank References:	JP Morgan Chase Credit and Confirmation Group Tel: (800) 550-8509 Fax: (817) 345-3794
Name of bonding company:	Liberty Mutual Surety 2800 W. Higgins Road Hoffman Estates, IL 60179-7205 Telephone: (847) 490-2265
Senior Surety Underwriter:	Joseph Clavelli Joseph.clavelli@libertymutual.com
Bonding capacity:	$100,000,000 Single Bond Limit $400,000,000 Aggregate
Name and address agent:	Hays Companies Attn: Kathy Hutson 1200 North Mayfair Road, Suite 100 Milwaukee, WI 53226 Telephone: (414) 290-3583 Fax: (414) 259-8414
Auditors:	Price Waterhouse Coopers 100 East Wisconsin Avenue Suite 1500 Milwaukee, WI 53202

Johnson Controls, Inc. is a public company whose shares are traded on the New York Stock Exchange (NYSE: JCI). A majority of our shares are held in "street name" (beneficial owners) so that we cannot identify the individual shareholder.

Ten most recent contracts the firm has completed. If less than ten, include must recent subcontracts on projects up to that number.

Project	Agency/Owner Contact Person & Telephone No.	Contract No.	Prime or Sub	Design Archand/or Design Engineer	Award Date	Amount	Date Completed
1	Citigroup - LIC Phase 2 Turner Construction - Paul Dorsey 212-229-6000	2306-0004	Sub	Cosentini	Sep-01	$ 1,500,000	Oct-02
2	American Airlines - JFK BMS & Fire Concourse C & Tunnel Magdy Allam -VRH-Torcon- 718-244-1880	1306-0006	Prime Div. 17	McClier	Sep-01	$ 8,000,000	Jul-05
3	American Airlines - JFK BMS & Fire Main A & B Magdy Allam -VRH-Torcon- 718-244-1880	2306-0020	Prime Div. 17	McClier	Sep-01	$ 15,000,000	Jul-08
4	OCME Forensic Biology Laboratory DASNY - Gilbane-TDX ED Wagner DASNY - 212-273-5000	3306-0058	Prime Div. 17	Cosentini	Feb-03	$ 3,900,000	Nov-06
5	Coney Island Hospital Tower Bldg DASNY -Skanska	3306-0174	Sub	BR+A	Aug-03	$ 1,350,000	Nov-05
6	Bellevue Hospital Redevelopment DASNY- Turner Construction - Paul Dorsey 212-229-6000	3306-1103	Prime Div. 17	Cosentini	Jul-03	$ 6,945,000	Jul-05
7	MSKCC New Research Building Phase 1 BMS Carlos Martinez Turner Construction	2306-0174	Prime Div. 17	Cosentini	Jul-03	$ 8,000,000	Jul-08
8	MSKCC New Research Building Phase 1 FAS Carlos Martinez Turner Construction	8306-5125	Prime	Cosentini	Nov-97	$ 2,500,000	Oct-99
9	330 Jay Street - BMS & Fire Emad Latfola - Turner Construction 212-229-6000	1306-0120	Prime Div. 17	Flack & Kurtz	Jan-01	$ 11,000,000	Aug-04
10	Verizion -140 West Disaster Recovery Verizion - George Famulare-212-587-8346, Justin Goldberg 212-587-0325	2306-0004	Sub	William F. Collins	Sep-01	$ 2,500,000	Oct-02

Major uncompleted construction contracts.

Project	Agency/Owner Contact Person & Telephone No.	Contract No.	Prime or Sub	Design Archand/or Design Engineer	Total $Amount Contract	~ $ Amount Sublet to others	Uncompleted $ Amount of Contract
1	National September 11th Memorial and Museum Bovis Lend Lease - Joe Esposito 212-592-6700	9PA3-0002	Prime Div. 17	JB&B	$ 4,000,000	$ 2,000,000	$ 1,280,000
2	Harlem Hospital DASNY- TDX Bill Goodman 212.939.1201	9PA3-0003	Prime Div. 17	Kallen & Lemelson	$ 3,000,000	$ 1,350,000	$ 2,225,000
3	Empire State Building Jones Lang LaSalle Ted Finnerty 212-736-3100	9PA3-0006	Prime Div. 17	JCI	$ 6,175,000	$ 2,778,750	$ 2,964,000
4	SUNY College of Optometry BMS NYPA/AECOM	3306-0058	Sub	AECOM	$ 1,675,000	$ 753,750	$ 837,500
5	Medgar Evers College DASNY Turner Construction Robert Thielan 718-467-0340	2306-0134	Prime Div. 17	Lakhani & Jordan	$ 5,200,000	$ 2,340,000	$ 780,000
6	Staten Island Courthouse DASNY/Jacobs Engineering	0PA3-0003	Prime Div. 17	Lakhani & Jordan	$ 1,675,000	$ 753,750	$ 1,507,500
						Grand Total	**$ 9,594,000**

Note: The NYC Office of Johnson Controls has a current backlog of 79 Million between BMS, Fire and Security with an unrevenued backlog of approximately 19 million.

ATTACHMENT A: AGREEMENT ON TERMS OF DISCUSSION

The Port Authority's receipt or discussion of any information (including information contained in any proposal, vendor qualification, ideas, models, drawings, or other material communicated or exhibited by us or on our behalf) shall not impose any obligations whatsoever on the Port Authority or entitle us to any compensation therefore (except to the extent specifically provided in such written agreement, if any, as may be entered into between the Port Authority and us). Any such information given to the Port Authority before, with or after this Agreement on Terms of Discussion ("Agreement"), either orally or in writing, is not given in confidence. Such information may be used, or disclosed to others, for any purpose at any time without obligation or compensation and without liability of any kind whatsoever. Any statement which is inconsistent with this Agreement, whether made as part of or in connection with this Agreement, shall be void and of no effect. This Agreement is not intended, however, to grant to the Port Authority rights to any matter, which is the subject of valid existing or potential letters patent. The foregoing applies to any information, whether or not given at the invitation of the Authority.

Notwithstanding the above, and without assuming any legal obligation, the Port Authority will employ reasonable efforts, subject to the provisions of the Port Authority's Freedom of Information Policy and Procedure adopted by the Port Authority's Board of Commissioners on November 20, 2008, which may be found on the Port Authority website at: *http://www.panynj.gov/corporate-information/pdf/Freedom-of-Information-Policy-and-Procedure.pdf*, not to disclose to any competitor of the undersigned, information submitted which are trade secrets or is maintained for the regulation or supervision of commercial enterprise which, if disclosed, would cause substantial injury to the competitive position of the enterprise, and which information is identified by the Proposer as proprietary, which may be disclosed by the undersigned to the Port Authority as part of or in connection with the submission of a proposal.

Johnson Controls
(Company)

(Signature)

Regional General Manager
(Title)

9/7/10
(Date)

ORIGINAL AND PHOTOCOPIES OF THIS PAGE ONLY.
DO NOT RETYPE.

Johnson Controls

Attachment G Item A.

Johnson Controls Inc.

#	Customer Company Name	Description of Services	Time Frame Start	Time Frame End
#1	**Buffalo Public Schools**	**BMS, Fire Alarm, CCTV and Access Control/Intusion System Integration**	**04/2007**	**09/2010**
#2	**Bradley International Airport**	**CCTV, Fire Alarm, Access Control and Command & Control Center**	**04/2005**	**07/2008**
#3	**Yale New Haven Hospital**	**Fire Alarm, CCTV and Access Control integration with API's**	**06/2008**	**08/2010**
#4	**Regeneron**	**Fire Alarm, CCTV and Access Control integration with API's**	**01/2009**	**Present**
#5	**New York Power Authority**	**Fire Alarm, CCTV and Access Control integration with API's**	**03/2009**	**08/2010**

#		Contact Name	Contact Email	Contact Phone
#1	**Prime**	Susan Eager	seager@buffaloschools.org	716-816-3500
#2	**Prime**	Christine Faiella	cfaiella@bradleyairport.com	860-292-2071
#3	**Prime**	Marvin White	marvin.white@ynhh.org	203-688-7879
#4	**Prime**	Robert Jones	robert.jones@regeneron.com	518-857-1525
#5	**Prime**	Richard Korenski	richard.korenski@nypa.gov	914-287-3434

Johnson Controls

Attachment G Item B.

Johnson Controls Inc.

Requirement	Contract #1 Roger Williams University	Contract #2 Buffalo Public Schools	Alt Contract #1 University of CT Health Ctr	Alt Contract #2
Contract Duration (Dates)	**07/09 – 07/10**	**04/07 – 09/10**	**08/08 -08/10**	
Contract within last 5 Years?	**Y**	**Y**	**Y**	
Included 100 cameras?	**Y**	**Y**	**Y**	
Included 50 Card Readers?	**Y**	**Y**	**Y**	
Included 250 Alarm Points?	**Y**	**Y**	**Y**	
Run on a network infrastructure?	**Y**	**Y**	**Y**	
Software Integration via API's or SDK's	**Y**	**Y**	**Y**	
Security related system in the Continental US?	**Y**	**Y**	**Y**	
In Satisfactory operation for the past 12 consecutive months?	**Y**	**Y**	**Y**	

#	Client Company Name		Contact Name	Contact Email	Contact Phone
#1	Roger Williams University	**Prime**	Joseph Pangborn	jpangborn@rwu.edu	716-816-3500
#2	Buffalo Public Schools	**Prime**	Susan Eager	seager@buffaloschools.org	716-816-3500
Alt #1	UConn Health Center	**Prime**	Ray Bouchard	rbouchard@uchc.edu	860-679-7636
Alt #2		**Prime**			

Johnson Controls

Attachment G Item C

Quantum Secure

	Customer Company Name	Dates in Use		Contact Name	Contact Email	Contact Phone
Reference #1	San Francisco International Airport	**Jan 2010 - Present**	**Prime**	**Kim Dickie** Deputy Director Security & Operations	**Kim.Dickie@flysfo.com**	**650-821-3925**
Reference #2	Symantec Corporation	**Oct 2006 - Present**	**Prime**	**Todd Vigneault** Global Security Manager	**todd_vigneault@symantec.com**	**703-474-2526**
Reference #3	US Health & Human Services	**March 2009 - Present**	**Alt**	**Ronald Martin** Security specialist	**Ronald.Martin@hhs.gov**	**202-205-3291**
Alternate Reference #1 (Optional)	Lawrence Livermore National Laboratories	**May 2010 - Present**	**Prime**	**Tina Huston** Security Director	**Huston4@llnl.gov**	**925-337-1755**
Alternate Reference #2 (Optional)	Adobe Systems	**Dec 2007 - Present**	**Prime**	**Mark Domnauer** Global Security Director	**domnauer@adobe.com**	**408-453-1008 x12**
Alternate Reference #3 (Optional)	**Port Authority of NY & NJ** URS Design Engineer for *PATH CCIP Project*	**Est. deployment 12/2010**		**Mr. John Labriola** CCIP system designer and lead on software specification	**John_labriola@urscorp.com**	**212-946-8263**

Johnson Controls

VidSys

	Customer Company Name	Dates in Use		Contact Name	Contact Email	Contact Phone
Reference #1	**New York State Department of Transportation** *Joint Transportation Management Center* (Long Island City, NY)	Nov 2008-Present	Prime	Mr. Fred Lai Chief of Traffic Systems for NYSDOT	flai@dot.state.ny.us	718-482-4745
Reference #2	**Apple Inc.** *Global Security Operations Center* (Cupertino, CA)	Jan 2010 - Present	Prime	Mr. Rick Orloff Director, Information Security	orloff@apple.com	408-862-7719
Reference #3	**City of New York** Department of IT (DoITT) *New York City Wireless Network (NYCWiN) Interoperability Video System*	March 2007 - Present	Prime	Mr. Steven Harte The City of New York, DoITT, Associate Commissioner	SHarte@doitt.nyc.gov	718.403.8540
			Alt	Mr. Bruce Bauer Northrop Grumman	bruce.bauer@ngc.com	718-422-5813
Alternate Reference #1 (Optional)	**Port Authority of NY & NJ** URS Design Engineer for *PATH CCIP Project*	Est. deployment 12/2010		Mr. John Labriola CCIP system designer and lead on software specification	John_labriola@urscorp.com	212-946-8263
Alternate Reference #2 (Optional)	**United States NAVY** *Regional Dispatch Center (RDC) Navy Region Northwest*	Sept 2007 – Present	Prime	Ms. Rebecca L. Mayson-Clark Regional Dispatch Program Manager	rebecca.mayson-clark@navy.mil	360-315-4781
Alternate Reference #3 (Optional)	**Pennsylvania Department of Transportation** *District 8 – Harrisburg, PA*	April 2007 – Present	Prime	Greg Zdenek Vice President – Jacobs Engineering / Program Manager	Greg.Zdenek@jacobs.com	917-747-3947

Johnson Controls

Attachment G Item D.

Johnson Controls Inc.

The Proposer shall demonstrate that it has earned gross revenues of at least $15 million per year for (3) of the last (5) fiscal or calander year(s) from the type of services or products described herein.

See Attached 10-K document

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10–K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended September 30, 2009

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 of Incorporation)*	**39-0380010** *(I.R.S. Employer Identification No.)*
5757 North Green Bay Avenue **Milwaukee, Wisconsin** *(Address of principal executive offices)*	**53209** *(Zip Code)*

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange
Corporate Units	New York Stock Exchange

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

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

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

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

Indicate by check mark 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition 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 ☐

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

As of March 31, 2009, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately $7.1 billion based on the closing sales price as reported on the New York Stock Exchange. As of October 31, 2009, 671,080,237 shares of the registrant's Common Stock, par value $0.01 7/18 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on January 27, 2010 are incorporated by reference into Part III.

JOHNSON CONTROLS, INC.

Index to Annual Report on Form 10-K

Year Ended September 30, 2009

		Page
CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION		1
	PART I.	
ITEM 1.	BUSINESS	1
ITEM 1A.	RISK FACTORS	5
ITEM 1B.	UNRESOLVED STAFF COMMENTS	10
ITEM 2.	PROPERTIES	10
ITEM 3.	LEGAL PROCEEDINGS	14
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	14
	EXECUTIVE OFFICERS OF THE REGISTRANT	14
	PART II.	
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	16
ITEM 6.	SELECTED FINANCIAL DATA	19
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	20
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	43
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	44
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	90
ITEM 9A.	CONTROLS AND PROCEDURES	90
ITEM 9B.	OTHER INFORMATION	91
	PART III.	
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	91
ITEM 11.	EXECUTIVE COMPENSATION	91
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	92
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	92
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	92
	PART IV.	
ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	93
	SIGNATURES	94
	INDEX TO EXHIBITS	95

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

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

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "forecast," "outlook," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" (refer to Part I, Item 1A, of this Annual Report on Form 10-K). We undertake no obligation, and we disclaim any obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1 BUSINESS

General

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

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, we acquired Globe-Union, Inc., a Wisconsin-based manufacturer of automotive batteries for both the replacement and original equipment markets. We entered the automotive seating industry in 1985 with the acquisition of Michigan-based Hoover Universal, Inc.

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

Our automotive experience business is one of the world's largest automotive suppliers, providing innovative interior systems through our design and engineering expertise. Our technologies extend into virtually every area of the interior including seating and overhead systems, door systems, floor consoles, instrument panels, cockpits and integrated electronics. Customers include most of the world's major automakers.

Our 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. We serve both automotive original equipment manufacturers and the general vehicle battery aftermarket. We offer Absorbent Glass Mat (AGM), nickel-metal-hydride and lithium-ion battery technologies to power hybrid vehicles.

Financial Information About Business Segments

Accounting Standards Codification (ASC) 280, "Segment Reporting," establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it has ten reportable segments for financial reporting purposes. Certain operating segments are aggregated or combined

based on materiality within building efficiency - rest of world and power solutions in accordance with ASC 280. The Company's ten reportable segments are presented in the context of its three primary businesses: building efficiency, automotive experience and power solutions.

Refer to Note 19, "Segment Information," of the notes to the consolidated financial statements in Item 8 of this report for financial information about business segments.

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

Products/Systems and Services

Building efficiency

Building efficiency is a global leader in delivering integrated control systems, mechanical equipment, services and solutions designed to improve the comfort, safety and energy efficiency of non-residential buildings and residential properties with operations in 59 countries. Revenues come from facilities management, technical services and the replacement and upgrade of HVAC controls and mechanical equipment in the existing buildings market, where the Company's large base of current customers leads to repeat business, as well as with installing controls and equipment during the construction of new buildings. Customer relationships often span entire building lifecycles.

Building efficiency sells its control systems, mechanical equipment and services primarily through the Company's extensive global network of sales and service offices. Some building controls and mechanical systems are sold to distributors of air-conditioning, refrigeration and commercial heating systems throughout the world. Approximately 47% of building efficiency's sales are derived from HVAC products and installed control systems for construction and retrofit markets, of which 17% of its total sales are related to new commercial construction. Approximately 53% of its sales originate from its service offerings. In fiscal 2009, building efficiency accounted for 44% of the Company's consolidated net sales.

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

Automotive experience

Automotive experience designs and manufactures interior products and systems for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. The business produces automotive interior systems for original equipment manufacturers (OEMs) and operates approximately 175 wholly- and majority-owned manufacturing or assembly plants in 32 countries worldwide (see Item 2, "Properties"). Additionally, the business has partially-owned affiliates in Asia, Europe, North America and South America.

Automotive experience products and systems include complete seating systems and components; cockpit systems, including instrument panels and clusters, information displays and body controllers; overhead systems, including headliners and electronic convenience features; floor consoles; and door systems. In fiscal 2009, automotive experience accounted for 42% of the Company's consolidated net sales.

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

Power solutions

Power solutions services both automotive OEMs and the battery aftermarket by providing advanced battery technology, coupled with systems engineering, marketing and service expertise. The Company is the largest producer of lead-acid automotive batteries in the world, producing approximately 110 million lead-acid batteries annually in approximately 55 wholly- and majority-owned manufacturing or assembly plants in 21 countries worldwide (see Item 2, "Properties"). Investments in new product and process technology have expanded product offerings to AGM, nickel-metal-hydride and lithium-ion battery technology to power hybrid vehicles. Approximately 80% of automotive battery sales worldwide in fiscal 2009 were to the automotive replacement market, with the remaining sales to the OEM market.

Sales of automotive batteries generated 14% of the Company's fiscal 2009 consolidated net sales. Batteries and plastic battery containers are manufactured at wholly- and majority-owned plants in North America, South America, Asia and Europe.

Competition

Building efficiency

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

Automotive experience

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

Power solutions

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

Backlog

The Company's backlog relating to the building efficiency business is applicable to its sales of systems and services. At September 30, 2009, the backlog was $4.3 billion, compared with $4.7 billion as of September 30, 2008. The decrease in backlog was primarily due to market conditions and delays in awarding energy efficient contracts pending clarification of the American Recovery and Reinvestment Act stimulus funding. The backlog does not include amounts associated with contracts in the global workplace solutions business because such contracts are typically multi-year service awards, nor does it include unitary products. The backlog amount outstanding at any given time is not necessarily indicative of the amount of revenue to be earned in the upcoming fiscal year.

At September 30, 2009, the Company's automotive experience backlog of net new incremental business for its consolidated and unconsolidated subsidiaries to be executed within the next three fiscal years was approximately $2.5 billion, $0.7 billion of which relates to fiscal 2010. The backlog as of September 30, 2008 was approximately $4.5 billion. The decrease in backlog is primarily due to lower industry volumes in North America and Europe and program cancellations and/or deferrals by our OE customers. The automotive backlog is generally subject to a number of risks and uncertainties, such as related vehicle production volumes, the timing of related production launches and changes in customer development plans.

Raw Materials

Raw materials used by the businesses in connection with their operations, including lead, steel, urethane chemicals, copper, sulfuric acid and polypropylene, were readily available during the year and the Company expects such availability to continue. In fiscal 2010, the Company expects increases in lead, chemicals and resin costs, while it expects steel and copper costs to decline. Other commodity costs are expected to be relatively stable.

Intellectual Property

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

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

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

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

Environmental, Health and Safety Matters

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

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

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

Environmental Capital Expenditures

The Company's ongoing environmental compliance program often results in capital expenditures. Environmental considerations are a part of all significant capital expenditures; however, expenditures in fiscal 2009 related solely to environmental compliance were not material. It is management's opinion that the amount of any future capital expenditures

related solely to environmental compliance will not have a material adverse effect on the Company's financial results or competitive position in any one year.

Employees

As of September 30, 2009, the Company employed approximately 130,000 employees, of whom approximately 88,000 were hourly and 42,000 were salaried.

Seasonal Factors

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

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

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

Financial Information About Geographic Areas

Refer to Note 19, "Segment Information," of the notes to the consolidated financial statements in Item 8 of this report for financial information about geographic areas.

Research and Development Expenditures

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

Available Information

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

ITEM 1A RISK FACTORS

General Risks

General economic, credit and capital market conditions, including the financial distress in the automotive industry and declines in the residential and commercial construction markets, have adversely affected our recent and current financial performance, and may affect our ability to grow or sustain our businesses and could negatively affect our ability to access the capital markets.

We compete around the world in various geographic regions and product markets. The global credit crisis and recession have adversely affected, and could continue to adversely affect, each of our three primary businesses. As we discuss in greater detail in the specific risk factors for each of our businesses that appear below, the financial distress in the automotive

industry, as well as declines in the residential construction markets in North America and in commercial construction markets could continue to negatively affect our revenues and financial performance in future periods, result in future restructuring charges, and adversely impact our ability to grow or sustain our businesses.

The capital and credit markets provide us with liquidity to operate and grow our businesses beyond the liquidity that operating cash flows provide. The worldwide economic downturn and disruption of the credit markets could reduce our access to capital necessary for our operations and executing our strategic plan. If our access to capital were to become significantly constrained or costs of capital increased significantly due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, then our financial condition, results of operations and cash flows could be significantly adversely affected.

We are subject to pricing pressure from our automotive customers.

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

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

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

In addition, as a result of our global presence, a significant portion of our revenues and expenses is denominated in currencies other than the U.S. dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. Our primary exposures are to the euro, British pound, Japanese yen, Czech koruna, Mexican peso, Swiss franc and Polish zloty. While we employ financial instruments to hedge transactional and foreign exchange exposure, these activities do not insulate us completely from those exposures. Exchange rates have been volatile during the past fiscal year and have adversely impacted, and could continue to adversely impact, our financial results.

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

These and other factors may have a material adverse effect on our non-U.S. operations and therefore on our business and results of operations.

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

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

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

Because of uncertainties associated with environmental regulation and environmental remediation activities at sites where we may be liable, future expenses that we may incur to remediate identified sites could be considerably higher than the current accrued liability on our consolidated statement of financial position, which could have a material adverse effect on our business and results of operations. As of September 30, 2009, we recorded $32 million for environmental liabilities and $85 million in related conditional asset retirement obligations.

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

Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax reserves on our statement of financial position that could materially and adversely affect our results of operations. Additionally, changes in tax laws in the U.S. or in other countries where we have significant operations could materially affect deferred tax assets and liabilities on our consolidated statement of financial position and tax expense.

We are also subject to tax audits by governmental authorities in the U.S. and in non-U.S. jurisdictions. Negative unexpected results from one or more such tax audits could adversely affect our results of operations.

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

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

A further downgrade in the ratings of our debt could restrict our ability to access the debt capital markets and increase our interest costs.

Changes in the ratings that rating agencies assign to our debt may ultimately impact our access to the debt capital markets and the costs we incur to borrow funds. If ratings for our debt fall below investment grade, our access to the debt capital markets would become restricted. The tightening in the credit markets and the reduced level of liquidity in many financial markets due to the current turmoil in the financial and banking industries could affect our access to the debt capital markets or the price we pay to issue debt. Historically, we have relied on our ability to issue commercial paper rather than to draw on our credit facility to support our daily operations, which means that a downgrade in our rating or continued volatility in the financial markets causing limitations to the debt capital markets could have an adverse effect on our business or our ability to meet our liquidity needs.

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

We are subject to potential insolvency of insurance carriers.

We purchase occurrence-based excess liability insurance to cover general and products liability risks. Although we do not currently expect any claims to result in material payments under any of these insurance policies, we are subject to the risk that one or more of the insurers may become insolvent and would be unable to pay a claim that may be made in the future.

We are subject to potential insolvency or financial distress of third parties.

We are exposed to the risk that third parties to various arrangements who owe us money or goods and services, or who purchase goods and services from us, will not be able to perform their obligations or continue to place orders due to insolvency or financial distress. If third parties fail to perform their obligations under arrangements with us, we may be forced to replace the underlying commitment at current or above market prices or on other terms that are less favorable to us. In such events, we may incur losses, or our results of operations, financial position or liquidity could otherwise be adversely affected.

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

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

Building Efficiency Risks

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

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

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

Commodity prices were highly volatile in the past year, primarily steel, aluminum, copper and fuel costs. Increases in commodity costs negatively impact the profitability of orders in backlog as prices on those orders are fixed; therefore, in the short term we cannot adjust for changes in commodity prices. If we are not able to recover commodity cost increases through price increases to our customers on new orders, then such increases will have an adverse effect on our results of operations. Additionally, unfavorability in our hedging programs during a period of declining commodity prices could limit our ability to lower our prices to customers as quickly as our competitors, which could have an adverse effect on our results of operations.

Conditions in the residential and commercial new construction markets may adversely affect our results of operations.

HVAC equipment sales in the residential and commercial new construction markets correlate to the number of new homes and buildings that are built. The strength of the residential and commercial markets depends in part on the availability of consumer and commercial financing for our customers. As a result of deteriorating economic conditions and the turmoil in the credit markets, there has been a significant decline in the residential housing construction market and construction of new commercial buildings. If these conditions worsen, it may have an adverse effect on our results of operations and such events could result in potential liabilities or additional costs, including impairment charges.

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

Any of the following could materially and adversely impact the results of operations of our building efficiency business: loss of, or changes in, facility management supply contracts with our major customers; cancellation of, or significant delays in, projects in our backlog; delays or difficulties in new product development; the potential introduction of similar or superior technologies; financial instability or market declines of our major component suppliers; the unavailability of raw materials (primarily steel, copper and electronic components) necessary for production of HVAC equipment; unseasonable weather conditions in various parts of the world; changes in energy costs or governmental regulations that would decrease the incentive for customers to update or improve their building control systems; revisions to energy efficiency legislation; a decline in the outsourcing of facility management services; availability of labor to support growth of our service businesses; and changes in foreign currency rates, which could adversely impact our profit on imported and exported goods.

Automotive Experience Risks

Conditions in the automotive industry have adversely affected and may continue to adversely affect our results of operations.

Our financial performance depends, in part, on conditions in the automotive industry. In fiscal 2009, our largest customers globally were automobile manufacturers Ford Motor Company (Ford), General Motors Corporation (GM) and Daimler AG. The Detroit 3 (Ford Motor Company, General Motors Company and Chrysler LLP) have experienced a significant decline in market shares in North America and have announced significant restructuring actions in an effort to improve profitability. The Detroit 3 automotive manufacturers are also burdened with substantial structural costs, such as pension and healthcare costs, that have impacted their profitability and labor relations and have ultimately resulted in severe financial difficulty, including bankruptcy filings by GM and Chrysler in fiscal 2009. In addition, the Detroit 3 and other automakers that compete in North American markets are experiencing financial difficulties due to a decline in the number of new vehicle sales. As a result, we may experience additional reductions in orders from these customers, incur significant write offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond our current restructuring plans, particularly if any of the Detroit 3 cannot adequately fund their operations, or if other major customers reach a similar level

of financial distress. Automakers across Europe are also experiencing financial difficulties due to the reduction in new vehicle production. If our customers reduce their orders to us, it would adversely impact our results of operations. A prolonged downturn in the North American or European automotive industries or a significant change in product mix due to consumer demand could require us to shut down additional plants or incur additional impairment charges.

The financial distress of the original equipment supplier base could harm our results of operations.

Automotive industry conditions have adversely affected the original equipment supplier base. Lower production levels for key customers, increases in certain raw material, commodity and energy costs and the global credit market crisis have resulted in severe financial distress among many companies within the automotive supply base. Several large suppliers have filed for bankruptcy protection or ceased operations, and other suppliers may file for bankruptcy protection or cease operations. The continuation of financial distress within the supplier base may lead to commercial disputes and possible supply chain interruptions, which in turn could disrupt our production. In addition, the adverse industry environment may require us to provide financial support to distressed suppliers or take other measures to ensure uninterrupted production, which could involve additional costs or risks. If any of these risks materialize, or if these industry conditions continue or worsen, we are likely to incur losses, or our results of operations, financial position or liquidity could otherwise be adversely affected.

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

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

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

We negotiate sales prices annually with our automotive seating and interiors customers. Cost-cutting initiatives that our customers have adopted generally result in increased downward pressure on pricing. In some cases our customer supply agreements require reductions in component pricing over the period of production. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our results of operations may be adversely affected. In particular, large commercial settlements with our customers may adversely affect our results of operations or cause our financial results to vary on a quarterly basis.

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

Commodity prices were highly volatile in the past year. If commodity prices continue to rise, and if we are not able to recover these cost increases from our customers, then these increases will have an adverse effect on our results of operations.

The cyclicality of original equipment automobile production rates may adversely affect the results of operations in our automotive experience business.

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

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

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

Power Solutions Risks

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

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

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

Lead is a major component of our lead-acid batteries. The price of lead has been highly volatile over the last several years. We attempt to manage the impact of changing lead prices through the recycling of used batteries returned to us by our aftermarket customers, commercial terms and commodity hedging programs. Our ability to mitigate the impact of lead price changes can be impacted by many factors, including customer negotiations, inventory level fluctuations and sales volume/mix changes, any of which could have an adverse effect on our results of operations.

Additionally, other commodity prices were volatile in the past year, primarily fuel, acid and resin. If other commodity prices rise, and if we are not able to recover these cost increases through price increases to our customers, then such increases will have an adverse effect on our results of operations.

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

Our financial performance in the power solutions business depends, in part, on conditions in the automotive industry. Sales to OEM's accounted for approximately 20% of the total sales of the power solutions business in fiscal 2009. Significant declines in the North American and European automotive production levels have reduced and could continue to reduce our sales and adversely affect our results of operations. In addition, if any OEM's reach a point where they cannot fund their operations, we may incur significant write offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond our current restructuring plans.

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

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

ITEM 1B UNRESOLVED STAFF COMMENTS

The Company has no unresolved written comments regarding its periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal 2009.

ITEM 2 PROPERTIES

At September 30, 2009, the Company conducted its operations in 65 countries throughout the world, with its world headquarters located in Milwaukee, Wisconsin. The Company's wholly- and majority-owned facilities, which are listed in the table on the following pages by business and location, totaled approximately 90 million square feet of floor space and are owned by the Company except as noted. The facilities primarily consisted of manufacturing, assembly and/or warehouse space. The Company considers its facilities to be suitable and adequate for their current uses. The majority of the facilities are operating at normal levels based on capacity.

Florida	Largo (1),(3)
	Medley (1),(4)
Illinois	Dixon (2),(3)
	Wheeling (1)
Kansas	Wichita (2),(3)
Kentucky	Erlanger (1)
Maryland	Baltimore (1)
Mississippi	Hattiesburg (1)
Missouri	Albany (1)
Oklahoma	Norman (3)
Pennsylvania	Philadelphia (1),(4)
	York (1), (3)
	Waynesboro (3)
Texas	San Antonio
Virginia	Roanoke
Wisconsin	Milwaukee (2),(4)
Austria	Graz (4)
	Vienna (4)
Brazil	Pinhais
	São Paulo
Belgium	Diegem (1),(4)
Canada	Ajax (1),(3)
	Victoria (1),(4)
China	Qingyuan (2),(3)
	Wuxi (1),(3)
Denmark	Aarhus (3)
	Hornslet (2),(4)
	Viby (2),(3)
France	Amiens Glisy (3)
	Colombes (1),(3)
	Nantes (1)
	Saint Quentin Fallavier (1),(3)
Germany	Essen (2),(3)
	Kempen (1),(3)
	Mannheim (1)
Hong Kong	Hong Kong (1)
Italy	Milan (1),(4)
India	Chakan (1),(3)
	Pune (1),(3)
Japan	Tokyo (1),(4)
Mexico	Cienega de Flores (1)
	Durango (1)
	Monterrey (1)
Netherlands	Gorinchem (1),(4)
Poland	Warsaw (1),(3)
Puerto Rico	Carolina (1),(4)
Russia	Moscow (1),(3)
South Africa	Johannesburg (1),(3)
Spain	Sabadell (1),(3)
Taiwan	Taipei (1),(4)
Turkey	Istanbul (1),(4)
	Izmir (1),(3)
United Arab Emirates	Dubai (2),(3)
United Kingdom	Essex (1),(4)

Automotive Experience

Argentina	Buenos Aires (1)
	Rosario
Australia	Adelaide (1)
	Melbourne
Austria	Graz (1),(3)
	Mandling (3)
Belgium	Geel (3)
	Gent (1),(3)
Brazil	Gravatai
	Pouso Alegre
	San Bernardo do Campo (1),(3)
	Santo Andre
	Sao Jose dos Campos
	Sao Jose dos Pinhais (1)
Canada	Milton (1)
	Mississauga (1),(3)
	Orangeville
	Saint Mary's
	Tecumseh
	Tilsonburg
	Whitby
China	Beijing (3)
Czech Republic	Benatky nad Jizerou (1),(3)
	Mlada Boleslav (1),(3)
	Ni Ebohy (1)
	Roudnice (3)
	Straz pod Ralskem (3)
France	Compagnie (3)
	Happich (2),(3)
	Rosny (1),(3)
	Strasbourg (3)
Germany	Boblingen (1),(3)
	Bochum (1),(3)
	Bremen (1),(3)
	Burscheid (2),(3)
	Espelkamp (3)
	Grefrath (1),(3)
	Hannover (1),(3)
	Holzgerlingen (1),(3)
	Karlsruhe (4)
	Lahnwerk (2),(3)
	Luneburg (2)
	Neustadt (2),(3)
	Rastatt (1),(3)
	Remchingen (3)
	Saarlouis (1)
	Uberherrn (1),(3)
	Unterriexingen (2),(3)
	Waghausel (3)
	Wuppertal (1),(3)
	Zwickau (3)
Italy	Cicerale (3)
	Grugliasco (1),(3)
	Melfi (1),(3)
	Rocca D'Evandro (1)
Japan	Ayase (3)
	Hamakita (3)
	Mouka (3)
	Toyotsucho (2),(3)
	Yokosuka (2),(3)
Korea	Ansan (1),(4)
	Asan (3)
	Dangjin (3)
	Hwasung
	Jeongeup (1)
	Namsa (1)
	Yongin
Malaysia	Alor Gajah (1)
	Mukin Hulu Bernam
	Peramu Jaya (1)
	Persiaran Sabak Bernam
Mexico	Monclova (3)
	Naucalpan de Juarez
	Puebla (1)
	Ramos Arizpe (2)
	Tlaxcala
	Tlazala (1)
Poland	Siemianowice
	Tychy
	Zory (3)
Romania	Mioveni (1),(3)
	Ploiesti (3)
Russia	St. Petersburg (1),(3)
	Togliatti (1)
Slovak Republic	Bratislava (1),(3)
	Kostany nad Turcom (3)
	Lucenec (1),(3)
	Namestovo (1),(3)
	Trencin (1),(4)
	Zilina (1)
South Africa	East London (1)
	Pretoria (2),(3)
Spain	Abrera (3)
	Alagon (3)
	Madrid (1),(3)
	Valencia (2),(3)
	Valladolid (3)
Thailand	Rayong (3)
Tunisia	Bi'r al Bay (3)
United Kingdom	Burton-Upon-Trent (2),(3)
	Essex (1),(3)
	Leamington Spa (1),(3)
	Redditch (1)
	Speke (3)
	Sunderland
	Telford (2),(3)
	Wednesbury (3)

Automotive Experience (continued)

Alabama	Cottondale (1)	Mississippi	Madison
	McCalla (1)	Missouri	Earth City (1)
Georgia	Suwanee (1)		Jefferson City
Illinois	Sycamore		Kansas City (1),(3)
Indiana	Kendallville	Ohio	Bryan
	Princeton (1)		Greenfield
Kentucky	Cadiz (1)		Northwood
	Georgetown	Tennessee	Athens (2)
	Louisville (1)		Columbia (1)
	Owensboro (1)		Lexington
	Shelbyville (1)		Pulaski (2)
	Winchester (1)	Texas	El Paso (1)
Louisiana	Shreveport		San Antonio
Michigan	Battle Creek	Wisconsin	Hudson (1)
	Detroit (3)		
	Holland (2),(3)		
	Lansing (3)		
	Oxford		
	Plymouth (2),(3)		
	Warren (3)		

Power Solutions

Arizona	Yuma (3)	Austria	Graz (1),(3)
Delaware	Middletown (3)		Vienna (1),(3)
Florida	Tampa (2),(3)	Brazil	Sorocaba (3)
Illinois	Geneva (3)	China	Shanghai (3)
Indiana	Ft. Wayne (3)	Czech Republic	Ceska Lipa (3)
Iowa	Red Oak (3)	France	Rouen
Kentucky	Florence (3)		Sarreguemines (3)
Missouri	St. Joseph (2),(3)	Germany	Hannover (3)
Ohio	Toledo (3)		Krautscheid (3)
Oregon	Clackamas (1)		Zwickau (2),(3)
	Portland (3)	Mexico	Celaya
South Carolina	Florence (3)		Cienega de Flores (2)
	Oconee (2),(3)		Escobedo
Texas	San Antonio (3)		Flores
Wisconsin	Milwaukee (4)		Monterrey (2),(3)
			Torreon
		Spain	Burgos (3)
			Guadamar del Segura
			Guadalajara
		Sweden	Hultsfred

Corporate

Wisconsin	Milwaukee (4)

(1) Leased facility
(2) Includes both leased and owned facilities
(3) Includes both administrative and manufacturing facilities
(4) Administrative facility only

In addition to the above listing, which identifies large properties (greater than 25,000 square feet), there are approximately 695 building efficiency branch offices and other administrative offices located in major cities throughout the world. These offices vary in size in proportion to the volume of business in the particular locality.

ITEM 3 LEGAL PROCEEDINGS

As noted in Item 1, liabilities potentially arise globally under various Environmental Laws and Worker Safety Laws for activities that are not in compliance with such laws and for the cleanup of sites where Company-related substances have been released into the environment.

Currently, the Company is responding to allegations that it is responsible for performing environmental remediation, or for the repayment of costs spent by governmental entities or others performing remediation, at approximately 44 sites in the U.S. Many of these sites are landfills used by the Company in the past for the disposal of waste materials; others are secondary lead smelters and lead recycling sites where the Company returned lead-containing materials for recycling; a few involve the cleanup of Company manufacturing facilities; and the remaining fall into miscellaneous categories. The Company may face similar claims of liability at additional sites in the future. Where potential liabilities are alleged, the Company pursues a course of action intended to mitigate them.

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Reserves for environmental costs totaled $32 million and $44 million at September 30, 2009 and 2008, 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.

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

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K, the following list of executive officers of the Company as of November 15, 2009 is included as an unnumbered Item in Part I of this report in lieu of being included in the Company's fiscal 2009 Proxy Statement.

Stephen A. Roell, 59, was elected Chief Executive Officer effective in October 2007, Chairman effective in January 2008, and President effective in May 2009. He was first elected to the Board of Directors in October 2004 and served as Executive Vice President from October 2004 through September 2007. Mr. Roell previously served as Chief Financial Officer between 1991 and May 2005, Senior Vice President from September 1998 to October 2004 and Vice President from 1991 to September 1998. Mr. Roell joined the Company in 1982.

Susan F. Davis, 56, was elected Executive Vice President of Human Resources in September 2006. She previously served as Vice President of Human Resources from May 1994 to September 2006 and as Vice President of Organizational Development for automotive experience from August 1993 to April 1994. Ms. Davis joined the Company in 1983.

R. Bruce McDonald, 49, was elected Executive Vice President in September 2006 and Chief Financial Officer in May 2005. He previously served as Corporate Vice President from January 2002 to September 2006, Assistant Chief Financial Officer from October 2004 to May 2005 and Corporate Controller from November 2001 to October 2004. Mr. McDonald joined the Company in 2001.

Beda Bolzenius, 53, was elected a Corporate Vice President in November 2005 and serves as President of the automotive experience business. He previously served as Executive Vice President and General Manager Europe, Africa and South America for automotive experience from November 2004 to November 2005. Dr. Bolzenius joined the Company in November 2004 from Robert Bosch GmbH, a global manufacturer of automotive and industrial technology, consumer goods and building technology, where he most recently served as the president of Bosch's Body Electronics division.

Alex A. Molinaroli, 50, was elected a Corporate Vice President in May 2004 and has served as President of the power solutions business since January 2007. Previously, Mr. Molinaroli served as Vice President and General Manager for North America Systems & the Middle East for the building efficiency business and has held increasing levels of responsibility for controls systems and services sales and operations. Mr. Molinaroli joined the Company in 1983.

C. David Myers, 46, was elected a Corporate Vice President and President of the building efficiency business in December 2005, when he joined the Company in connection with the acquisition of York International Corporation (York). At York, Mr. Myers served as Chief Executive Officer from February 2004 to December 2005, President from June 2003 to December 2005, Executive Vice President and Chief Financial Officer from January 2003 to June 2003 and Vice President and Chief Financial Officer from February 2000 to January 2003.

Jeffrey G. Augustin, 47, was elected a Corporate Vice President in March 2005 and has served as Vice President of Finance for the building efficiency business since December 2005. Previously, Mr. Augustin served as Corporate Controller from March 2005 to March 2007. From 2001 to March 2005, Mr. Augustin was Vice President of Finance and Corporate Controller of Gateway, Inc.

Jeffrey S. Edwards, 47, was elected a Corporate Vice President in May 2004 and serves as Group Vice President and General Manager for Japan and Asia Pacific for the automotive experience business. He previously served as Group Vice President and General Manager for automotive experience North America from August 2002 to May 2004 and Group Vice President and General Manager for product and business development. Mr. Edwards joined the Company in 1984.

Charles A. Harvey, 57, was elected Corporate Vice President of Diversity and Public Affairs in November 2005. He previously served as Vice President of Human Resources for the automotive experience business and in other human resources leadership positions. Mr. Harvey joined the Company in 1991.

Susan M. Kreh, 47, was elected Corporate Vice President and Corporate Controller in March 2007 and serves as the Company's Principal Accounting Officer. Prior to joining the Company, Ms. Kreh served 22 years at PPG Industries, Inc., including as Corporate Treasurer from January 2002 until March 2007.

Jerome D. Okarma, 57, was elected Vice President, Secretary and General Counsel in November 2004 and was named a Corporate Vice President in September 2003. He previously served as Assistant Secretary from 1990 to November 2004 and as Deputy General Counsel from June 2000 to November 2004. Mr. Okarma joined the Company in 1989.

Colin Boyd, 50, was elected Vice President, Information Technology and Chief Information Officer in October 2008. Mr. Boyd previously served as Chief Information Officer and Corporate Vice President of Sony Ericsson from 2002 to 2008.

Frank A. Voltolina, 49, was elected a Corporate Vice President and Corporate Treasurer in July 2003 when he joined the Company. Prior to joining the Company, Mr. Voltolina was Vice President and Treasurer at ArvinMeritor, Inc.

Jacqueline F. Strayer, 55, was elected Vice President, Corporate Communication in September 2008. She previously served as Vice President, Corporate Communications, for Arrow Electronics, Inc. from 2004 to 2008. Prior to that, she held communication leadership positions at United Technologies Corporation and GE Capital Corporation.

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

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

PART II

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

The shares of the Company's common stock are traded on the New York Stock Exchange under the symbol "JCI."

Title of Class	Number of Record Holders as of September 30, 2009
Common Stock, $0.01 7/18 par value	46,460

	Common Stock Price Range		Dividends	
	2009	2008	2009	2008
First Quarter	$13.65-30.01	$35.15-44.46	$ 0.13	$ 0.13
Second Quarter	8.35-19.64	29.47-36.52	0.13	0.13
Third Quarter	11.78-22.65	28.57-36.49	0.13	0.13
Fourth Quarter	19.43-27.90	26.00-36.00	0.13	0.13
Year	$8.35-30.01	$26.00-44.46	$ 0.52	$ 0.52

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

The Company entered into an Equity Swap Agreement, dated March 18, 2004 and amended March 3, 2006 and May 16, 2006, with Citibank, N.A. (Citibank). The Company settled the Equity Swap Agreement at the beginning of the second quarter of fiscal 2009. The Company entered into a new Swap Agreement, dated March 13, 2009 (Swap Agreement), at the end of the second quarter of fiscal 2009. 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 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 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 Swap Agreement has no stated expiration date. The net effect of the change in fair value of the Swap Agreement and the change in equity compensation liabilities was not material to the Company's earnings for the three months ended September 30, 2009.

The following table presents information regarding the repurchase of the Company's common stock by the Company as part of the publicly announced program, repurchases of equity by the Company and purchases of the Company's common stock by Citibank in connection with the Swap Agreement during the three months ended September 30, 2009.

Period	Total Number of Shares or Units Purchased	Average Price Paid per Share or Unit	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
07/1/09 - 7/31/09				
Purchases by Company (1)	-	-	-	$102,394,713
08/1/09 - 08/31/09				
Purchases by Company (1)	-	-	-	$102,394,713
09/1/09 - 09/30/09				
Purchases by Company (1)	-	-	-	$102,394,713
Purchases by Company (2)	8,082,085	$ 132.27	-	NA
07/1/09 - 7/31/09				
Purchases by Citibank	-	-	-	NA
08/1/09 - 08/31/09				
Purchases by Citibank	700,000	$ 25.52	-	NA
09/1/09 - 09/30/09				
Purchases by Citibank	-	-	-	NA

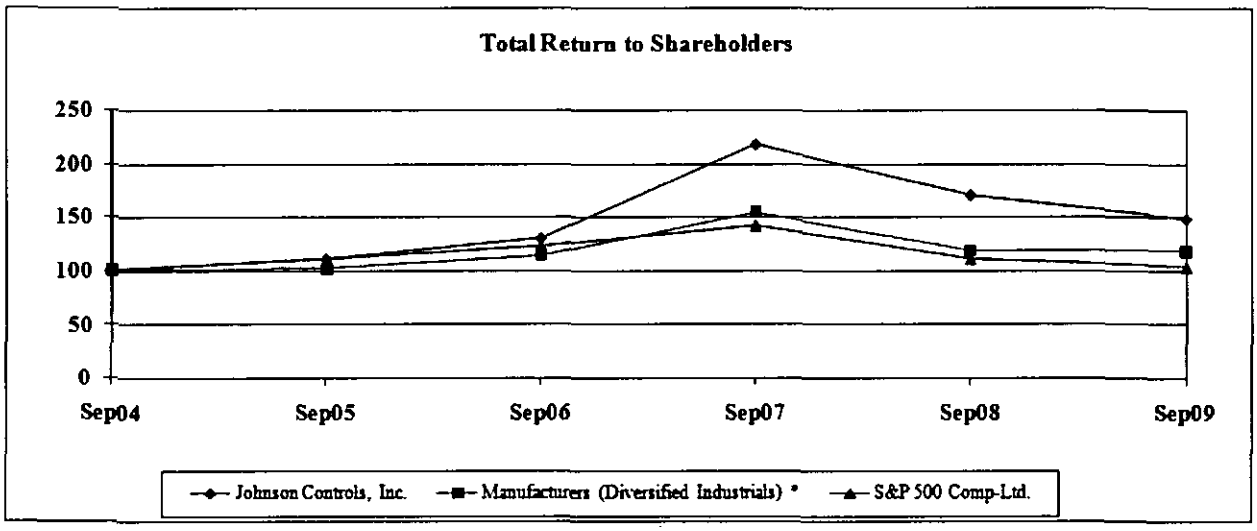
(1) The repurchases of the Company's common stock by the Company are intended to partially offset dilution related to our stock option and restricted stock equity compensation plans and are treated as repurchases of Company common stock for purposes of this disclosure.

(2) The Company purchased 8,082,085 Corporate Units in connection with its offer to exchange up to 8,550,000 of its nine million outstanding Equity Units in the form of Corporate Units for the following consideration per Corporate Unit: (i) 4.8579 shares of the Company's common stock, (ii) a cash payment of $6.50 and (iii) a distribution consisting of the pro rata share of accrued and unpaid interest on the subordinated notes to, but excluding, the settlement date, payable in cash. The average price paid per Corporate Unit includes the common stock valued at the closing market price on the New York Stock Exchange on the settlement date (September 30, 2009), $6.50 cash payment and pro rata share of interest paid on the settlement date. As the exchange offer has expired, no more Equity Units may be purchased under the exchange offer.

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

The line graph below compares the cumulative total shareholder return on our Common Stock with the cumulative total return of companies on the Standard & Poor's (S&P's) 500 Stock Index and companies formerly on the S&P's Manufacturers (Diversified Industrials) Index.* This graph assumes the investment of $100 on September 1, 2004 and the reinvestment of all dividends since that date.

COMPANY/INDEX	Sep04	Sep05	Sep06	Sep07	Sep08	Sep09
Johnson Controls, Inc.	100	111.08	130.37	217.57	170.28	148.20
Manufacturers (Diversified Industrials) *	100	103.28	114.35	154.48	118.39	117.86
S&P 500 Comp-Ltd.	100	110.25	122.14	142.22	110.97	103.30



*The Manufacturers (Diversified Industrials) index was discontinued as a formal index of Standard & Poors effective December 31, 2001. The Company has replicated the index using return data for thirteen out of the fourteen companies that comprised the Manufacturers (Diversified Industrials) as of that date. These companies include Crane Co., Danaher Corporation, Eaton Corporation, Honeywell International Inc., Illinois Tool Works Inc., ITT Corporation, Johnson Controls, Inc., 3M Company, Parker Hannifin Corporation, Textron Inc., Thermo Fisher Scientific Inc., Tyco International Ltd. and United Technologies Corporation.

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

The Company's transfer agent's contact information is as follows:

Wells Fargo Bank Minnesota, N.A.
Shareowner Services Department
P.O. Box 64856
St. Paul, MN 55164-0856
(877) 602-7397

ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data reflects the results of operations, balance sheet data, and common share information for the fiscal years ended September 30, 2005 through September 30, 2009 (in millions, except per share data and number of employees and shareholders).

	Year ended September 30,				
	2009	2008	2007	2006 (2)	2005
OPERATING RESULTS					
Net sales	$ 28,497	$ 38,062	$ 34,624	$ 32,235	$ 27,479
Segment income (3)	262	2,077	1,884	1,608	1,326
Income (loss) from continuing operations	(338)	979	1,295	1,033	757
Net income (loss)	(338)	979	1,252	1,028	909
Earnings (loss) per share from continuing operations (1)					
Basic	$ (0.57)	$ 1.65	$ 2.19	$ 1.77	$ 1.32
Diluted	(0.57)	1.63	2.16	1.75	1.30
Earnings (loss) per share (1)					
Basic	$ (0.57)	$ 1.65	$ 2.12	$ 1.76	$ 1.58
Diluted	(0.57)	1.63	2.09	1.74	1.56
Return on average shareholders' equity (4)	-4%	11%	16%	15%	13%
Capital expenditures	$ 647	$ 807	$ 828	$ 711	$ 664
Depreciation and amortization	745	783	732	705	639
Number of employees	130,000	140,000	140,000	136,000	114,000
FINANCIAL POSITION					
Working capital (5)	$ 1,147	$ 1,225	$ 1,441	$ 1,357	$ 892
Total assets	24,088	24,987	24,105	21,921	16,144
Long-term debt	3,168	3,201	3,255	4,166	1,577
Total debt	3,966	3,944	4,418	4,743	2,342
Shareholders' equity	9,138	9,424	8,907	7,355	6,058
Total debt to total capitalization	30%	30%	33%	39%	28%
Net book value per share (1)	$ 13.62	$ 15.86	$ 15.00	$ 12.52	$ 10.47
COMMON SHARE INFORMATION (1)					
Dividends per share	$ 0.52	$ 0.52	$ 0.44	$ 0.37	$ 0.33
Market prices					
High	$ 30.01	$ 44.46	$ 43.07	$ 30.00	$ 21.33
Low	8.35	26.00	23.84	20.09	17.52
Weighted average shares (in millions)					
Basic	595.3	593.1	590.6	583.5	575.4
Diluted	595.3	601.4	599.2	589.9	582.9
Number of shareholders	46,460	47,543	47,810	51,240	52,964

(1) All share and per share amounts reflect a three-for-one common stock split payable October 2, 2007 to shareholders of record on September 14, 2007.

(2) In December 2005, the Company acquired York International Corporation, significantly expanding the building efficiency business.

(3) Segment income is calculated as income from continuing operations before income taxes and minority interests excluding net financing charges, debt conversion costs and restructuring costs.

(4) Return on average shareholders' equity (ROE) represents income from continuing operations divided by average equity. Income from continuing operations includes $230 million, $495 million, $197 million and $210 million of restructuring costs in fiscal year 2009, 2008, 2006 and 2005, respectively.

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

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

General

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

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity of the Company for the three-year period ended September 30, 2009. This discussion should be read in conjunction with Item 8, the consolidated financial statements and notes to the consolidated financial statements.

Executive Overview

In fiscal 2009, the Company recorded net sales of $28.5 billion, a 25% decrease from the prior year. Net loss was $338 million, $1.3 billion less than prior year's net income of $979 million. The decrease is primarily the result of significantly reduced industry production volumes related to the auto and residential housing markets. Despite the economic environment, the Company continues to introduce new and enhanced technology applications in all businesses and markets served, while at the same time improving the quality of its products.

Building efficiency business net sales and segment income decreased 12% and 59%, respectively, compared to the prior year, primarily due to the broad-based downturn in construction spending, deferrals of routine service work, slow-downs in the growth of emerging markets, declines in residential HVAC demand and the unfavorable impact of foreign currency translation.

The automotive experience business was unfavorably impacted by significantly lower automobile production in North America and Europe and the unfavorable impact of foreign currency translation. Net sales decreased 34% from the prior year and segment income decreased from a profit of $579 million in the prior year to a loss of $541 million in the current year.

Net sales and segment income for the power solutions business decreased by 32% and 25%, respectively, compared to the prior year, primarily due to lower unit prices resulting from decreases in the cost of lead, lower volumes and the unfavorable impact of foreign currency translation.

Compared to September 30, 2008, the Company's overall debt increased by $22 million. The total debt to capitalization ratio was 30% at September 30, 2009 and 2008.

Outlook

In fiscal 2010, the Company anticipates that net sales will grow to approximately $31 billion, an increase of 9% from 2009 net sales. Earnings are expected to increase to approximately $1.35 - $1.45 per diluted share, higher than 2009. Sales, earnings and margin improvements are expected in all three businesses in 2010. The Company expects higher global automotive production in 2010 than in 2009 and a resumption of higher growth rates in global emerging markets. Building efficiency markets in North America are expected to begin improving in the second half of fiscal 2010, particularly as government stimulus-funded projects are expected to begin to make a meaningful impact on revenues. The Company expects that the weakness in building efficiency markets in North America will be offset by the less economically sensitive

institutional markets and several of the emerging markets. In addition, cost structure improvements taken in the last year are expected to provide an increasing benefit to the Company's profitability.

The Company expects its building efficiency business net sales to be 3% higher in 2010 than in 2009 due to growth in emerging markets and the increasing demand for the Company's energy efficiency and sustainability (greenhouse gas) solutions. The Company expects a domestic commercial building industry recovery beginning in the second half of 2010 as government stimulus-funded projects are expected to begin to launch. U.S. residential HVAC markets also are forecasted to improve in 2010, after three years of significant declines. The Company is forecasting building efficiency segment margins to increase to 5.6% - 5.8% led by the growth in emerging markets and a turnaround in its residential HVAC business. The Company will continue investing in emerging market growth initiatives and in new technology to enhance the growth and profitability of the energy and service businesses.

The Company expects approximately 13% net sales growth in 2010 from 2009 by its automotive experience business as it benefits from expected production increases in North America and China and a significant number of new seating and interiors program launches in Europe. The Company is forecasting a segment margin of 1.3% - 1.6% in 2010, which is a direct result of the Company's cost improvement initiatives and the higher expected volume.

The Company expects power solutions net sales to increase 17% (6% excluding the impact of expected higher lead prices), due to volume growth across all regions resulting from expected market share gains and expected higher automobile production levels. The Company is forecasting a segment margin of approximately 11.0% - 11.2%, which reflects manufacturing efficiencies and the benefits of cost improvement initiatives, partially offset by increased levels of investment in the Company's lithium-ion hybrid vehicle battery business. The Company was awarded a $299 million grant in the fourth quarter of fiscal 2009 by the United States Department of Energy under the American Recovery and Reinvestment Act to build domestic manufacturing capacity for advanced batteries for hybrid and electric vehicles. This award represents approximately half of the Company's total planned investment in domestic advanced battery manufacturing capacity and infrastructure development.

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 minority interests excluding net financing charges, debt conversion costs and restructuring costs.

FISCAL YEAR 2009 COMPARED TO FISCAL YEAR 2008

Summary

(in millions)	Year Ended September 30, 2009	2008	Change
Net sales	$ 28,497	$ 38,062	-25%
Segment income	262	2,077	-87%

- The $9.6 billion decrease in consolidated net sales was primarily due to lower sales in the automotive experience business ($5.0 billion) as a result of significantly reduced industry production levels by all our major OEM customers primarily in North America and Europe, the unfavorable impact of foreign currency translation ($2.1 billion), lower sales in the power solutions business ($1.6 billion) reflecting the impact of lower lead costs on pricing and lower sales volumes, and lower sales in the building efficiency business ($0.9 billion) as a result of lower sales volumes across all segments.
- Excluding the unfavorable effects of foreign currency translation, consolidated net sales decreased 20% as compared to the prior year.
- The $1.8 billion decrease in segment income was primarily due to lower volumes mainly in the automotive experience business as a result of significantly reduced industry production volumes, lead costs not recovered through pricing, first quarter impairment charges recorded on an equity investment ($152 million) in the building efficiency North American unitary products segment and certain fixed asset impairment charges recorded in the automotive experience North America and Europe segments ($77 million and $33 million, respectively), fourth quarter incremental warranty charges recorded in the building efficiency North American unitary products segment ($105 million) and the unfavorable impact of foreign currency translation ($116 million).

- Excluding the unfavorable effects of foreign currency translation, consolidated segment income decreased 82% as compared to the prior year.

Building Efficiency

(in millions)	Net Sales for the Year Ended September 30, 2009	2008	Change	Segment Income for the Year Ended September 30, 2009	2008	Change
North America systems	$ 2,222	$ 2,282	-3%	$ 251	$ 256	-2%
North America service	2,168	2,409	-10%	204	224	-9%
North America unitary products	684	810	-16%	(324)	2	*
Global workplace solutions	2,832	3,197	-11%	45	59	-24%
Europe	2,140	2,710	-21%	41	114	-64%
Rest of world	2,447	2,713	-10%	180	302	-40%
	$ 12,493	$ 14,121	-12%	$ 397	$ 957	-59%

* Measure not meaningful.

Net Sales:

- The decrease in North America systems was primarily due to lower volumes of control systems and equipment in the construction and replacement market ($53 million) and the unfavorable impact of foreign currency translation ($21 million), partially offset by the impact of prior year acquisitions ($14 million).
- The decrease in North America service was primarily due to lower truck-based and specialty business ($259 million) and the unfavorable impact of foreign currency translation ($28 million), partially offset by higher volumes in energy solutions ($46 million).
- The decrease in North America unitary products was primarily due to a depressed U.S. residential market, which continues to impact the demand for HVAC equipment in new housing starts ($117 million), and the unfavorable impact of foreign currency translation ($9 million).
- The decrease in global workplace solutions was primarily due to the unfavorable impact of foreign currency translation ($333 million) and a net decrease in services to existing customers ($137 million), partially offset by new business ($105 million).
- The decrease in Europe was primarily due to the unfavorable impact of foreign currency translation ($302 million) and lower control systems and specialty product demand across the region ($268 million).
- The decrease in rest of world was primarily due to lower volumes mainly in Latin America, Asia and the Middle East ($225 million) and the unfavorable impact of foreign currency translation ($41 million).

Segment Income:

- The decrease in North America systems was primarily due to lower net volumes ($8 million), unfavorable margin rates ($33 million) and the unfavorable impact of foreign currency translation ($3 million), partially offset by lower SG&A expenses ($39 million).
- The decrease in North America service was primarily due to lower net volumes ($62 million) and the unfavorable impact of foreign currency translation ($3 million), partially offset by lower SG&A expenses ($45 million).
- The decrease in North America unitary products was primarily due to an equity investment impairment charge ($152 million), incremental warranty charges ($105 million), lower volumes ($18 million), and unfavorable margin rates ($56 million), partially offset by lower SG&A expenses ($5 million). The incremental warranty charges were due to a specific product issue and an adjustment to the pre-existing warranty accruals based on analysis of recent actual return rates.
- The decrease in global workplace solutions was primarily due to higher bad debt expense associated with a customer bankruptcy ($8 million), the unfavorable impact of foreign currency translation ($7 million) and lower volumes and unfavorable mix in North America ($11 million), partially offset by lower SG&A expenses ($12 million).

- The decrease in Europe was primarily due to lower volumes ($61 million), the unfavorable impact of foreign currency translation ($16 million) and unfavorable margin rates ($37 million), partially offset by lower SG&A costs ($41 million).
- The decrease in rest of world was primarily due to lower volumes ($53 million), prior year gains on sales of a business and investments ($8 million) and higher SG&A costs ($67 million), partially offset by the favorable impact of foreign currency translation ($6 million).

Automotive Experience

(in millions)	Net Sales for the Year Ended September 30, 2009	2008	Change	Segment Income for the Year Ended September 30, 2009	2008	Change
North America	$ 4,631	$ 6,723	-31%	$ (333)	$ 79	*
Europe	6,287	9,854	-36%	(212)	464	*
Asia	1,098	1,514	-27%	4	36	-89%
	$ 12,016	$ 18,091	-34%	$ (541)	$ 579	*

* Measure not meaningful.

Net Sales:

- The decrease in North America was primarily due to the significantly reduced industry production volumes by all of the Company's major OEM customers ($2.5 billion), partially offset by the acquisition of the interior product assets of Plastech Engineered Products, Inc. in July 2008, which had a favorable impact of $299 million in fiscal 2009, and net favorable commercial settlements and pricing ($63 million).
- The decrease in Europe was primarily due to lower industry production volumes across all customers ($2.5 billion), the unfavorable impact of foreign currency translation ($1.0 billion) and higher prior year commercial recoveries ($89 million).
- The decrease in Asia was primarily due to lower production volumes mainly in Korea and Japan ($329 million) and the unfavorable impact of foreign currency translation ($87 million).

Segment Income:

- The decrease in North America was primarily due to lower industry production volumes ($517 million), the unfavorable impact of the acquisition of the interior product assets of Plastech Engineered Products, Inc. ($55 million), an impairment charge on fixed assets in the first quarter ($77 million) and lower equity earnings ($44 million). These factors were partially offset by lower operational and SG&A costs ($154 million) including the benefits of cost reduction initiatives, favorable purchasing and commercial costs ($72 million), and lower engineering expenses ($55 million).
- The decrease in Europe was primarily due to lower industry production volumes ($497 million), pricing and material costs ($93 million), higher operational costs ($73 million), the unfavorable impact of foreign currency translation ($66 million), an impairment charge on fixed assets in the first quarter ($33 million) and higher net direct material purchasing costs ($31 million). These factors were partially offset by lower engineering expenses ($65 million) and SG&A costs ($52 million).
- The decrease in Asia is primarily due to lower volumes ($60 million) and the unfavorable impact of foreign currency translation ($10 million), partially offset by higher equity income at our joint ventures mainly in China ($24 million), lower SG&A costs ($10 million) and lower engineering expenses ($4 million).

Power Solutions

(in millions)	Year Ended September 30, 2009	2008	Change
Net sales	$ 3,988	$ 5,850	-32%
Segment income	406	541	-25%

- Net sales decreased primarily due to the impact of lower lead costs on pricing ($1.5 billion), lower sales volumes ($352 million) and the unfavorable impact of foreign currency translation ($260 million), partially offset by improved price/product mix ($215 million).
- Segment income decreased due to lower volumes ($56 million), the unfavorable impact of foreign currency translation ($17 million), a nonrecurring charge related to the disposal of a manufacturing facility and other assets in Europe ($20 million), other nonrecurring items recorded in the prior year ($11 million), and the negative impact of lead and other commodity costs not fully recovered through pricing ($230 million), which includes a $62 million out of period adjustment as discussed in Note 1, "Summary of Significant Accounting Policies," to the financial statements. Partially offsetting these factors was improved price/product mix ($192 million) and higher equity income from joint ventures ($7 million).

Restructuring Costs

To better align the Company's cost structure with global market conditions, the Company committed to a restructuring plan (2009 Plan) in the second quarter of fiscal 2009 and recorded a $230 million restructuring charge. The restructuring charge relates to cost reduction initiatives in the Company's automotive experience, building efficiency and power solutions businesses and includes workforce reductions and plant consolidations. The Company expects to substantially complete the 2009 Plan by the end of 2010. The automotive-related restructuring actions target excess manufacturing capacity resulting from lower industry production in the European, North American and Japanese automotive markets. The restructuring actions in building efficiency are primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions are focused on optimizing its manufacturing capacity as a result of lower overall demand for original equipment batteries resulting from lower vehicle production levels.

Since the announcement of the 2009 Plan in March 2009, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for automotive experience – Europe of approximately $28 million due to favorable severance negotiations and the decision to not close one of the previously planned plants in response to increased customer demand. In response to the depressed automotive industry in Europe, the Company has committed to the closure of one additional plant in Europe since the announcement of its 2009 Plan. The underspend of the initial 2009 Plan reserves will be utilized for this plant consolidation which is expected to occur in late fiscal 2010 and for additional costs to be incurred as part of power solutions and automotive experience – Europe's original cost reduction initiatives. The planned workforce reductions disclosed for the 2009 Plan have been updated for the Company's revised actions.

The 2009 Plan includes workforce reductions of approximately 6,200 employees (2,900 for automotive experience – North America, 1,700 for automotive experience – Europe, 600 for automotive experience – Asia, 200 for building efficiency – North America, 400 for building efficiency – Europe, 100 for building efficiency – rest of world, and 300 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2009, approximately 4,500 of the employees have been separated from the Company pursuant to the 2009 Plan. In addition, the 2009 Plan includes 9 plant closures (3 for automotive experience – North America, 1 for automotive experience – Europe, 3 for automotive experience – Asia, 1 for building efficiency – rest of world, and 1 for power solutions). As of September 30, 2009, 5 of the 9 plants have been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis or appraisals.

To better align the Company's resources with its growth strategies while reducing the cost structure of its global operations, the Company committed to a restructuring plan (2008 Plan) in the fourth quarter of fiscal 2008 and recorded a $495 million restructuring charge. The restructuring charge relates to cost reduction initiatives in its automotive experience, building efficiency and power solutions businesses and includes workforce reductions and plant consolidations. The Company expects to substantially complete the 2008 Plan in 2010. The automotive-related restructuring is in response to the fundamentals of the European and North American automotive markets. The actions target reductions in the Company's cost base by decreasing excess manufacturing capacity due to lower industry production and the continued movement of vehicle production to low-cost countries, especially Europe. The restructuring actions in building efficiency are primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions are focused on optimizing its regional manufacturing capacity.

Since the announcement of the 2008 Plan in September 2008, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for building efficiency – Europe and automotive experience – Europe of approximately $63 million due to favorable severance negotiations, individuals transferred to open positions

within the Company and changes in cost reduction actions from plant consolidation to downsizing of operations. The underspend of the initial 2008 Plan will be utilized for similar restructuring actions to be performed during fiscal 2010. The underspend incurred by building efficiency – Europe will be utilized for workforce reductions and plant consolidations in building efficiency – Europe. The underspend incurred by automotive experience – Europe will be utilized for one additional plant closure for automotive experience – Europe. The planned workforce reductions disclosed for the 2008 Plan have been updated for the Company's revised actions.

The 2008 Plan includes workforce reductions of approximately 10,100 employees (3,700 for automotive experience – North America, 3,800 for automotive experience – Europe, 400 for building efficiency – North America, 1,300 for building efficiency – Europe, 400 for building efficiency – rest of world and 500 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2009, approximately 8,200 of the employees have been separated from the Company pursuant to the 2008 Plan. In addition, the 2008 Plan includes 22 plant closures (9 for automotive experience – North America, 10 for automotive experience – Europe, 1 for building efficiency – North America, and 2 for power solutions). As of September 30, 2009, 13 of the 22 plants have been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis or appraisals.

Net Financing Charges

(in millions)	Year Ended September 30, 2009	2008	Change
Net financing charges	$ 239	$ 258	-7%

- Net financing charges decreased primarily due to lower interest rates during fiscal 2009 partially offset by higher debt levels during the current year.

Provision for Income Taxes

The Company's base effective income tax rate for continuing operations for fiscal years 2009 and 2008 was 22.7% and 21.0%, respectively (prior to certain discrete period items as outlined below).

The Company's effective tax rate for fiscal 2009 was greater than the base effective tax rate due in part to various items during the year as discussed in detail below.

The Company's effective tax rate for fiscal 2008 increased over the base effective tax rate due to the fourth quarter restructuring charge, which was recorded using a blended statutory rate of 12.4% resulting in a $43 million discrete period tax adjustment.

Restructuring Charge

In the second quarter of fiscal 2009, the Company recorded a $27 million discrete period tax detriment related to the second quarter 2009 restructuring costs using a blended effective tax rate of 19.2%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $19 million for a total tax adjustment of $8 million.

In the fourth quarter of fiscal 2008, the Company recorded a $43 million discrete period tax detriment related to the fourth quarter 2008 restructuring charge using a blended effective tax rate of 12.4%.

Impairment Charges

In the first quarter of fiscal 2009, the Company recorded a $30 million discrete period tax detriment related to first quarter 2009 impairment costs using a blended statutory tax rate of 12.6%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $4 million for a total tax adjustment of $26 million.

Debt Conversion Costs

In the fourth quarter of fiscal 2009, the Company recorded a $15 million discrete period tax benefit related to debt conversion costs using an effective tax rate of 36.5%.

Valuation Allowance Adjustments

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

In fiscal 2009, the Company recorded an overall increase to its valuation allowances by $245 million. This was comprised of a $252 million increase in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the first quarter of fiscal 2009, as a result of the rapid deterioration in the economic environment, several jurisdictions incurred unexpected losses that resulted in cumulative losses over the prior three years. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in several jurisdictions including France, Mexico, Spain and the United Kingdom. Therefore, the Company recorded $300 million of valuation allowances as income tax expense. To the extent the Company improves its underlying operating results in these jurisdictions, these valuation allowances, or a portion thereof, could be reversed in future periods.

In the second quarter of fiscal 2009, the Company determined that it was more likely than not that the deferred tax asset associated with a capital loss would be utilized. Therefore, the Company released $45 million of valuation allowances against income tax expense.

In the third quarter of fiscal 2009, the Company determined that it was more likely than not that a portion of the deferred tax assets in Brazil would be utilized. Therefore, the Company released $10 million of valuation allowances. This is comprised of a $3 million decrease in income tax expense with the remaining amount impacting the consolidated statement of financial position.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. In June 2006, the Financial Accounting Standards Board (FASB) issued guidance prescribing a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company adopted this guidance, which is included in ASC 740, "Income Taxes," as of October 1, 2007. As such, accruals for tax contingencies are provided for in accordance with the requirements of ASC 740.

As a result of certain events in various jurisdictions during the fourth quarter of fiscal year 2009, the Company decreased its total reserve for uncertain tax positions by $32 million. This is comprised of a $55 million decrease to tax expense and a $23 million increase to goodwill.

As a result of various entities exiting business in certain jurisdictions and certain recent events related to prior tax planning initiatives, during the third quarter of fiscal year 2009 the Company reduced the unrecognized tax benefits by $33 million. This is comprised of a $17 million decrease to tax expense and a $16 million decrease to goodwill.

The Company's federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2009, the Company had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the consolidated statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts accrued for each year.

Change in Tax Status of Subsidiary

In the fourth quarter of fiscal 2009, the Company recorded $84 million in discrete period tax benefits related to a change in tax status of a U.S. and a U.K. subsidiary. This is comprised of a $59 million tax expense benefit and a $25 million increase to goodwill. In the second quarter of fiscal 2009, the Company recorded a $30 million discrete period tax benefit related to a change in tax status of a French subsidiary.

The change in tax status for these subsidiaries resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of its investments. This election changed the tax status from corporations (i.e. taxable entities) to a branch (i.e., flow through entities similar to a partnership) or partnership for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provision of ASC 740.

Interest Refund Claim

In the second quarter of fiscal 2009, the Company filed a claim for refund with the Internal Revenue Service related to interest computations of prior tax payments and refunds. The refund claim resulted in a tax provision decrease of $6 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

In fiscal 2009, the Company obtained High Tech Enterprise status from the Chinese Tax Bureaus for various Chinese subsidiaries. This status allows the entities to benefit from a 15% tax rate.

In February 2009, Wisconsin enacted numerous changes to Wisconsin income tax law as part of the Budget Stimulus and Repair Bill, Wisconsin Act 2. These changes will become effective in the Company's tax year ended September 30, 2010. The major changes included an adoption of corporate unitary combined reporting and an expansion of the related entity expense add back provisions. These Wisconsin tax law changes will not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Various other tax legislation was adopted in the twelve months ended September 30, 2009. None of these changes will have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Minority Interests in Net (Losses) Earnings of Subsidiaries

Minority interests in net (losses) earnings of subsidiaries were ($12 million) in fiscal 2009 compared with $24 million in the prior year primarily due to losses at a power solutions joint venture and certain automotive experience joint ventures in North America because of the decline in the global automotive industry.

Net Income

Net loss for fiscal 2009 was $338 million, $1.3 billion less than prior year's net income of $979 million, primarily due to lower volumes mainly in the automotive experience business, lead costs not recovered through pricing, first quarter impairment charges recorded on an equity investment in the North American unitary products group in building efficiency and certain fixed assets in the automotive experience North America and Europe segments, a second quarter restructuring charge, fourth quarter debt conversion costs, fourth quarter incremental warranty charges recorded in the building efficiency North American unitary products segment, and the unfavorable impact of foreign currency translation, partially offset by lower SG&A costs, a decrease in the provision for income taxes and lower minority interest earnings. Fiscal 2009 diluted loss per share was $0.57 compared to the prior year's diluted earnings per share of $1.63.

FISCAL YEAR 2008 COMPARED TO FISCAL YEAR 2007

Summary

(in millions)	Year Ended September 30, 2008	2007	Change
Net sales	$ 38,062	$ 34,624	10%
Segment income	2,077	1,884	10%

- Net sales increased $3.4 billion, primarily due to higher net sales in the power solutions business ($1.2 billion) related to higher unit prices resulting from significant increases in the cost of lead during the year, higher building efficiency net sales ($0.8 billion) and the favorable impact of foreign currency translation ($1.9 billion), partially offset by lower sales in the automotive experience business ($0.5 billion) reflecting weaker North American and European automotive markets.
- Excluding the favorable effects of foreign currency translation, consolidated net sales increased 4% as compared to the prior year.
- Segment income increased $193 million, primarily due to higher volumes and margins in the building efficiency business ($74 million), a favorable product mix in the power solutions segment despite increased lead costs ($12 million) and the favorable impact of foreign currency translation ($132 million), partially offset by the impact of lower North American and European automobile production ($25 million).
- Excluding the favorable effects of foreign currency translation, consolidated segment income increased 3% as compared to the prior year.

Building Efficiency

	Net Sales for the Year Ended September 30,			Segment Income for the Year Ended September 30,		
(in millions)	2008	2007	Change	2008	2007	Change
North America systems	$ 2,282	$ 2,027	13%	$ 256	$ 216	19%
North America service	2,409	2,273	6%	224	197	14%
North America unitary products	810	953	-15%	2	65	-97%
Global workplace solutions	3,197	2,677	19%	59	79	-25%
Europe	2,710	2,406	13%	114	77	48%
Rest of world	2,713	2,401	13%	302	216	40%
	$ 14,121	$ 12,737	11%	$ 957	$ 850	13%

Net Sales:

- The increase in North America systems was primarily due to higher systems product and equipment commercial volumes in the construction and replacement markets ($231 million), the impact of current year acquisitions ($10 million) and the favorable impact of foreign currency translation ($14 million).
- The increase in North America service was primarily due to growth in the truck-based and energy performance contracting businesses ($77 million), the impact of current year acquisitions ($42 million) and the favorable impact of foreign currency translation ($17 million).
- The decrease in North America unitary products was primarily due to a depressed U.S. residential market which has and continues to impact the need for HVAC equipment in new construction housing starts.
- The increase in global workplace solutions primarily reflects a higher volume of global pass-through contracts ($62 million), a net increase in services to existing customers ($283 million), new business ($12 million) and the favorable impact of foreign currency translation ($163 million).
- The increase in Europe reflects the favorable impact of foreign currency translation ($271 million) and market and penetration growth ($33 million).
- The increase in rest of world is due to volume increases mainly in Latin America, Asia and the Middle East ($183 million) and the favorable impact of foreign currency translation ($129 million).

Segment Income:

- The increases in North America systems and North America service were primarily due to higher sales volumes and improving gross margins through pricing and operational efficiencies net of increased commodities costs ($118 million), partially offset by additional SG&A expenses to support business growth initiatives ($45 million) and a nonrecurring contract benefit received in the prior year ($6 million).
- The decrease in North America unitary products was primarily due to the decline in sales volumes and increased commodities costs partially offset by pricing ($60 million) and purchase accounting adjustments related to a September 2007 equity investment in a joint venture ($3 million).

- The decrease in global workplace solutions was primarily due to less favorable margins and mix in North American contracts.
- The increase in Europe was primarily due to the favorable impact of foreign currency translation ($16 million) and continuing benefit from prior restructuring plans, branch office redesign and manufacturing footprint changes ($51 million), partially offset by increased SG&A expenses to support business growth and system implementations ($30 million).
- The increase in rest of world was primarily due to higher sales volumes and margin improvements in Asia, Latin America and the Middle East ($69 million) and the favorable impact of foreign currency translation ($17 million).

Automotive Experience

(in millions)	Net Sales for the Year Ended September 30, 2008	2007	Change	Segment Income for the Year Ended September 30, 2008	2007	Change
North America	$ 6,723	$ 7,276	-8%	$ 79	$ 72	10%
Europe	9,854	8,878	11%	464	445	4%
Asia	1,514	1,398	8%	36	2	*
	$ 18,091	$ 17,552	3%	$ 579	$ 519	12%

* Measure not meaningful.

Net Sales:

- The decrease in North America was primarily due to volume reductions with Ford Motor Company, General Motors Corporation, Chrysler LLP, Nissan Motor Company and Toyota Motor Corporation. Additionally, a strike at a U.S. supplier to one of our major customers had an unfavorable impact on net sales of $103 million. This was partially offset by the acquisition of the interior product assets of Plastech Engineered Products, Inc., in July 2008, which had a favorable impact of $85 million in fiscal 2008.
- The increase in Europe was primarily due to the favorable impact of foreign currency translation ($1.1 billion), partially offset by annual pricing adjustments ($113 million).
- The increase in Asia was primarily due to higher volumes with Nissan Motor Company in Japan and a consolidated joint venture in Korea ($155 million), partially offset by the unfavorable impact of foreign currency translation ($39 million).

Segment Income:

- The increase in North America was primarily due to favorable gross margins from purchasing savings ($57 million), operational efficiencies ($49 million) and commercial recoveries ($44 million), partially offset by lower production volumes ($98 million), a strike at a U.S. supplier to one of our major customers ($30 million) and the unfavorable impact of the acquisition of the interior product assets of Plastech Engineered Products, Inc., in July 2008 ($15 million).
- The increase in Europe was primarily due to the favorable impact of foreign currency translation ($85 million) and purchasing savings ($110 million), partially offset by lower platform pricing adjustments and lower economic recoveries of material cost increases ($142 million) and lower sales volumes ($34 million).
- The increase in Asia was primarily due to higher volumes ($31 million), purchasing savings ($9 million) and higher equity income from joint ventures in China ($14 million), partially offset by higher employee expenses to support market expansion ($20 million).

Power Solutions

(in millions)	Year Ended September 30, 2008	2007	Change
Net sales	$ 5,850	$ 4,335	35%
Segment income	541	515	5%

- Net sales increased primarily due to the impact of higher lead costs on pricing ($863 million), improved price/product mix ($358 million), the favorable impact of foreign currency translation ($262 million) and higher sales volumes ($32 million).
- Segment income increased due to higher volumes and operational efficiencies ($44 million), higher equity income from joint ventures mainly in Asia ($19 million) and the favorable impact of foreign currency translation ($14 million), partially offset by higher lead costs not recovered through pricing ($51 million).

Restructuring Costs

To better align the Company's resources with its growth strategies while reducing the cost structure of its global operations, the Company committed to a restructuring plan (2008 Plan) in the fourth quarter of fiscal 2008 and recorded a $495 million restructuring charge. The restructuring charge relates to cost reduction initiatives in its automotive experience, building efficiency and power solutions businesses and includes workforce reductions and plant consolidations. The Company expects to substantially complete the initiative by early 2010. The automotive-related restructuring is in response to the fundamentals of the European and North American automotive markets. The actions target reductions in the Company's cost base by decreasing excess manufacturing capacity due to lower industry production and the continued movement of vehicle production to low-cost countries, especially in Europe. The restructuring actions in building efficiency are primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions are focused on optimizing its regional manufacturing capacity.

The 2008 Plan included workforce reductions of approximately 9,400 employees (3,700 for automotive experience – North America, 3,400 for automotive experience – Europe, 300 for building efficiency – North America, 900 for building efficiency – Europe, 600 for building efficiency – rest of world, and 500 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2008, approximately 750 of the employees have been separated from the Company pursuant to the 2008 Plan. In addition, the 2008 Plan includes 21 plant closures (9 for automotive experience – North America, 9 for automotive experience – Europe, 1 for building efficiency – North America, and 2 for power solutions). As of September 30, 2008, none of the plants had been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis.

Net Financing Charges

	Year Ended September 30,		
(in millions)	2008	2007	Change
Net financing charges	$ 258	$ 277	-7%

- Net financing charges decreased slightly primarily due to lower borrowing levels during fiscal 2008.

Provision for Income Taxes

The Company's base effective income tax rate for continuing operations for fiscal 2008 and 2007 was 21.0% (prior to certain discrete period items as outlined below).

The Company's effective tax rate for fiscal 2008 increased due to the fourth quarter restructuring charge, which was recorded using a blended statutory rate of 12.4% resulting in a $43 million discrete period tax adjustment.

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

Valuation Allowance Adjustments

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

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

Uncertain Tax Positions

In the second and fourth quarters of fiscal 2007, the Company reduced its income tax liability by $15 million and $13 million, respectively, due to the favorable resolution of certain tax audits.

Change in Statutory Tax Rates

In December 2007, Canada enacted a new tax law which effectively reduced the income tax rates from 35% to 32%. A Business Flat Tax (IETU) was enacted on October 1, 2007, in Mexico that provides for a tax rate of 16.5% to 17.5% on a modified tax base with a credit for corporate income tax paid. On December 28, 2007, Italy enacted reductions in regional taxes from 4.25% to 3.9% effective January 1, 2008. These tax law changes did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

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

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

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

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

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

The change in tax status resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of this investment. This election changed the tax status of the subsidiary from a controlled non-U.S. corporation (i.e., taxable entity) to a branch (i.e., flow through entity similar to a partnership) for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provisions of ASC 740.

Discontinued Operations

In fiscal 2007, the Company utilized an effective tax rate for discontinued operations of approximately 38% for Bristol Compressors and 35% for its engine electronics business, which approximates the local statutory rate adjusted for permanent differences.

Minority Interests in Net Earnings of Subsidiaries

Minority interests in net earnings of subsidiaries were $24 million in fiscal 2008 compared with $12 million in the prior year primarily due to higher earnings at a power solutions joint venture, offset by losses at certain automotive experience North America joint ventures because of the decline in the North American automotive industry.

Net Income

Net income for fiscal 2008 was $979 million, 25% below the prior year's $1.3 billion, primarily due to a restructuring charge recorded in the fourth quarter ($434 million, net of tax) and lower volumes in automotive experience North America and Europe, partially offset by higher volumes and improved margins in the building efficiency and power solutions businesses. Fiscal 2008 diluted earnings per share from continuing operations were $1.63, a 25% decrease from the prior year's $2.16.

Excluding the restructuring charge, net income for fiscal 2008 was $1.4 billion, 12% above the prior year's net income and diluted earnings per share from continuing operations were $2.33, an 8% increase from the prior year.

GOODWILL AND OTHER INVESTMENTS

Goodwill at September 30, 2009 was $6.5 billion, $29 million higher than the prior year. The increase was primarily due to the impact of current year acquisitions, current year finalization of the valuations associated with the 2008 acquisition of Plastech Engineering Products, Inc. and foreign currency translation adjustments, partially offset by certain tax adjustments. The impairment testing performed by the Company at September 30, 2009 indicated that the estimated fair value of each reporting unit exceeded its corresponding carrying amount, including recorded goodwill, and as such, no impairment existed at that time. (Refer to "Goodwill and Other Intangible Assets" below in the "Critical Accounting Estimates and Policies" section for the Company's policy on impairment testing.)

Investments in partially-owned affiliates at September 30, 2009 were $718 million, $145 million less than the prior year. The decrease was primarily due to the write down of the equity investment in U.S. Airconditioning Distributors, Inc. (U.S. Air). See Note 17, "Impairment of Long-Lived Assets," for discussion of the impairment of the U.S. Air investment.

LONG-LIVED ASSETS

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

The Company has certain subsidiaries, mainly located in Brazil, France, Italy, Mexico, Spain, United Kingdom and the U.S., 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.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

In the third quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in light of the restructuring plans in North America announced by Chrysler LLC (Chrysler) and General Motors Corporation (GM) during the quarter as part of their bankruptcy reorganization plans. As a result, the Company reviewed its long-lived assets relating to the Chrysler and GM platforms within the North America automotive experience segment and determined no impairment existed.

In the second quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in conjunction with its restructuring plan announced in March 2009. As a result, the Company reviewed its long-lived assets associated with the plant closures for impairment and recorded a $46 million impairment charge in the second quarter of fiscal 2009, of which $25 million related to the North America automotive experience segment, $16 million related to the Asia automotive experience segment and $5 million related to the Europe automotive experience segment. Refer to Note 16, "Restructuring Costs," for further information regarding the 2009 restructuring plan. Additionally, at March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of its other long-lived assets within the European automotive experience segment due to significant declines in European automotive sales volume. As a result, the Company reviewed its other long-lived assets within the Europe automotive experience segment for impairment and determined no additional impairment existed.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the significant declines in North American and European automotive sales volumes. As a result, the Company reviewed its long-lived assets for impairment and recorded a $110 million impairment charge within cost of sales in the first quarter of fiscal 2009, of which $77 million

related to the North America automotive experience segment and $33 million related to the Europe automotive experience segment.

The Company reviews its equity investments for impairment whenever there is a loss in value of an investment which is other than a temporary decline. The Company conducts its equity investment impairment analyses in accordance with ASC 323, "Investments-Equity Method and Joint Ventures." ASC 323 requires the Company to record an impairment charge for a decrease in value of an investment when the decline in the investment is considered to be other than temporary.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its equity investment in a 48%-owned joint venture with U.S. Airconditioning Distributors, Inc. (U.S. Air) due to the significant decline in North American residential housing construction starts, which has significantly impacted the financial results of the equity investment. The Company reviewed its equity investment in U.S. Air for impairment and as a result, recorded a $152 million impairment charge within equity income (loss) for its North America unitary products segment in the first quarter of fiscal 2009.

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments, using a fair-value method based on management's judgments and assumptions or third party valuations. The fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses to further support the fair value estimates. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal year 2009 indicated that the estimated fair value of each reporting unit exceeded its corresponding carrying amount including recorded goodwill, and as such, no impairment existed at September 30, 2009.

At March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience Europe segment due to the continued decline in the automotive market. As a result, the Company performed impairment testing for goodwill and determined that fair value of the reporting unit exceeded its carrying value and no impairment existed at March 31, 2009.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience North America and Europe segments and the building efficiency unitary products group segment due to the rapid declines in the automotive and construction markets. As a result, the Company performed impairment testing for goodwill and determined that fair values of the reporting units exceed their carrying values and no impairment existed at December 31, 2008. To further support the fair value estimates of the automotive experience North America and building efficiency unitary product group segments, the Company prepared a discounted cash flow analysis that also indicated the fair value exceeded the carrying value for each reporting unit. The assumptions supporting the estimated future cash flows of the reporting units, including profit margins, long-term sales forecasts and growth rates, reflect the Company's best estimates. The assumptions related to automotive experience sales volumes reflected the expected continued automotive industry decline with a return to fiscal 2008 volume production levels by fiscal 2013. The assumptions related to the construction market sales volumes reflected steady growth beginning in fiscal 2010.

Indefinite lived other intangible assets are also subject to at least annual impairment testing. A considerable amount of management judgment and assumptions are required in performing the impairment tests. The Company believes the judgments and assumptions used in the impairment tests are reasonable and no impairment existed at September 30, 2009.

The Company concluded there were no other impairments as of September 30, 2009. The Company will continue to monitor developments in the automotive and North American residential heating, ventilating and air conditioning (HVAC) industries as future adverse developments in these industries could lead to additional impairment charges.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

(in millions)	September 30, 2009	September 30, 2008	Change
Working capital	$ 1,147	$ 1,225	-6%
Accounts receivable	5,528	6,472	-15%
Inventories	1,521	2,099	-28%
Accounts payable	4,434	5,225	-15%

- The Company defines working capital as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt and net assets of discontinued operations. Management believes that this measure of working capital, which excludes financing-related items and discontinued activities, provides a more useful measurement of the Company's operating performance.
- The decrease in working capital at September 30, 2009 as compared to the prior year is primarily due to lower accounts receivable and inventories from lower sales volumes, partially offset by lower accounts payable due to the timing of supplier payments and lower purchasing activity and lower restructuring reserves in the current year.
- The Company's days sales in accounts receivable (DSO) at September 30, 2009 were 58, consistent with the prior year. The decrease in accounts receivable compared to September 30, 2008 is due to a decrease in sales in the current year fourth quarter as compared to the same quarter in the prior year. There has been no significant adverse change in the level of overdue receivables or material changes in revenue recognition methods.
- The Company's inventory turns during fiscal 2009 were slightly higher than those during fiscal 2008 mainly due to improvements in inventory management.
- Days payable at September 30, 2009 decreased to 72 days from 73 days in the prior year due to the timing of supplier payments.

Cash Flow

(in millions)	Year Ended September 30, 2009	Year Ended September 30, 2008
Cash provided by operating activities	$ 917	$ 1,928
Cash used by investing activities	(828)	(1,270)
Cash provided (used) by financing activities	278	(895)
Capital expenditures	(647)	(807)

- The decrease in cash provided by operating activities primarily reflects lower net income and unfavorable working capital changes in restructuring reserves, accrued income taxes and accounts payable, partially offset by favorable working capital changes in accounts receivable and inventories.
- The decrease in cash used in investing activities is primarily due to lower capital expenditures and acquisitions in the current year and the impact of the settlement of cross-currency interest rate swaps in the prior year, partially offset by an increase in recoverable customer engineering expenditures and an increase in long-term investments.
- The increase in cash provided by financing activities is primarily due to higher debt proceeds and lower debt cash repayments in the current year, partially offset by debt conversion costs.
- The decrease in capital expenditures in the current year was primarily due to reductions in automotive experience and deferrals of nonessential capital projects.

Capitalization

(in millions)	September 30, 2009	September 30, 2008	Change
Total debt	$ 3,966	$ 3,944	1%
Shareholders' equity	9,138	9,424	-3%
Total capitalization	$ 13,104	$ 13,368	-2%
Total debt as a % of total capitalization	30%	30%	

- In fiscal 2007, the Company entered into a five-year, $2.05 billion revolving credit facility which expires in December 2011. This facility replaced a five-year $1.6 billion revolving credit facility that would have expired in October 2010 and serves as the commercial paper backup facility. There were no draws on the committed credit line as of September 30, 2009.
- In December 2007, the Company entered into a 25 billion yen, three year, floating rate loan agreement. The Company borrowed the 25 billion yen on January 15, 2008.
- On January 17, 2008 and February 1, 2008, the Company retired $500 million and $175 million, respectively, in floating rate notes and fixed rate bonds at maturity. The Company used a combination of cash, proceeds from commercial paper issuances and proceeds under the three year, floating rate yen loan to repay the notes and bonds.
- On June 1, 2008, the Company retired $200 million of York International Corporation fixed rate bonds that matured. The Company used proceeds from commercial paper issuances to repay the bonds.
- In fiscal 2008, the Company entered into new committed, revolving credit facilities totaling 350 million euro with 100 million euro expiring in May 2009, 150 million euro expiring in May 2011 and 100 million euro expiring in August 2011. In May 2009 the 100 million euro revolving facility expired and the Company entered into a new one year committed, revolving credit facility in the amount of 50 million euro expiring in May 2010. At September 30, 2009, there were no draws on the revolving credit facilities.
- On January 17, 2009, the Company retired its 24 billion yen, three year, floating rate loan agreement that matured. The Company used proceeds from commercial paper issuances to repay the loan agreement.
- On February 16, 2009, the Company entered into a $50 million, three year, floating rate bilateral loan agreement. The Company drew the entire amount under the loan agreement during the course of the second quarter of fiscal 2009. Also during the second quarter of fiscal 2009, the Company retired approximately $54 million in principal amount of its $800 million fixed rate bonds that mature in January 2011. The Company used proceeds from the $50 million floating rate loan agreement to retire the bonds. The Company retired the loan during the fourth quarter of fiscal 2009.
- On March 16, 2009, the Company closed concurrent public offerings. The Company issued $402.5 million aggregate amount of 6.5% senior, unsecured, fixed rate convertible notes that mature September 30, 2012. The notes are convertible into shares of the Company's common stock at a conversion rate of 89.3855 shares of common stock per $1,000 principal amount of notes, which is equal to a conversion price of approximately $11.19 per share, subject to anti-dilution adjustments. The Company also issued nine million Equity Units (the "Equity Units") each of which has a stated amount of $50 in an aggregate principal amount of $450 million. The Equity Units consist of (i) a forward purchase contract obligating the holder to purchase from the Company for a price in cash of $50, on the purchase contract settlement date of March 31, 2012, subject to early settlement, a certain number of shares of the Company's common stock and (ii) a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.5% subordinated notes due 2042.
- On September 18, 2009, the Company settled the results of its previously announced offer to exchange (a) any and all of its outstanding 6.5% convertible senior notes due 2012 for the following consideration per $1,000 principal amount of convertible senior notes: (i) 89.3855 shares of the Company's common stock, (ii) a cash payment of $120 and (iii) accrued and unpaid interest on the convertible senior notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer, approximately $400 million aggregate principal amount of convertible senior notes were exchanged for approximately 36 million shares of common stock and approximately $61 million in cash ($48 million of debt conversion payments and $13 million of accrued interest payments on the convertible senior notes). As a result of the exchange, the Company recognized approximately $57 million of debt conversion costs within its consolidated statement of income which is comprised of $48 million of debt conversion costs on the exchange and a $9 million charge related to the write-off of unamortized debt issuance costs.

- On September 30, 2009, the Company settled the results of its previously announced offer to exchange up to 8,550,000 of its outstanding nine million Equity Units in the form of Corporate Units (the "Corporate Units") comprised of a forward purchase contract obligating the holder to purchase from the Company shares of its common stock and a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.50% subordinated notes due 2042, for the following consideration per Corporate Unit: (i) 4.8579 shares of the Company's common stock, (ii) a cash payment of $6.50 and (iii) a distribution consisting of the pro rata share of accrued and unpaid interest on the subordinated notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer, 8,082,085 Corporate Units (consisting of $404 million aggregate principal amount of outstanding 11.50% subordinated notes due 2042) were exchanged for approximately 39 million shares of common stock and approximately $65 million in cash ($52 million of debt conversion payments and $13 million of accrued interest payments on the subordinated notes). As a result of the exchange, the Company recognized approximately $54 million of debt conversion costs within its consolidated statement of income which is comprised of $53 million of debt conversion costs on the exchange and a $1 million charge related to the write-off of unamortized debt issuance costs.

- The Company also selectively makes use of short-term credit lines. The Company estimates that as of September 30, 2009 it could borrow at least $2.0 billion at its current debt ratings on committed and uncommitted credit lines.

- The Company believes its capital resources and liquidity position at September 30, 2009 are adequate to meet projected needs. The Company believes requirements for working capital, capital expenditures, dividends, minimum pension contributions, debt maturities and any potential acquisitions in fiscal 2010 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. The Company has experienced uninterrupted access in the U.S. commercial paper market, while the euro market periodically closes for the Company and other U.S. multinationals. 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. Further downgrades in the Company's credit rating could negatively impact its access to the commercial paper market. In the event the Company is unable to issue commercial paper, it would have the ability to draw on its $2.05 billion revolving credit facility, which extends until December 2011. The Company does not have any significant debt maturities until fiscal 2011. 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 stockholder's equity of at least $1.31 billion at all times and allow a maximum aggregated amount of 10% of consolidated stockholder's equity for liens and pledges. For purposes of calculating the Company's covenants, consolidated stockholder's equity 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 September 30, 2009, consolidated stockholders' equity as defined per the Company's debt financial covenants was $8.5 billion and there were no outstanding amounts for liens and pledges. The Company expects to be in compliance with all covenants and other requirements set forth in its credit agreements and indentures in 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.

A summary of the Company's significant contractual obligations as of September 30, 2009 is as follows (in millions):

Contractual Obligations	Total	2010	2011-2012	2013-2014	2015 and Beyond
Long-term debt (including capital lease obligations)*	$ 3,308	$ 140	$ 1,041	$ 433	$ 1,694
Interest on long-term debt (including capital lease obligations)*	1,509	167	258	211	873
Operating leases	929	261	363	191	114
Purchase obligations	2,413	1,611	590	119	93
Pension and postretirement contributions	572	59	106	108	299
Total contractual cash obligations	$ 8,731	$ 2,238	$ 2,358	$ 1,062	$ 3,073

* See "Capitalization" for additional information related to the Company's long-term debt.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

Revenue Recognition

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

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

The Company's building efficiency business also sells certain HVAC products and services in bundled arrangements, where multiple products and/or services are involved. In accordance with ASC 605-25, "Multiple-Element Arrangements," the Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative fair value of all elements or the fair value of undelivered elements.

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

Goodwill and Other Intangible Assets

In conformity with U.S. GAAP, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments, using a fair-value method based on management's

judgments and assumptions or third party valuations. The fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses to further support the fair value estimates. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal year 2009 indicated that the estimated fair value of each reporting unit exceeded its corresponding carrying amount including recorded goodwill, and as such, no impairment existed at September 30, 2009.

Other intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired. Indefinite lived intangible assets are also subject to impairment testing on at least an annual basis. A considerable amount of management judgment and assumptions are required in performing the impairment tests. While the Company believes its judgments and assumptions are reasonable, different assumptions could change the estimated fair values and, therefore, impairment charges could be required.

Employee Benefit Plans

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

U.S. GAAP requires that companies recognize in its statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or unfunded, or an asset for defined benefit pension and postretirement benefit plans that are overfunded. U.S. GAAP also requires that companies measure the benefit obligations and fair value of plan assets that determine a postretirement benefit plan's funded status as of the date of the employer's fiscal year-end.

The discount rate used by the Company is based on the interest rate of non-callable high-quality corporate bonds, with appropriate consideration of the Company's pension plans' participants' demographics and benefit payment terms. The Company's discount rate on U.S. plans was 6.25% and 7.50% at September 30, 2009 and 2008, respectively. The Company's weighted average discount rate on non-U.S. plans was 4.75% and 5.50% at September 30, 2009 and 2008, respectively.

In estimating the expected return on plan assets, the Company considers the historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plans' invested assets. Reflecting the relatively long-term nature of the plans' obligations, approximately 55% to 65% of the plans' assets are invested in equities, with the balance primarily invested in fixed income instruments. At both September 30, 2009 and 2008, the Company's expected long-term return on U.S. plan assets was 8.50%. At September 30, 2009 and 2008, the Company's weighted average expected long-term return on non-U.S. plan assets was 6.00% and 6.10%, respectively. Given the recent credit market crisis and losses in equity markets, the actual rate of return was below these rates in fiscal 2009. However, the Company still believes the long-term rate of return will approximate 8.50% and 6.00% for U.S. and non-U.S. plans, respectively. Any differences between actual results and the expected long-term asset returns will be reflected in other comprehensive income and amortized to pension expense in future years. If the Company's actual returns on plan assets are less than the Company's expectations, additional contributions may be required.

For purposes of expense recognition, the Company uses a market-related value of assets that recognizes the difference between the expected return and the actual return on plan assets over a three-year period. As of September 30, 2009, the Company had approximately $263 million of unrecognized asset losses associated with its U.S. pension plans, which will be recognized in the calculation of the market-related value of assets and subject to amortization in future periods.

In fiscal 2009, total employer and employee contributions to the defined benefit pension plans were $293 million, of which $165 million were voluntary contributions made by the Company. The Company expects to contribute approximately $245 million in cash to its defined benefit pension plans in fiscal year 2010.

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

Product Warranties

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate of future warranty-related costs based on actual historical return rates and other known factors. At September 30, 2009, the Company had recorded $344 million of warranty reserves based on an analysis of return rates and other factors. While the Company's warranty costs have historically been within its calculated estimates, it is possible that future warranty costs could differ significantly from those estimates.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance that primarily represents non-U.S. operating and other loss carryforwards for which utilization is uncertain. Management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company's net deferred tax assets. In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted as appropriate based upon the actual results as compared to those forecasted at the beginning of the fiscal year. In determining the need for a valuation allowance, the historical and projected financial performance of the operation recording the net deferred tax asset is considered along with any other pertinent information. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowance may be necessary. At September 30, 2009, the Company had a valuation allowance of $816 million, of which $538 million relates to net operating loss carryforwards primarily in Brazil, France, Italy, Mexico, Spain and the United Kingdom, for which sustainable taxable income has not been demonstrated; and $278 million for other deferred tax assets. The Company does not provide additional U.S. income taxes on undistributed earnings of consolidated non-U.S. subsidiaries included in shareholders' equity. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits.

NEW ACCOUNTING PRONOUNCEMENTS

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force." ASU No. 2009-13 establishes the accounting and reporting guidance for arrangements under which a vendor will perform multiple revenue-generating activities. Specifically, this ASU addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This guidance will be effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010) and, when adopted, will change the Company's accounting treatment for multiple-element revenue arrangements on a prospective basis.

In June 2009, the FASB issued ASU No. 2009-01, "Topic 105 – Generally Accepted Accounting Principles – amendments based on – Statement of Financial Accounting Standards No. 168 – The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This guidance establishes the Accounting Standards Codification (ASC) as the source of authoritative U.S. GAAP recognized by the FASB and is effective for the Company in the fourth quarter of fiscal 2009 (September 30, 2009). The adoption of this guidance had no impact on the Company's consolidated financial condition and results of operations.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." SFAS No. 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This statement is effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010). The Company is assessing the potential impact that the adoption of SFAS No. 167 will have on its consolidated financial condition and results of operations.

In May 2009, the FASB issued guidance intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance requires disclosure of the date through which the Company has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. This guidance is included in ASC 855, "Subsequent Events," and was effective for the Company in the third quarter of fiscal 2009 (June 30, 2009). Refer to Note 21, "Subsequent Events," for disclosure of the Company's subsequent events for the current reporting period. The adoption of this guidance had no impact on the Company's consolidated financial condition and results of operations.

In April 2009, the FASB issued guidance requiring disclosure about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance is included in ASC 825, "Financial Instruments," and was effective for the Company beginning in the third quarter of fiscal 2009 (April 1, 2009) with early adoption permitted. The Company adopted this topic effective January 1, 2009 and determined that the impact of adoption was not material to its consolidated financial condition and results of operation. See Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," for disclosure of the Company's fair value of financial instruments as of September 30, 2009.

In March 2008, the FASB issued guidance enhancing required disclosures regarding derivatives and hedging activities, including how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and affect an entity's financial position, financial performance and cash flows. This guidance is included in ASC 815, "Derivatives and Hedging," and was effective for the Company beginning in the second quarter of fiscal 2009 (January 1, 2009). See Note 11, "Derivative Instruments and Hedging Activities," for disclosure of the Company's derivative instruments and hedging activities at September 30, 2009. The adoption of this guidance had no impact on the Company's consolidated financial condition and results of operations.

In December 2007, the FASB issued guidance changing the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under this guidance changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. This guidance is included in ASC 805, "Business Combinations," and will be effective for the Company beginning in the first quarter of fiscal 2010 (October 1, 2009). This guidance, when adopted, will change the Company's accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued guidance changing the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method changes the accounting for transactions with minority interest holders. This guidance is included in ASC 810, "Consolidation," and is effective for fiscal years beginning after December 15, 2008. This guidance will be effective for the Company beginning in the first quarter of fiscal 2010 (October 1, 2009). The Company is assessing the potential impact that the adoption of this guidance will have on its consolidated financial condition and results of operations.

In February 2007, the FASB issued guidance permitting entities to measure certain financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance is included in ASC 825, "Financial Instruments." The Company adopted this guidance effective October 1, 2008 and has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. The adoption of this topic has had no impact on the Company's consolidated financial condition and results of operations.

In September 2006, the FASB issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. This guidance is included in ASC 820, "Fair Value Measurements and Disclosures." The Company adopted this guidance effective October 1, 2008. The adoption of this guidance has had no material impact on the Company's consolidated financial condition and results of operation. See Note 12, "Fair Value Measurements," for more information regarding the impact of the Company's adoption of this guidance. In February 2008, the FASB delayed the effective date of this guidance for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. The Company has not applied the provisions of this guidance to its nonfinancial assets and nonfinancial liabilities as of September 30, 2009. The provisions of this guidance for nonfinancial assets and nonfinancial liabilities will be effective for the Company beginning in the first quarter of fiscal 2010 (October 1, 2009).

RISK MANAGEMENT

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

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

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

For interest hedges such as interest rate swaps, the Company elected the long haul method and assesses retrospective and prospective effectiveness and measures ineffectiveness on a quarterly basis.

For equity swaps, these derivative instruments are not designated as hedging instruments under ASC 815 and require no assessment of effectiveness on a quarterly basis.

A discussion of the Company's accounting policies for derivative financial instruments is included in Note 1, "Summary of Significant Accounting Policies," in the notes to consolidated financial statements, and further disclosure relating to derivatives and hedging activities is included in Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," to the consolidated financial statements.

Foreign Exchange

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

The Company hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. The Company primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. The Company also selectively hedges anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with ASC 815, "Derivatives and Hedging." At September 30, 2009 and 2008, the Company estimates that an unfavorable 10% change in the exchange rates would have decreased net unrealized gains by approximately $51 million and $136 million, respectively.

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

Interest Rates

The Company's earnings exposure related to adverse movements in interest rates is primarily derived from outstanding floating rate debt instruments that are indexed to short-term market rates. The Company will use interest rate swaps to offset its exposure to interest rate movements. In accordance with ASC 815, the existing swaps qualify and are designated as fair value hedges. A 10% increase or decrease in the average cost of the Company's variable rate debt, including outstanding swaps, would result in a change in pre-tax interest expense of approximately $4 million and $7 million at September 30, 2009 and 2008, respectively.

Commodities

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

ENVIRONMENTAL, HEALTH AND SAFETY AND OTHER MATTERS

The Company's global operations are governed by Environmental Laws and Worker Safety Laws. Under various circumstances, these laws impose civil and criminal penalties and fines, as well as injunctive and remedial relief, for noncompliance and require remediation at sites where Company-related substances have been released into the environment.

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

Environmental considerations are a part of all significant capital expenditure decisions; however, expenditures in fiscal 2009 related solely to environmental compliance were not material. At September 30, 2009 and 2008, the Company recorded environmental liabilities of $32 million and $44 million, respectively. A charge to income is recorded when it is probable that a liability has been incurred and the cost can be reasonably estimated. The Company's environmental liabilities do not take into consideration any possible recoveries of future insurance proceeds. Because of the uncertainties associated with environmental remediation activities at sites where the Company may be potentially liable, future expenses to remediate identified sites could be considerably higher than the accrued liability. However, while neither the timing nor the amount of ultimate costs associated with known environmental remediation matters can be determined at this time, the Company does not expect that these matters will have a material adverse effect on its financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the power solutions business. At September 30, 2009 and 2008, the Company recorded conditional asset retirement obligations of $85 million and $75 million, respectively.

Additionally, the Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management's opinion that none of these will have a materially adverse effect on the Company's financial position, results of operations or cash flows (see Note 20, "Commitments and Contingencies," to the consolidated financial statements). Costs related to such matters were not material to the periods presented.

QUARTERLY FINANCIAL DATA

(in millions, except per share data) (unaudited)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2009					
Net sales	$ 7,336	$ 6,315	$ 6,979	$ 7,867	$ 28,497
Gross profit	685	682	1,039	1,143	3,549
Net income (loss) (2)	(608)	(193)	163	300	(338)
Earnings (loss) per share					
Basic (1)	(1.02)	(0.33)	0.27	0.50	(0.57)
Diluted (1)	(1.02)	(0.33)	0.26	0.47	(0.57)
2008					
Net sales	$ 9,484	$ 9,406	$ 9,865	$ 9,307	$ 38,062
Gross profit	1,307	1,310	1,485	1,424	5,526
Net income (3)	235	289	439	16	979
Earnings per share					
Basic (1)	0.40	0.49	0.74	0.03	1.65
Diluted (1)	0.39	0.48	0.73	0.03	1.63

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

(2) The fiscal 2009 first quarter net loss includes $152 million of impairment charges recorded on an equity investment in the building efficiency North American unitary products segment and $110 million of fixed asset impairment charges recorded in the automotive experience North America and Europe segments ($77 million and $33 million, respectively). The fiscal 2009 second quarter net loss includes a $230 million restructuring charge. The fiscal 2009 fourth quarter net income includes $105 million of incremental warranty charges recorded in the building efficiency North American unitary products segment and $111 million of debt conversion costs. The preceding amounts are stated on a pre-tax basis.

(3) The fiscal 2008 fourth quarter net income includes a $495 million (pre-tax) restructuring charge.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Risk Management" included in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	45
Consolidated Statements of Income for the years ended September 30, 2009, 2008 and 2007	47
Consolidated Statements of Financial Position as of September 30, 2009 and 2008	48
Consolidated Statements of Cash Flows for the years ended September 30, 2009, 2008 and 2007	49
Consolidated Statements of Shareholders' Equity for the years ended September 30, 2009, 2008 and 2007	50
Notes to Consolidated Financial Statements	51
Valuation and Qualifying Accounts	90

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Johnson Controls, Inc. and its subsidiaries at September 30, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 18 to the consolidated financial statements, the Company adopted guidance included in Accounting Standards Codification (ASC) 740, "Income Taxes," prescribing a how a company should recognize, measure, present, and disclose uncertain tax positions effective October 1, 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
November 24, 2009

Johnson Controls, Inc.
Consolidated Statements of Income

(in millions, except per share data)	Year ended September 30, 2009	2008	2007
Net sales			
Products and systems*	$ 21,837	$ 30,568	$ 27,848
Services*	6,660	7,494	6,776
	28,497	38,062	34,624
Cost of sales			
Products and systems	19,618	26,492	24,107
Services	5,330	6,044	5,441
	24,948	32,536	29,548
Gross profit	3,549	5,526	5,076
Selling, general and administrative expenses	(3,210)	(3,565)	(3,281)
Restructuring costs	(230)	(495)	-
Debt conversion costs	(111)	-	-
Net financing charges	(239)	(258)	(277)
Equity income (loss)	(77)	116	89
Income (loss) before income taxes and minority interests	(318)	1,324	1,607
Provision for income taxes	32	321	300
Minority interests in net earnings (loss) of subsidiaries	(12)	24	12
Income (loss) from continuing operations	(338)	979	1,295
Loss from discontinued operations, net of income taxes	-	-	(10)
Loss on sale of discontinued operations, net of income taxes	-	-	(33)
Net income (loss)	$ (338)	$ 979	$ 1,252
Earnings (loss) available for common shareholders	$ (338)	$ 979	$ 1,252
Earnings (loss) per share from continuing operations			
Basic	($0.57)	$1.65	$2.19
Diluted	($0.57)	$1.63	$2.16
Earnings (loss) per share			
Basic	($0.57)	$1.65	$2.12
Diluted	($0.57)	$1.63	$2.09

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

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

Johnson Controls, Inc.

Consolidated Statements of Financial Position

(in millions, except par value and share data)	September 30, 2009	September 30, 2008
Assets		
Cash and cash equivalents	$ 761	$ 384
Accounts receivable, less allowance for doubtful accounts of $99 and $87, respectively	5,528	6,472
Inventories	1,521	2,099
Other current assets	2,016	1,721
Current assets	9,826	10,676
Property, plant and equipment - net	3,986	4,389
Goodwill	6,542	6,513
Other intangible assets - net	746	769
Investments in partially-owned affiliates	718	863
Other noncurrent assets	2,270	1,777
Total assets	$ 24,088	$ 24,987
Liabilities and Shareholders' Equity		
Short-term debt	$ 658	$ 456
Current portion of long-term debt	140	287
Accounts payable	4,434	5,225
Accrued compensation and benefits	872	1,024
Other current liabilities	2,612	2,818
Current liabilities	8,716	9,810
Long-term debt	3,168	3,201
Postretirement health and other benefits	255	236
Other noncurrent liabilities	2,610	2,080
Long-term liabilities	6,033	5,517
Commitments and contingencies (Note 20)		
Minority interests in equity of subsidiaries	201	236
Common stock, $.01 7/18 par value shares authorized: 1,800,000,000 shares issued: 2009 - 670,832,704; 2008 - 594,169,139	9	8
Capital in excess of par value	2,354	1,547
Retained earnings	6,653	7,300
Treasury stock, at cost (2009 - 2,301,073; 2008 - 3,372,332 shares)	(70)	(102)
Accumulated other comprehensive income	192	671
Shareholders' equity	9,138	9,424
Total liabilities and shareholders' equity	$ 24,088	$ 24,987

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

Johnson Controls, Inc.
Consolidated Statements of Cash Flows

(in millions)	September 30, 2009	2008	2007
Operating Activities			
Net income (loss)	$ (338)	$ 979	$ 1,252
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	707	745	687
Amortization of intangibles	38	38	45
Equity in earnings of partially-owned affiliates, net of dividends received	237	(15)	(1)
Deferred income taxes	6	(40)	(63)
Minority interests in net earnings (loss) of subsidiaries	(12)	24	12
Impairment charges	156	43	-
Loss on sale of discontinued operations	-	-	33
Debt conversion costs	101	-	-
Equity-based compensation	60	48	48
Other	40	48	25
Changes in working capital, excluding acquisitions and divestitures of businesses			
Receivables	796	281	(617)
Inventories	557	(49)	(150)
Other current assets	(413)	88	(262)
Restructuring reserves	(83)	388	(161)
Accounts payable and accrued liabilities	(635)	(694)	1,052
Accrued income taxes	(300)	44	13
Cash provided by operating activities	917	1,928	1,913
Investing Activities			
Capital expenditures	(647)	(807)	(828)
Sale of property, plant and equipment	28	52	83
Acquisition of businesses, net of cash acquired	(38)	(277)	(17)
Business divestitures	-	-	89
Recoverable customer engineering expenditures	(92)	(46)	(2)
Settlement of cross-currency interest rate swaps	31	(160)	(145)
Changes in long-term investments	(110)	(32)	(231)
Cash used by investing activities	(828)	(1,270)	(1,051)
Financing Activities			
Increase (decrease) in short-term debt - net	213	173	(43)
Increase in long-term debt	883	240	115
Repayment of long-term debt	(391)	(935)	(505)
Payment of cash dividends	(309)	(297)	(195)
Debt conversion costs	(101)	-	-
Proceeds from the exercise of stock options	8	34	104
Purchases of treasury stock	-	(69)	(26)
Other	(25)	(41)	8
Cash provided (used) by financing activities	278	(895)	(542)
Effect of exchange rate changes on cash and cash equivalents	10	(53)	61
Increase (decrease) in cash and cash equivalents	$ 377	$ (290)	$ 381

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

Johnson Controls, Inc.
Consolidated Statements of Shareholders' Equity

(in millions, except per share data)	Total	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)
At September 30, 2006	7,355	8	1,273	5,715	(7)	366
Comprehensive income:						
Net income	1,252	-	-	1,252	-	-
Foreign currency translation adjustments	479	-	-	-	-	479
Realized and unrealized losses on derivatives	(4)	-	-	-	-	(4)
Minimum pension liability adjustment	1	-	-	-	-	1
Other comprehensive income	476					
Comprehensive income	1,728					
Adjustment to initially adopt SFAS No. 158, net of tax	(60)	-	-	-	-	(60)
Adjustment for the change in measurement date due to the adoption of SFAS No. 158, net of tax	(9)	-	-	(9)	-	-
Cash dividends						
Common ($0.44 per share)	(260)	-	-	(260)	-	-
Other, including options exercised	153	-	179	-	(26)	-
At September 30, 2007	8,907	8	1,452	6,698	(33)	782
Comprehensive income:						
Net income	979	-	-	979	-	-
Foreign currency translation adjustments	170	-	-	-	-	170
Realized and unrealized losses on derivatives	(93)	-	-	-	-	(93)
Employee retirement plans	(188)	-	-	-	-	(188)
Other comprehensive loss	(111)					
Comprehensive income	868					
Adjustment to initially adopt FIN 48, net of tax	(68)	-	-	(68)	-	-
Cash dividends						
Common ($0.52 per share)	(309)	-	-	(309)	-	-
Other, including options exercised	26	-	95	-	(69)	-
At September 30, 2008	**$ 9,424**	**$ 8**	**$ 1,547**	**$ 7,300**	**$ (102)**	**$ 671**
Comprehensive loss:						
Net loss	(338)	-	-	(338)	-	-
Foreign currency translation adjustments	(194)	-	-	-	-	(194)
Realized and unrealized gains on derivatives	41	-	-	-	-	41
Employee retirement plans	(326)	-	-	-	-	(326)
Other comprehensive loss	(479)					
Comprehensive loss	(817)					
Cash dividends						
Common ($0.52 per share)	(309)	-	-	(309)	-	-
Debt conversion (Note 10)	804	1	803	-	-	-
Other, including options exercised	36	-	4	-	32	-
At September 30, 2009	**$ 9,138**	**$ 9**	**$ 2,354**	**$ 6,653**	**$ (70)**	**$ 192**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Johnson Controls, Inc. and its domestic and non-U.S subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany transactions have been eliminated. Investments in partially-owned affiliates are accounted for by the equity method when the Company's interest exceeds 20% and the Company does not have a controlling interest. The financial results for the year ended September 30, 2009 include an out of period adjustment of $62 million made in the first and second quarters of fiscal 2009 to correct an error related to the power solutions segment. The error, which reduces segment income, primarily originated in 2007 and 2008 and resulted in the overstatement of inventory and understatement of cost of sales in those prior periods.

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 when it has less than a 50% ownership. In order to determine whether to consolidate a partially-owned affiliate when the Company has less than a 50% ownership, we first determine 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. If the entity meets one of these characteristics, we then determine if the Company is the primary beneficiary of the VIE. The party exposed to the majority of the risks and rewards associated with the VIE is the VIE's primary beneficiary and must consolidate the entity.

The Company has determined that at September 30, 2009 it was the primary beneficiary in two VIE's in which it holds less than 50% ownership as the Company funds the entities' short-term liquidity needs. Both entities are consolidated within the automotive experience North America segment. The Company did not have a significant variable interest in any unconsolidated VIE's as of September 30, 2009 and 2008. The carrying amounts and classification of assets and liabilities included in our consolidated statements of financial position for consolidated VIE's are as follows (in millions):

	September 30,	
	2009	2008
Current assets	$ 146	$ 182
Noncurrent assets	101	121
Total assets	$ 247	$ 303
Current liabilities	$ 103	$ 107
Noncurrent liabilities	-	-
Total liabilities	$ 103	$ 107

Use of Estimates

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

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The fair value of long-term debt, which was $3.4 billion and $3.3 billion at September 30, 2009 and 2008, respectively, was determined using market quotes. See Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," for fair value of financial instruments, including derivative instruments and hedging activities.

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

Pre-Production Costs Related to Long-Term Supply Arrangements

The Company's policy for engineering, research and development, and other design and development costs related to products that will be sold under long-term supply arrangements requires such costs to be expensed as incurred or capitalized if reimbursement from the customer is assured. Customer reimbursements are recorded as an increase in cash and a reduction of selling, general and administrative expense when reimbursement from the customer is received if reimbursement from the customer is not assured. At September 30, 2009 and 2008 the Company recorded within the consolidated statements of financial position approximately $282 million and $181 million, respectively, of engineering and research and development costs for which customer reimbursement is assured.

Costs for molds, dies and other tools used to make products that will be sold under long-term supply arrangements are capitalized within property, plant and equipment if the Company has title to the assets or has the non-cancelable right to use the assets during the term of the supply arrangement. Capitalized items, if specifically designed for a supply arrangement, are amortized over the term of the arrangement; otherwise, amounts are amortized over the estimated useful lives of the assets. The carrying values of assets capitalized in accordance with the foregoing policy are periodically reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. At September 30, 2009 and 2008, approximately $87 million and $158 million, respectively, of costs for molds, dies and other tools were capitalized within property, plant and equipment which represented assets to which the Company had title. In addition, at September 30, 2009 and 2008, the Company recorded within the consolidated statements of financial position approximately $276 million and $192 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is assured.

Property, Plant and Equipment

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

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

Goodwill and Other Indefinite Lived Intangible Assets

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in

circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments, using a fair-value method based on management's judgments and assumptions or third party valuations. The fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses to further support the fair value estimates. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal year 2009 indicated that the estimated fair value of each reporting unit exceeded its corresponding carrying amount including recorded goodwill, and as such, no impairment existed at September 30, 2009.

At March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience Europe segment due to the continued decline in the automotive market. As a result, the Company performed impairment testing for goodwill and determined that fair value of the reporting unit exceeded its carrying value and no impairment existed at March 31, 2009.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience North America and Europe segments and the building efficiency unitary products group segment due to the rapid declines in the automotive and construction markets. As a result, the Company performed impairment testing for goodwill and determined that fair values of the reporting units exceed their carrying values and no impairment existed at December 31, 2008. To further support the fair value estimates of the automotive experience North America and building efficiency unitary product group segments, the Company prepared a discounted cash flow analysis that also indicated the fair value exceeded the carrying value for each reporting unit. The assumptions supporting the estimated future cash flows of the reporting units, including profit margins, long-term sales forecasts and growth rates, reflect the Company's best estimates. The assumptions related to automotive experience sales volumes reflected the expected continued automotive industry decline with a return to fiscal 2008 volume production levels by fiscal 2013. The assumptions related to the construction market sales volumes reflected steady growth beginning in fiscal 2010.

Indefinite lived other intangible assets are also subject to at least annual impairment testing. A considerable amount of management judgment and assumptions are required in performing the impairment tests. The Company believes the judgments and assumptions used in the impairment tests are reasonable and no impairment existed at September 30, 2009.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. See Note 17, "Impairment of Long-Lived Assets," for disclosure of the impairment analyses performed by the Company during fiscal 2009.

Percentage-of-Completion Contracts

The building efficiency business records certain long term contracts under the percentage-of-completion method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. The Company records costs and earnings in excess of billings on uncompleted contracts within accounts receivable – net and billings in excess of costs and earnings on uncompleted contracts within other current liabilities in the consolidated statements of financial position. Amounts included within accounts receivable – net related to these contracts were $579 million and $670 million at September 30, 2009 and 2008, respectively. Amounts included within other current liabilities were $601 million and $654 million at September 30, 2009 and 2008, respectively.

Revenue Recognition

The Company's building efficiency business recognizes revenue from long-term systems installation contracts over the contractual period under the percentage-of-completion method of accounting. This method of accounting recognizes sales and gross profit as work is performed based on the relationship between actual costs incurred and total estimated costs at

completion. Sales and gross profit are adjusted using the cumulative catch-up method for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified. Claims against customers are recognized as revenue upon settlement. The amount of accounts receivable due after one year is not significant.

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

The Company's building efficiency business also sells certain heating, ventilating and air conditioning (HVAC) products and services in bundled arrangements, where multiple products and/or services are involved. In accordance with ASC 605-25, "Multiple – Element Arrangements," the Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative fair value of all elements or the fair value of undelivered elements.

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

Research and Development Costs

Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statement of income. Such expenditures for the years ended September 30, 2009, 2008 and 2007 were $767 million, $829 million and $767 million, respectively.

A portion of the costs associated with these activities is reimbursed by customers and, for the fiscal years ended September 30, 2009, 2008 and 2007 were $431 million, $405 million and $276 million, respectively.

Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by diluted weighted average shares outstanding. Diluted weighted average shares include the dilutive effect of common stock equivalents which would arise from the exercise of stock options, for the years ended September 30, 2008 and 2007. However, dilutive shares due to stock options, Equity Units and convertible senior notes were not included in the computation of diluted net loss per common share for the year ended September 30, 2009, since to do so would decrease the loss per share. See Note 14, "Earnings per Share," for the calculation of earnings per share.

Foreign Currency Translation

Substantially all of the Company's international operations use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in non-functional currencies are adjusted to reflect period-end exchange rates. The aggregate transaction gains included in net income for the years ended September 30, 2009, 2008 and 2007 were $21 million, $3 million and $5 million, respectively.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income were as follows (in millions, net of tax):

	September 30,	
	2009	2008
Foreign currency translation adjustments	$ 858	$ 1,052
Realized and unrealized gains (losses) on derivatives	7	(34)
Employee retirement plans	(673)	(347)
Accumulated other comprehensive income (loss)	$ 192	$ 671

Derivative Financial Instruments

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

The fair values of all derivatives are recorded in the consolidated statements of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction. See Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," for disclosure of the Company's derivative instruments and hedging activities.

Reclassification

Certain prior year amounts have been revised to conform to the current year's presentation. Recoverable customer engineering expenditures are broken out separately in investing activities in the consolidated statements of cash flows. In prior years these cash flows were included in changes in long-term investments.

New Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force." ASU No. 2009-13 establishes the accounting and reporting guidance for arrangements under which a vendor will perform multiple revenue-generating activities. Specifically, this ASU addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This guidance will be effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010) and, when adopted, will change the Company's accounting treatment for multiple-element revenue arrangements on a prospective basis.

In June 2009, the FASB issued ASU No. 2009-01, "Topic 105 – Generally Accepted Accounting Principles – amendments based on – Statement of Financial Accounting Standards No. 168 – The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This guidance establishes the Accounting Standards Codification (ASC) as the source of authoritative U.S. GAAP recognized by the FASB and is effective for the Company in the fourth quarter of fiscal 2009 (September 30, 2009). The adoption of this guidance had no impact on the Company's consolidated financial condition and results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 167, "Amendments to FASB Interpretation No. 46(R)." SFAS No. 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This statement is effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010). The Company is assessing the potential impact that the adoption of SFAS No. 167 will have on its consolidated financial condition and results of operations.

In May 2009, the FASB issued guidance intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance requires disclosure of the date through which the company has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. This guidance is included in ASC 855, "Subsequent Events," and was effective for the Company in the third quarter of fiscal 2009 (June 30, 2009). Refer to Note 21, "Subsequent Events," for disclosure of the Company's subsequent events for the current reporting period. The adoption of this guidance had no impact on the Company's consolidated financial condition and results of operations.

In April 2009, the FASB issued guidance requiring disclosure about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance is included in ASC 825, "Financial Instruments," and was effective for the Company beginning in the third quarter of fiscal 2009 (April 1, 2009) with early adoption permitted. The Company adopted this topic effective January 1, 2009 and determined that the impact of adoption was not material to its consolidated financial condition and results of operation. See Note 11, "Derivative

Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," for disclosure of the Company's fair value of financial instruments as of September 30, 2009.

In March 2008, the FASB issued guidance enhancing required disclosures regarding derivatives and hedging activities, including how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and affect an entity's financial position, financial performance and cash flows. This guidance is included in ASC 815, "Derivatives and Hedging," and was effective for the Company beginning in the second quarter of fiscal 2009 (January 1, 2009). See Note 11, "Derivative Instruments and Hedging Activities," for disclosure of the Company's derivative instruments and hedging activities at September 30, 2009. The adoption of this guidance had no impact on the Company's consolidated financial condition and results of operations.

In December 2007, the FASB issued guidance changing the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under this guidance changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. This guidance is included in ASC 805, "Business Combinations," and will be effective for the Company beginning in the first quarter of fiscal 2010 (October 1, 2009). This guidance, when adopted, will change the Company's accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued guidance changing the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method changes the accounting for transactions with minority interest holders. This guidance is included in ASC 810, "Consolidation," and is effective for fiscal years beginning after December 15, 2008. This guidance will be effective for the Company beginning in the first quarter of fiscal 2010 (October 1, 2009). The Company is assessing the potential impact that the adoption of this guidance will have on its consolidated financial condition and results of operations.

In February 2007, the FASB issued guidance permitting entities to measure certain financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance is included in ASC 825, "Financial Instruments." The Company adopted this guidance effective October 1, 2008 and has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. The adoption of this topic has had no impact on the Company's consolidated financial condition and results of operations.

In September 2006, the FASB issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. This guidance is included in ASC 820, "Fair Value Measurements and Disclosures." The Company adopted this guidance effective October 1, 2008. The adoption of this guidance has had no material impact on the Company's consolidated financial condition and results of operation. See Note 12, "Fair Value Measurements," for more information regarding the impact of the Company's adoption of this guidance. In February 2008, the FASB delayed the effective date of this guidance for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. The Company has not applied the provisions of this guidance to its nonfinancial assets and nonfinancial liabilities as of September 30, 2009. The provisions of this guidance for nonfinancial assets and nonfinancial liabilities will be effective for the Company beginning in the first quarter of fiscal 2010 (October 1, 2009).

2. ACQUISITIONS

During fiscal 2009, the Company completed four acquisitions for a combined purchase price of $43 million, of which $38 million was paid in the twelve months ended September 30, 2009. None of the acquisitions were material to the Company's consolidated financial statements. In connection with these acquisitions, the Company recorded goodwill of $26 million. The purchase price allocation for each acquisition may be subsequently adjusted to reflect final valuation studies.

In July 2008, the Company formed a joint venture to acquire the interior product assets of Plastech Engineered Products, Inc. (Plastech). Plastech filed for bankruptcy in February 2008. The Company owns 70% of the newly formed entity and certain Plastech term lenders hold the minority position. The Company contributed cash and injection molding plants to the new entity with a fair value of $262 million. The lenders contributed their rights to receive Plastech's interiors business obtained

in exchange for certain Plastech debt. The combined equity in the new entity was approximately $375 million. Goodwill of $199 million was recorded as part of the transaction. In the third quarter of fiscal 2009, the Company finalized valuations associated with the acquisition and recorded a $21 million increase to goodwill.

Also in fiscal 2008, the Company completed seven additional acquisitions for a combined purchase price of $108 million, none of which were material to the Company's consolidated financial statements. In connection with these acquisitions, the Company recorded goodwill of $66 million.

In September 2007, the Company recorded a $200 million equity investment in a 48%-owned joint venture with U.S. Airconditioning Distributors, Inc. (U.S. Air), a California based, privately-owned HVAC distributor serving five western U.S. states, in order to enhance the distribution of residential and light-commercial products in that geography. This investment is accounted for under the equity method as the Company does not have a controlling interest, but does have significant influence. See Note 17, "Impairment of Long-Lived Assets," for discussion of the impairment of the U.S. Air investment.

3. DISCONTINUED OPERATIONS

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

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

In the second quarter of fiscal 2007, the Company settled a claim related to the February 2005 sale of the engine electronics business that resulted in a loss of approximately $4 million ($3 million after-tax).

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

	Year Ended September 30, 2007
Net sales	$ 54
Income (loss) before income taxes and minority interests	(16)
Loss per share from discontinued operations	
Basic	$ (0.02)
Diluted	$ (0.02)
Loss per share on sale of discontinued operations	
Basic	$ (0.06)
Diluted	$ (0.06)

4. INVENTORIES

Inventories consisted of the following (in millions):

	September 30,	
	2009	2008
Raw materials and supplies	$ 712	$ 893
Work-in-process	225	311
Finished goods	674	979
FIFO inventories	1,611	2,183
LIFO reserve	(90)	(84)
Inventories	$ 1,521	$ 2,099

Inventories valued by the LIFO method of accounting were approximately 22% and 19% of total inventories at September 30, 2009 and 2008, respectively.

5. PROPERTY, PLANT AND EQUIPMENT

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

	September 30,	
	2009	2008
Buildings and improvements	$ 2,231	$ 2,243
Machinery and equipment	6,411	6,555
Construction in progress	423	595
Land	374	340
Total property, plant and equipment	9,439	9,733
Less accumulated depreciation	(5,453)	(5,344)
Property, plant and equipment - net	$ 3,986	$ 4,389

Interest costs capitalized during the fiscal years ended September 30, 2009, 2008, and 2007 were $16 million, $12 million and $13 million, respectively. Accumulated depreciation related to capital leases at September 30, 2009 and 2008 was $107 million and $96 million, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill in each of the Company's reporting segments for the fiscal years ended September 30, 2009 and 2008 were as follows (in millions):

	September 30, 2007	Business Acquisitions	Currency Translation and Other	September 30, 2008
Building efficiency				
North America systems	$ 497	$ 18	$ -	$ 515
North America service	622	35	-	657
North America unitary products	481	-	-	481
Global workplace solutions	181	6	(9)	178
Europe	392	-	36	428
Rest of world	528	-	46	574
Automotive experience				
North America	1,177	178	1	1,356
Europe	1,167	7	45	1,219
Asia	205	-	(5)	200
Power solutions	881	-	24	905
Total	$ 6,131	$ 244	$ 138	$ 6,513

	September 30, 2008	Business Acquisitions	Currency Translation and Other	September 30, 2009
Building efficiency				
North America systems	$ 515	$ -	$ 10	$ 525
North America service	657	-	11	668
North America unitary products	481	-	9	490
Global workplace solutions	178	-	(4)	174
Europe	428	-	(20)	408
Rest of world	574	24	(11)	587
Automotive experience				
North America	1,356	21	(1)	1,376
Europe	1,219	2	(10)	1,211
Asia	200	-	23	223
Power solutions	905	-	(25)	880
Total	$ 6,513	$ 47	$ (18)	$ 6,542

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

	September 30, 2009			September 30, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets						
Patented technology	$ 308	$ (190)	$ 118	$ 302	$ (168)	$ 134
Unpatented technology	24	(12)	12	25	(11)	14
Customer relationships	345	(56)	289	344	(42)	302
Miscellaneous	43	(13)	30	35	(13)	22
Total amortized intangible assets	720	(271)	449	706	(234)	472
Unamortized intangible assets						
Trademarks	297	-	297	297	-	297
Total intangible assets	$ 1,017	$ (271)	$ 746	$ 1,003	$ (234)	$ 769

Amortization of other intangible assets was $38 million for each of the fiscal years ended September 30, 2009 and 2008 and $45 million for the fiscal year ended September 30, 2007. Excluding the impact of any future acquisitions, the Company anticipates amortization of other intangible assets will average approximately $38 million per year over the next five years.

7. PRODUCT WARRANTIES

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical return rates and other known factors. Based on analysis of return rates and other factors, the adequacy of the Company's warranty provisions are adjusted as necessary. While the Company's warranty costs have historically been within its calculated estimates, it is possible that future warranty costs could exceed those estimates. Accruals related to pre-existing warranties includes incremental warranty charges of $105 million recorded in the fourth quarter of fiscal 2009 by the building efficiency North America unitary products segment. The incremental charges were due to a specific product issue and an adjustment to the Company's pre-existing warranty accruals based on analysis of recent actual return rates.

The Company's product warranty liability is recorded in the consolidated statement 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 for the fiscal years ended September 30, 2009 and 2008 were as follows (in millions):

	2009	2008
Beginning balance	$ 204	$ 186
Accruals for warranties issued during the period	238	183
Accruals from acquisitions	-	-
Accruals related to pre-existing warranties (including changes in estimates)	115	(1)
Settlements made (in cash or in kind) during the period	(214)	(167)
Currency translation	1	3
Ending balance	$ 344	$ 204

8. LEASES

Certain administrative and production facilities and equipment are leased under long-term agreements. Most leases contain renewal options for varying periods, and certain leases include options to purchase the leased property during or at the end of the lease term. Leases generally require the Company to pay for insurance, taxes and maintenance of the property. Leased capital assets included in net property, plant and equipment, primarily buildings and improvements, were $33 million and $40 million at September 30, 2009 and 2008, respectively.

Other facilities and equipment are leased under arrangements that are accounted for as operating leases. Total rental expense for the fiscal years ended September 30, 2009, 2008 and 2007 was $403 million, $399 million and $336 million, respectively.

Future minimum capital and operating lease payments and the related present value of capital lease payments at September 30, 2009 were as follows (in millions):

	Capital Leases	Operating Leases
2010	$ 9	$ 261
2011	5	210
2012	5	153
2013	5	108
2014	5	83
After 2014	7	114
Total minimum lease payments	36	$ 929
Interest	(7)	
Present value of net minimum lease payments	$ 29	

9. SHORT-TERM DEBT AND CREDIT AGREEMENTS

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

	September 30,	
	2009	2008
Bank borrowings and commercial paper	$ 658	$ 456
Weighted average interest rate on short-term debt outstanding	1.8%	6.6%

The Company has a $2.05 billion committed five-year credit facility to support its outstanding commercial paper. The facility expires in December 2011. There were no draws against the committed credit facility during the year ended September 30, 2009. Average outstanding commercial paper for the fiscal year ended September 30, 2009 was $804 million, and $583 million was outstanding at September 30, 2009.

The Company has three euro-denominated revolving credit facilities totaling 300 million euro with 50 million euro expiring in May 2010, 150 million euro expiring in May 2011 and 100 million euro expiring in August 2011. At September 30, 2009, there were no draws on the revolving credit facilities.

10. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

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

	September 30,	
	2009	2008
Unsecured notes		
5.25% due in 2011 ($800 million original par value)	$ 750 *	$ 800
6.50% due in 2012 (Convertible senior notes)	2	-
5.8% due in 2013 ($100 million par value)	100	100
4.875% due in 2013 ($300 million par value)	325	299
7.7% due in 2015 ($125 million par value)	125	125
5.5% due in 2016 ($800 million par value)	799	799
7.125% due in 2017 ($150 million par value)	169	150
6.0% due in 2036 ($400 million par value)	395	395
11.50% due in 2042 (917,915 equity units)	46	-
6.95% due in 2046 ($125 million par value)	125	125
Capital lease obligations	29	71
Foreign-denominated debt		
Euro	31	42
Japanese yen	412	576
Other	-	6
Gross long-term debt	3,308	3,488
Less: current portion	140	287
Net long-term debt	$ 3,168	$ 3,201

* At September 30, 2009, the amount recorded for the 5.25% note due in 2011 includes $746 million (par value) for the outstanding bond and $4 million for the fair value related to the portion of the bond which has swapped its coupon rate from fixed to floating. In the fourth quarter of fiscal 2009, the Company entered into three fixed to floating interest rate swaps totaling $700 million to hedge the coupons of this bond. See Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," for further discussion.

At September 30, 2009, the Company's euro-denominated long-term debt was at fixed rates with a weighted-average interest rate of 5.3% and the Company's yen-denominated debt was at floating rates with a weighted average interest rate of 1.1%.

The installments of long-term debt maturing in subsequent fiscal years are: 2010 — $ 140 million; 2011 — $1,035 million; 2012 — $6 million; 2013 — $429 million; 2014 — $4 million; 2015 and thereafter — $1,694 million. The Company's long-term debt includes various financial covenants, none of which are expected to restrict future operations.

Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2009, 2008 and 2007 was $358 million, $288 million and $273 million, respectively. The Company uses financial instruments to manage its interest rate exposure (see Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements"). These instruments affect the weighted average interest rate of the Company's debt and interest expense.

Financing Arrangements

On January 17, 2009, the Company retired its 24 billion yen, three year, floating rate loan agreement that matured. The Company used proceeds from commercial paper issuances to repay amounts due under the loan agreement.

In February 2009, the Company entered into a $50 million, three year, floating rate bilateral loan agreement. The Company drew the entire amount under the loan agreement during the course of the second quarter of fiscal 2009. Also during the second quarter of fiscal 2009, the Company retired approximately $54 million in principal amount of its $800 million fixed rate bonds that mature in January 2011. The Company used proceeds from the $50 million floating rate loan agreement to retire the bonds. The Company retired the loan during the fourth quarter of fiscal 2009.

On March 16, 2009, the Company issued nine million Equity Units ("Units") with an aggregate principal amount of $450 million in a public offering. The Company received approximately $436 million in net proceeds from the sale of the Units after underwriting discounts and other expenses. The proceeds were used to repay short-term indebtedness incurred within the second quarter to fund working capital requirements. Each Unit has a stated amount of $50 and consists of (a) a purchase contract which obligates the holder to purchase, and obligates the Company to sell, no later than March 31, 2012, a variable number of shares of the Company's common stock for $50 and (b) a one-twentieth, or 5%, undivided beneficial ownership interest in a subordinated note issued by the Company due March 31, 2042 with a principal amount of $1,000. The subordinated notes are pledged by the holders to secure their obligations under the purchase contract, and at the time of the offering, the estimated fair value of the purchase contract was zero. Interest is due quarterly at the annual rate of 11.5% on the subordinated notes, and the first interest payment was made on June 30, 2009. Prior to March 31, 2012, the Company may defer payment of interest on the subordinated notes for one or more consecutive interest periods provided that each deferred interest payment may only be deferred until the earlier of (a) the third anniversary of the interest payment date on which the interest payment was originally scheduled to be paid or (b) March 31, 2014. The subordinated notes will be remarketed between January 1, 2012 and March 31, 2012 whereby the interest rate on the notes will be reset and certain other terms of the notes may be modified in order to generate sufficient remarketing proceeds to satisfy the Unit holders' obligations under the purchase contract. If the subordinated notes are not successfully remarketed, then a put right of holders of the notes will be automatically exercised unless such holders (a) notify the Company of their intent to settle their obligations under the purchase contracts in cash, and (b) deliver $50 in cash per purchase contract, by the applicable dates specified by the purchase contracts. Following such exercise and settlement, the Unit holders' obligations to purchase shares of common stock under the purchase contracts will be satisfied in full, and the Company will deliver the shares of common stock to such holders.

In connection with this transaction, approximately $14 million of issuance costs were incurred. Of the total issuance costs, approximately $12 million was charged to "Capital in excess of par value" with the remainder deferred and amortized over three years.

The number of shares issued under the purchase contract is contingent based on, among other things, the share price of the Company's common stock on the stock purchase date and anti-dilution adjustments. Before the issuance of common stock upon settlement of the purchase contracts, the purchase contracts will be reflected in diluted earnings per share using the "if-converted" method. Under this method, if dilutive, the common stock is assumed issued and included in calculating diluted earnings per share. The number of shares of common stock used in calculating diluted earnings per share is based on the nine million units issued at $50 per unit divided by the beginning stock price for the period. In addition, if dilutive, interest expense, net of tax, related to the subordinated notes will be added back to the numerator in calculating diluted earnings per share. Refer to Note 14, "Earnings Per Share," for the calculation of diluted earnings per share.

On March 16, 2009, the Company closed an offering of $402.5 million aggregate principal amount of 6.5% convertible senior notes due September 30, 2012. The notes are convertible into shares of the Company's common stock at a conversion rate of 89.3855 shares of common stock per $1,000 principal amount of notes, which is equal to a conversion price of approximately $11.19 per share, subject to anti-dilution adjustments. The Company received net proceeds from the sale of the convertible notes of approximately $392 million after underwriting discounts and other expenses. The proceeds were used to repay short-term indebtedness incurred within the second quarter to fund working capital requirements.

In May 2009, the Company entered into a new one year revolving credit facility in the amount of 50 million euro expiring in May 2010 which replaced a 100 million euro revolving facility expiring that month. At September 30, 2009, the facility was undrawn.

On September 18, 2009, the Company settled the results of its previously announced offer to exchange (a) any and all of its outstanding 6.5% convertible senior notes due 2012 for the following consideration per $1,000 principal amount of convertible senior notes: (i) 89.3855 shares of the Company's common stock, (ii) a cash payment of $120 and (iii) accrued and unpaid interest on the convertible senior notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer, approximately $400 million aggregate principal amount of convertible senior notes were exchanged for approximately 36 million shares of common stock and approximately $61 million in cash ($48 million of debt conversion payments and $13 million of accrued interest payments on the convertible senior notes). As a result of the exchange, the Company recognized approximately $57 million of debt conversion costs within its consolidated statement of income which is comprised of $48 million of debt conversion costs on the exchange and a $9 million charge related to the write-off of unamortized debt issuance costs.

On September 30, 2009, the Company settled the results of its previously announced offer to exchange up to 8,550,000 of its outstanding nine million Equity Units in the form of Corporate Units (the "Corporate Units") comprised of a forward purchase contract obligating the holder to purchase from the Company shares of its common stock and a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.50% subordinated notes due 2042, for the following consideration per Corporate Unit: (i) 4.8579 shares of the Company's common stock, (ii) a cash payment of $6.50 and (iii) a distribution consisting of the pro rata share of accrued and unpaid interest on the subordinated notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer 8,082,085 Corporate Units (consisting of $404 million aggregate principal amount of outstanding 11.50% subordinated notes due 2042) were exchanged for approximately 39 million shares of common stock and approximately $65 million in cash ($52 million of debt conversion payments and $13 million of accrued interest payments on the subordinated notes). As a result of the exchange, the Company recognized approximately $54 million of debt conversion costs within its consolidated statement of income which is comprised of $53 million of debt conversion costs on the exchange and a $1 million charge related to the write-off of unamortized debt issuance costs.

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In March 2008, the FASB issued guidance enhancing required disclosures regarding derivatives and hedging activities, including how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and affect an entity's financial position, financial performance and cash flows. This guidance is included in ASC 815, "Derivatives and Hedging," and was effective for the Company beginning in the second quarter of fiscal 2009 and is applied prospectively.

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 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 12, "Fair Value Measurements," 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 foreign currency denominated debt obligations to selectively hedge portions of its net investment in Japan. The currency effects of the debt obligations are reflected in the accumulated other comprehensive income (AOCI) account within shareholders' equity where they offset gains and losses recorded on the Company's net investment in Japan. As of September 30, 2009, the Company had 37 billion yen of foreign denominated debt outstanding designated as net investment hedges in the Company's net investment in Japan.

The Company uses commodity contracts in the financial derivatives market in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. As 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 or costs related to sales, occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statement of income. The maturities of the commodity contracts coincide with the expected purchase of the commodities. As of September 30, 2009, the Company had the following outstanding commodity hedge contracts that hedge forecasted purchases:

Commodity	Units	Volume Outstanding As of September 30, 2009
Copper	Pounds	12,180,000

In addition, the Company selectively uses equity swaps to reduce market risk associated with certain of its stock-based compensation plans, such as its deferred compensation plans. 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 September 30, 2009, the Company had hedged approximately 2.8 million shares of its common stock.

The Company selectively used 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 statement of income. The Company settled interest rate swaps hedging $450 million of debt in the second quarter of fiscal 2009. In the fourth quarter of fiscal 2009, the Company entered into three fixed to floating interest rate swaps totaling $700 million to hedge the coupons of its 5.25% bond maturing on January 15, 2011 ($746 million).

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's consolidated statement of financial position at September 30, 2009 (in millions):

	September 30, 2009	
	Derivatives and Hedging Activities Designated as Hedging Instruments under ASC 815	Derivatives and Hedging Activities Not Designated as Hedging Instruments under ASC 815
Other current assets		
Foreign currency exchange derivatives	$ 40	$ 36
Commodity derivatives	7	-
Other noncurrent assets		
Interest rate swaps	5	-
Equity swap	-	70
Foreign currency exchange derivatives	1	1
Total assets	$ 53	$ 107
Current portion of long-term debt		
Net investment hedge	$ 134	$ -
Other current liabilities		
Foreign currency exchange derivatives	44	27
Commodity derivatives	1	-
Long-term debt		
Fixed rate debt swapped to floating	704	-
Net investment hedges	278	-
Other noncurrent liabilities		
Foreign currency exchange derivatives	1	1
Total liabilities	$ 1,162	$ 28

The following table presents the location and amount of gains and losses on derivative instruments and related hedge items included in the Company's consolidated statement of income for the nine months ended September 30, 2009 and gains and losses initially recognized in other comprehensive income (OCI) net of tax or cumulative translation adjustment (CTA) net of tax in the consolidated statement of financial position at September 30, 2009 (in millions):

Derivatives in ASC 815 Cash Flow Hedging Relationships	As of September 30, 2009 Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	For the nine months ended September 30, 2009 Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	For the nine months ended September 30, 2009 Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Foreign currency exchange derivatives	$ (3)	Sales	$ (16)	Sales	$ -
Commodity derivatives	3	Cost of sales	(80)	Cost of sales	(5)
Total	$ -		$ (96)		$ (5)

Hedging Activities in ASC 815 Net Investment Hedging Relationships	As of September 30, 2009 Amount of Gain (Loss) Recognized in CTA on Derivative (Effective Portion)
Net investment hedges	$ (28)
Total	$ (28)

For the nine months ended September 30, 2009, no gains or losses were reclassified from AOCI into income for the Company's net investment hedges.

Derivatives Not Designated as Hedging Instruments under ASC 815	For the nine months ended September 30, 2009 Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative
Foreign currency exchange derivatives	Cost of sales	$ (81)
Foreign currency exchange derivatives	Net financing charges	123
Equity swap	Selling, general and administrative expenses	28
Commodity derivatives	Cost of sales	(4)
Total		$ 66

12. FAIR VALUE MEASUREMENTS

Effective for the Company October 1, 2008, ASC 820, "Fair Value Measurements and Disclosures," 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 table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a quarterly basis (in millions):

	Fair Value Measurements Using:				
	Total as of September 30, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Asset / Liability as of September 30, 2008
Assets					
Foreign currency exchange derivatives	$ 78	$ 78	$ -	$ -	$ -
Commodity derivatives	7	-	7	-	-
Interest rate swaps	5	-	5	-	2
Cross-currency interest rate swap	-	-	-	-	3
Equity swap	70	70	-	-	6
Total	$ 160	$ 148	$ 12	$ -	$ 11
Liabilities					
Foreign currency exchange derivatives	$ 73	$ 73	$ -	$ -	$ 17
Commodity derivatives	1	-	1	-	42
Fixed rate debt swapped to floating	704	-	704	-	487
Foreign currency denominated debt	412	412	-	-	576
Total	$ 1,190	$ 485	$ 705	$ -	$ 1,122

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, the effective portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of accumulated other comprehensive income 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 statement of income. These contracts are highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2009.

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 and polypropylene. 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 accumulated other comprehensive income and are subsequently reclassified into earnings when the hedged transactions, typically sales or cost related to sales, occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statement of income. These contracts are highly effective in hedging the variability in future cash flows attributable to changes in commodity price changes at September 30, 2009.

Interest rate swaps and fixed rate debt swapped to floating – 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 statement of income. The Company settled interest rate swaps hedging $450 million of debt in the second quarter of fiscal 2009. In the fourth quarter of fiscal 2009, the Company entered into three fixed to floating interest rate swaps totaling $700 million to hedge the coupons of its 5.25% bond maturing on January 15, 2011 ($746 million).

Cross-currency interest rate swap – The Company selectively uses cross-currency interest rate swaps to hedge the foreign currency rate risk associated with certain of its foreign currency denominated debt obligations. The cross-currency interest rate swap is valued using market assumptions. The currency effects of the swap and related debt obligation are reflected in the consolidated statement of income and the change in value of the swap and debt obligation offset. The Company settled its cross-currency interest rate swap in the second quarter of fiscal 2009.

Equity swap – 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 on the equity swaps are reflected in the consolidated statement of income within compensation expense. The Company settled the equity swap at the beginning of the second quarter of fiscal 2009. The Company reinstituted the equity swap at the end of the second quarter with a reduced number of shares and additional shares were purchased in the third and fourth quarters of fiscal 2009.

Foreign currency denominated debt – The Company has entered into certain foreign currency denominated debt obligations to selectively hedge portions of its net investment in Japan. As net investment hedges, the currency effects of the debt obligations are reflected in the foreign currency translation adjustments component of accumulated other comprehensive income where they offset gains and losses recorded on the Company's net investment in Japan. The Company's foreign denominated debt obligations are valued under a market approach using publicized spot prices. On January 15, 2008, the Company had entered into an 18 billion yen, three year, floating rate loan agreement. The Company did not elect to designate the debt as part of the hedge of the net investment in Japan and hedged the exposure of the change in value of the yen with an 18 billion yen cross-currency swap. The currency effect of the 18 billion yen loan was reflected in the consolidated statement of income. On January 17, 2009, the Company retired its 24 billion yen, three year, floating rate loan agreement that matured, leaving a significant portion of the net investment in Japan un-hedged. On that date, the Company unwound the cross-currency swap that hedged the 18 billion yen loan and elected to designate the latter as part of its net investment hedge in Japan.

13. STOCK-BASED COMPENSATION

Effective October 1, 2005, the Company adopted ASC 718, "Stock Compensation," using the modified prospective method. The modified prospective method requires compensation cost to be recognized beginning on the effective date (a) for all share-based payments granted after the effective date and (b) for all awards granted to employees prior to the effective date of ASC 718 that remain unvested on the effective date. The cumulative impact of adopting ASC 718 was not significant to the Company's operating results since the Company had previously adopted this guidance.

The Company has three share-based compensation plans, which are described below. The compensation cost charged against income for those plans was approximately $27 million, $29 million and $82 million for the fiscal years ended September 30, 2009, 2008 and 2007, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was approximately $11 million, $11 million and $32 million for the fiscal years ended September 30, 2009, 2008 and 2007, respectively.

Prior to the adoption of ASC 718, the Company applied a nominal vesting approach for employee stock-based compensation awards with retirement eligible provisions. Under the nominal vesting approach, the Company recognized compensation cost over the vesting period and, if the employee retired before the end of the vesting period, the Company recognized any remaining unrecognized compensation cost at the date of retirement. For stock-based payments issued after the adoption of ASC 718, the Company applies a non-substantive vesting period approach whereby expense is accelerated for those employees that receive awards and are eligible to retire prior to the award vesting. Had the Company applied the non-substantive vesting period approach prior to the adoption of ASC 718, an approximate $2 million and $8 million reduction of pre-tax compensation cost would have been recognized for the years ended September 30, 2008 and 2007, respectively. There would have been no impact for the year ended September 30, 2009.

Stock Option Plan

Stock Options

The Company's 2007 Stock Option Plan, as amended (the Plan), which is shareholder-approved, permits the grant of stock options to its employees for up to approximately 40 million shares of new common stock. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards vest between two and three years after the grant date and expire ten years from the grant date (approximately 31 million shares of common stock remained available to be granted at September 30, 2009).

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options represents the period of time that options granted are expected to be

outstanding. The risk-free rate for periods during the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Year Ended September 30,		
	2009*	2008*	2007
Expected life of option (years)	4.2 - 4.5	4.5 - 5.25	4.75
Risk-free interest rate	2.57% - 2.68%	4.06% - 4.23%	4.56%
Expected volatility of the Company's stock	28.00%	22.00%	22.00%
Expected dividend yield on the Company's stock	1.52%	1.55%	1.60%

*In 2009 and 2008, the assumptions used varied based on groupings of optionees.

A summary of stock option activity at September 30, 2009, and changes for the year then ended, is presented below:

	Weighted Average Option Price	Shares Subject to Option	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2008	$ 22.74	30,593,751		
Granted	28.79	4,696,713		
Exercised	15.67	(567,782)		
Forfeited or expired	24.94	(1,478,045)		
Outstanding, September 30, 2009	$ 23.62	33,244,637	6.0	$ 127
Exerciseable, September 30, 2009	$ 20.48	23,644,499	5.1	$ 123

The weighted-average grant-date fair value of options granted during the fiscal years ended September 30, 2009, 2008 and 2007 was $6.68, $9.08 and $5.59, respectively.

The total intrinsic value of options exercised during the fiscal years ended September 30, 2009, 2008 and 2007 was approximately $4 million, $45 million and $125 million, respectively.

In conjunction with the exercise of stock options granted, the Company received cash payments for the fiscal years ended September 30, 2009, 2008, and 2007 of approximately $8 million, $34 million and $104 million, respectively.

The Company has elected to utilize the alternative transition method for calculating the tax effects of stock-based compensation. The alternative transition method includes computational guidance to establish the beginning balance of the additional paid-in capital pool (APIC Pool) related to the tax effects of employee stock-based compensation, and a simplified method to determine the subsequent impact on the APIC Pool for employee stock-based compensation awards that are vested and outstanding upon adoption of ASC 718. The tax benefit from the exercise of stock options, which is recorded in additional paid-in-capital, was $19 million and $39 million, respectively, for the years ended September 30, 2008 and 2007. For the year ended September 30, 2009, the tax benefit was less than $1 million. The Company does not settle equity instruments granted under share-based payment arrangements for cash.

At September 30, 2009, the Company had approximately $21 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 0.8 years.

Stock Appreciation Rights (SARs)

The Plan also permits SARs to be separately granted to certain employees. SARs vest under the same terms and conditions as option awards; however, they are settled in cash for the difference between the market price on the date of exercise and

the exercise price. As a result, SARs are recorded in the Company's consolidated statements of financial position as a liability until the date of exercise.

The fair value of each SAR award is estimated using a similar method described for option awards. The fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value.

The assumptions used to determine the fair value of the SAR awards at September 30, 2009 were as follows:

Expected life of SAR (years)	0.1 - 3.4
Risk-free interest rate	0.06% - 1.62%
Expected volatility of the Company's stock	35.00%
Expected dividend yield on the Company's stock	1.73%

A summary of SAR activity at September 30, 2009, and changes for the fiscal year then ended, is presented below:

	Weighted Average SAR Price	Shares Subject to SAR	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2008	$ 22.94	2,912,023		
Granted	28.79	552,342		
Exercised	12.93	(161,532)		
Forfeited or expired	21.63	(306,635)		
Outstanding, September 30, 2009	$ 24.69	2,996,198	6.5	$ 9
Exerciseable, September 30, 2009	$ 20.80	1,765,585	5.4	$ 8

In conjunction with the exercise of SARs granted, the Company made payments of $2 million, $5 million and $10 million during the fiscal years ended September 30, 2009, 2008 and 2007, respectively.

Restricted (Nonvested) Stock

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

A summary of the status of the Company's nonvested restricted stock awards at September 30, 2009, and changes for the fiscal year then ended, is presented below:

	Weighted Average Price	Shares/Units Subject to Restriction
Nonvested, September 30, 2008	$ 34.09	958,500
Granted	28.79	5,500
Exercised	-	-
Forfeited or expired	25.27	(7,500)
Nonvested, September 30, 2009	$ 34.13	956,500

At September 30, 2009, the Company had approximately $6 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the restricted stock plan. That cost is expected to be recognized over a weighted-average period of 1.2 years.

14. EARNINGS PER SHARE

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

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

	Year Ended September 30,		
	2009	2008	2007
Income Available to Common Shareholders			
Basic and diluted income (loss) available to common shareholders	$ (338)	$ 979	$ 1,252
Weighted Average Shares Outstanding			
Basic weighted average shares outstanding	595.3	593.1	590.6
Effect of dilutive securities:			
Stock options	-	8.3	8.6
Diluted weighted average shares outstanding	595.3	601.4	599.2
Antidilutive Securities			
Options to purchase common shares	2.5	1.1	0.1

For the fiscal year ended September 30, 2009, the total weighted average of potential dilutive shares due to stock options, Equity Units and the convertible senior notes was 47.8 million. However, these items were not included in the computation of diluted net loss per common share for the fiscal year ended September 30, 2009, since to do so would decrease the loss per share.

During each of the three months ended September 30, 2009 and 2008, the Company declared a quarterly dividend of $0.13 per common share and during each of the twelve months ended September 30, 2009 and 2008, the Company declared four quarterly dividends totaling $0.52 per common share. The Company paid all dividends in the month subsequent to the end of each fiscal quarter.

15. RETIREMENT PLANS

Pension Benefits

The Company has non-contributory defined benefit pension plans covering most U.S. and certain non-U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. Effective January 1, 2006, certain of the Company's U.S. pension plans were amended to prohibit new participants from entering the plans. Effective September 30, 2009, active participants will continue to accrue benefits under the amended plans until December 31, 2014. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974. Funding for non-US plans observes the local legal and regulatory limits. Also, the Company makes contributions to union-trusteed pension funds for construction and service personnel.

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

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

The Company's pension plan asset allocations by asset category are shown below.

	2009	2008
Equity securities:		
U.S. plans	62%	52%
Non-U.S. plans	50%	46%
Debt securities:		
U.S. plans	27%	29%
Non-U.S. plans	42%	47%
Real estate/other:		
U.S. plans	10%	14%
Non-U.S. plans	7%	6%
Cash/liquidity:		
U.S. plans	1%	5%
Non-U.S. plans	1%	1%

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

For pension plans with accumulated benefit obligations (ABO) that exceed plan assets, the projected benefit obligation (PBO), ABO and fair value of plan assets of those plans were $3,316 million, $3,111 million and $2,219 million, respectively, as of September 30, 2009 and $2,870 million, $2,562 million and $2,089 million, respectively, as of September 30, 2008.

In fiscal 2009, total employer and employee contributions to the defined benefit pension plans were $293 million, of which $165 million were voluntary contributions made by the Company. The Company expects to contribute approximately $245 million in cash to its defined benefit pension plans in fiscal year 2010. Projected benefit payments from the plans as of September 30, 2009 are estimated as follows (in millions):

2010	$ 219
2011	204
2012	212
2013	223
2014	236
2015-2019	1,340

Savings and Investment Plans

The Company sponsors various defined contribution savings plans primarily in the U.S. that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, the

Company will contribute to certain savings plans based on the employees' eligible pay and/or will match a percentage of the employee contributions up to certain limits. Matching contributions charged to expense amounted to $35 million, $39 million and $76 million for the fiscal years ended 2009, 2008 and 2007, respectively.

Postretirement Health and Other Benefits

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

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

The September 30, 2009 accumulated postretirement benefit obligation (APBO) for both pre-65 and post-65 years of age employees was determined using assumed medical care cost trend rates of 8.0% decreasing one half percent each year to an ultimate rate of 5% and prescription drug trend rates of 10.0% decreasing one half percent each year to an ultimate rate of 6%. The September 30, 2008 APBO for both pre-65 and post-65 years of age employees was determined using medical care cost trend rates of 8.5% decreasing one half percent each year to an ultimate rate of 5% and prescription drug trend rates of 10.5% decreasing one half percent each year to an ultimate rate of 6%. The health care cost trend assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by $9 million at September 30, 2009 and the sum of the service and interest costs in fiscal year 2009 by $1 million. A one percentage point decrease in the assumed health care cost trend rate would have decreased the accumulated benefit obligation by $7 million at September 30, 2009 and the sum of the service and interest costs by $1 million.

The Company expects to contribute approximately $25 million in cash to its postretirement health and other benefit plans in fiscal year 2010. Projected benefit payments from the plans as of September 30, 2009 are estimated as follows (in millions):

2010	$ 25
2011	26
2012	26
2013	27
2014	28
2015-2019	141

In December 2003, the U.S. Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) for employers sponsoring postretirement health care plans that provide prescription drug benefits. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans providing a benefit that is at least actuarially equivalent to Medicare Part D.1. Under the Act, the Medicare subsidy amount is received directly by the plan sponsor and not the related plan. Further, the plan sponsor is not required to use the subsidy amount to fund postretirement benefits and may use the subsidy for any valid business purpose. Projected subsidy receipts are estimated to be approximately $3 million per year over the next ten years.

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

	Pension				Postretirement	
	U.S. Plans		Non-U.S. Plans		Health and Other	
September 30,	2009	2008	2009	2008	2009	2008
Accumulated Benefit Obligation	$ 2,355	$ 1,905	$ 1,429	$ 1,238	$ -	$ -
Change in Projected Benefit Obligation						
Projected benefit obligation at beginning of year	2,174	2,202	1,334	1,452	253	280
Service cost	66	79	32	39	4	5
Interest cost	159	140	65	73	18	17
Plan participant contributions	-	-	5	7	-	-
Acquisitions	-	6	9	2	-	-
Divestures	-	-	(1)	-	-	-
Plan transfers	-	-	39	-	-	-
Actuarial loss (gain)	438	(155)	128	(195)	41	(22)
Amendments made during the year	1	1	(14)	19	(13)	-
Benefits paid	(99)	(96)	(55)	(60)	(29)	(29)
Estimated subsidy received	-	-	-	-	2	3
Special termination benefits	-	-	1	3	-	-
Curtailment loss (gain)	(224)	1	(4)	(2)	-	-
Settlement	-	(4)	-	-	-	-
Other	(3)	-	-	-	-	-
Currency translation adjustment	-	-	(18)	(4)	(1)	(1)
Projected benefit obligation at end of year	$ 2,512	$ 2,174	$ 1,521	$ 1,334	$ 275	$ 253
Change in Plan Assets						
Fair value of plan assets at beginning of year	$ 1,772	$ 2,077	$ 960	$ 1,065	$ -	$ -
Actual return on plan assets	8	(294)	57	(132)	-	-
Acquisitions	-	4	-	-	-	-
Plan transfers	-	-	38	-	-	-
Employer and employee contributions	188	86	105	101	29	29
Benefits paid	(99)	(96)	(55)	(60)	(29)	(29)
Settlement payments	-	(5)	-	-	-	-
Other	(2)	-	-	-	-	-
Currency translation adjustment	-	-	(25)	(14)	-	-
Fair value of plan assets at end of year	$ 1,867	$ 1,772	$ 1,080	$ 960	$ -	$ -
Funded status	$ (645)	$ (402)	$ (441)	$ (374)	$ (275)	$ (253)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	$ 4	$ 24	$ 23	$ 4	$ -	$ -
Accrued benefit liability	(649)	(426)	(464)	(378)	(275)	(253)
Net amount recognized	$ (645)	$ (402)	$ (441)	$ (374)	$ (275)	$ (253)
Weighted Average Assumptions (1)						
Discount rate	6.25%	7.50%	4.75%	5.50%	6.25%	7.50%
Rate of compensation increase	4.20%	4.20%	3.20%	3.00%	NA	NA

(1) Plan assets and obligations are determined based on a September 30 measurement date at September 30, 2009 and 2008.

The amounts in accumulated other comprehensive income on the consolidated statement of financial position, exclusive of tax impacts, that have not yet been recognized as components of net periodic benefit cost at September 30, 2009 are as follows (in millions):

	Pension Benefits	Postretirement Health and Other Benefits
Accumulated other comprehensive loss (income)		
Net transition obligation	$ 3	$ -
Net actuarial loss (gain)	1,111	(2)
Net prior service cost (credit)	6	(34)
Total	$ 1,120	$ (36)

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

	Pension Benefits	Postretirement Health and Other Benefits
Amortization of:		
Net actuarial loss (gain)	$ 38	$ -
Net prior service cost (credit)	2	(8)
Total	$ 40	$ (8)

The table that follows contains the components of net periodic benefit cost (in millions):

	Pension						Postretirement		
	U.S. Plans			Non-U.S. Plans			Health and Other		
Year ended September 30	2009	2008	2007	2009	2008	2007	2009	2008	2007
Components of Net Periodic Benefit Cost:									
Service cost	$ 66	$ 79	$ 74	$ 32	$ 39	$ 38	$ 4	$ 5	$ 6
Interest cost	159	140	129	65	73	63	18	17	19
Expected return on plan assets	(174)	(166)	(151)	(55)	(67)	(55)	-	-	-
Amortization of transitional obligation	-	-	(2)	-	-	-	-	-	-
Amortization of net actuarial loss (gain)	4	6	10	3	6	8	(3)	(2)	-
Amortization of prior service cost (credit)	1	2	2	-	-	-	(7)	(7)	(6)
Special termination benefits	-	-	1	1	2	-	-	-	-
Curtailment loss (gain)	4	4	(1)	(2)	-	(2)	-	-	(1)
Divestures (gain)/loss	-	-	-	(1)	-	-	-	-	-
Currency translation adjustment	-	-	-	-	(2)	1	-	-	-
Net periodic benefit cost	$ 60	$ 65	$ 62	$ 43	$ 51	$ 53	$ 12	$ 13	$ 18
Expense Assumptions:									
Discount rate	7.50%	6.50%	6.50%	5.50%	4.90%	4.60%	7.50%	6.50%	6.50%
Expected return on plan assets	8.50%	8.50%	8.25%	6.00%	6.10%	5.60%	NA	NA	NA
Rate of compensation increase	4.20%	4.30%	3.60%	3.00%	3.00%	3.30%	NA	NA	NA

16. RESTRUCTURING COSTS

To better align the Company's cost structure with global automotive market conditions, the Company committed to a restructuring plan (2009 Plan) in the second quarter of fiscal 2009 and recorded a $230 million restructuring charge. The restructuring charge relates to cost reduction initiatives in the Company's automotive experience, building efficiency and power solutions businesses and includes workforce reductions and plant consolidations. The Company expects to substantially complete the 2009 Plan by the end of 2010. The automotive-related restructuring actions target excess manufacturing capacity resulting from lower industry production in the European, North American and Japanese automotive markets. The restructuring actions in building efficiency are primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions are focused on optimizing its manufacturing capacity as a result of lower overall demand for original equipment batteries resulting from lower vehicle production levels.

Since the announcement of the 2009 Plan in March 2009, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for automotive experience – Europe of approximately $28 million due to favorable severance negotiations and the decision to not close one of the previously planned plants in response to increased customer demand. In response to the depressed automotive industry in Europe, the Company has committed to the closure of one additional plant in Europe since the announcement of its 2009 Plan. The underspend of the initial 2009 Plan reserves will be utilized for this plant consolidation which is expected to occur in late fiscal 2010 and for additional costs to be incurred as part of power solutions and automotive experience – Europe's original cost reduction initiatives. The planned workforce reductions disclosed for the 2009 Plan have been updated for the Company's revised actions.

The 2009 Plan includes workforce reductions of approximately 6,200 employees (2,900 for automotive experience – North America, 1,700 for automotive experience – Europe, 600 for automotive experience – Asia, 200 for building efficiency – North America, 400 for building efficiency – Europe, 100 for building efficiency – rest of world, and 300 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2009, approximately 4,500 of the employees have been separated from the Company pursuant to the 2009 Plan. In addition, the 2009 Plan includes 9 plant closures (3 for automotive experience – North America, 1 for automotive experience – Europe, 3 for automotive experience – Asia, 1 for building efficiency – rest of world, and 1 for power solutions). As of September 30, 2009, 5 of the 9 plants have been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis or appraisals.

The following table summarizes the changes in the Company's 2009 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Fixed Asset Impairment	Other	Currency Translation	Total
Original Reserve	$ 182	$ 46	$ 2	$ -	$ 230
Utilized - Cash	(42)	-	-	-	(42)
Utilized - Noncash	-	(46)	-	8	(38)
Noncash Adjustment - Underspend	(28)	-	-	-	(28)
Noncash Adjustment - New Actions	28	-	-	-	28
Balance at September 30, 2009	$ 140	$ -	$ 2	$ 8	$ 150

Included within the "other" category are exit costs for terminating supply contracts associated with changes in the Company's manufacturing footprint and strategies, lease termination costs and other direct costs.

To better align the Company's resources with its growth strategies while reducing the cost structure of its global operations, the Company committed to a restructuring plan (2008 Plan) in the fourth quarter of fiscal 2008 and recorded a $495 million restructuring charge. The restructuring charge relates to cost reduction initiatives in its automotive experience, building efficiency and power solutions businesses and includes workforce reductions and plant consolidations. The Company

expects to substantially complete the 2008 Plan in 2010. The automotive-related restructuring is in response to the fundamentals of the European and North American automotive markets. The actions target reductions in the Company's cost base by decreasing excess manufacturing capacity due to lower industry production and the continued movement of vehicle production to low-cost countries, especially Europe. The restructuring actions in building efficiency are primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions are focused on optimizing its regional manufacturing capacity.

Since the announcement of the 2008 Plan in September 2008, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for building efficiency – Europe and automotive experience – Europe of approximately $63 million due to favorable severance negotiations, individuals transferred to open positions within the Company and changes in cost reduction actions from plant consolidation to downsizing of operations. The underspend of the initial 2008 Plan will be utilized for similar restructuring actions to be performed during fiscal 2010. The underspend incurred by building efficiency – Europe will be utilized for workforce reductions and plant consolidations in building efficiency – Europe. The underspend incurred by automotive experience – Europe will be utilized for one additional plant closure for automotive experience – Europe. The planned workforce reductions disclosed for the 2008 Plan have been updated for the Company's revised actions.

The 2008 Plan includes workforce reductions of approximately 10,100 employees (3,700 for automotive experience – North America, 3,800 for automotive experience – Europe, 400 for building efficiency – North America, 1,300 for building efficiency – Europe, 400 for building efficiency – rest of world and 500 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2009, approximately 8,200 of the employees have been separated from the Company pursuant to the 2008 Plan. In addition, the 2008 Plan includes 22 plant closures (9 for automotive experience – North America, 10 for automotive experience – Europe, 1 for building efficiency – North America, and 2 for power solutions). As of September 30, 2009, 13 of the 22 plants have been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis or appraisals.

The following table summarizes the changes in the Company's 2008 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Other	Currency Translation	Total
Balance at September 30, 2008	$ 435	$ 9	$ -	$ 444
Utilized - Cash	(220)	-	-	(220)
Utilized - Noncash	-	(9)	(18)	(27)
Noncash Adjustment - Underspend	(63)	-	-	(63)
Noncash Adjustment - New Actions	63	-	-	63
Balance at September 30, 2009	$ 215	$ -	$ (18)	$ 197

Included within the "other" category are exit costs for terminating supply contracts associated with changes in the Company's manufacturing footprint and strategies, lease termination costs and other direct costs.

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 the Company's operations.

17. IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with *ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and* liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

In the third quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in light of the restructuring plans in North America announced by Chrysler LLC (Chrysler) and General Motors Corporation (GM) during the quarter as part of their bankruptcy reorganization plans. As a result, the Company reviewed its long-lived assets relating to the Chrysler and GM platforms within the North America automotive experience segment and determined no impairment existed.

In the second quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in conjunction with its restructuring plan announced in March 2009. As a result, the Company reviewed its long-lived assets associated with the plant closures for impairment and recorded a $46 million impairment charge in the second quarter of fiscal 2009, of which $25 million related to the North America automotive experience segment, $16 million related to the Asia automotive experience segment and $5 million related to the Europe automotive experience segment. Refer to Note 16, "Restructuring Costs," for further information regarding the 2009 restructuring plan. Additionally, at March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of its other long-lived assets within the European automotive experience segment due to significant declines in European automotive sales volume. As a result, the Company reviewed its other long-lived assets within the Europe automotive experience segment for impairment and determined no additional impairment existed.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the significant declines in North American and European automotive sales volumes. As a result, the Company reviewed its long-lived assets for impairment and recorded a $110 million impairment charge within cost of sales in the first quarter of fiscal 2009, of which $77 million related to the North America automotive experience segment and $33 million related to the Europe automotive experience segment.

The Company reviews its equity investments for impairment whenever there is a loss in value of an investment which is other than a temporary decline. The Company conducts its equity investment impairment analyses in accordance with ASC 323, "Investments-Equity Method and Joint Ventures." ASC 323 requires the Company to record an impairment charge for a decrease in value of an investment when the decline in the investment is considered to be other than temporary.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its equity investment in a 48%-owned joint venture with U.S. Airconditioning Distributors, Inc. (U.S. Air) due to the significant decline in North American residential housing construction starts, which has significantly impacted the financial results of the equity investment. The Company reviewed its equity investment in U.S. Air for impairment and as a result, recorded a $152 million impairment charge within equity income (loss) for its North America unitary products segment in the first quarter of fiscal 2009.

The Company concluded there were no other impairments as of September 30, 2009. The Company will continue to monitor developments in the automotive and North American residential heating, ventilating and air conditioning (HVAC) industries as future adverse developments in these industries could lead to additional impairment charges.

18. INCOME TAXES

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

	Year Ended September 30,		
	2009	2008	2007
Tax expense (benefit) at federal statutory rate	$ (111)	$ 463	$ 562
State income taxes, net of federal benefit	(15)	27	13
Foreign income tax expense at different rates and foreign losses without tax benefits	(92)	(148)	(171)
U.S. tax on foreign income	81	(19)	(90)
Reserve and valuation allowance adjustments	180	-	(15)
Credits	(11)	(16)	(4)
Other	-	14	5
Effective income tax provision	$ 32	$ 321	$ 300

The Company's base effective income tax rate for continuing operations for fiscal years 2009, 2008 and 2007 was 22.7%, 21.0% and 21.0%, respectively. The rate remained below the U.S. statutory rate due to continuing global tax planning initiatives and income in certain non-U.S. jurisdictions with a rate of tax lower than the U.S. statutory tax rate. The Company's base effective tax rates were further adjusted as a result of the following discrete items (in millions):

	Year Ended September 30,		
	2009	2008	2007
Federal, state and foreign income tax expense at base effective income tax rate	$ (72)	$ 278	$ 337
Restructuring charges	8	43	-
Impairment charges	26	-	-
Debt conversion costs	(15)	-	-
Valuation allowance adjustments	252	-	(7)
Uncertain tax positions	(72)	-	(28)
Change in tax status of foreign subsidiaries	(89)	-	(22)
Interest refund	(6)	-	-
Change in statutory rates	-	-	20
Provision for income taxes	$ 32	$ 321	$ 300

Restructuring Charge

In the second quarter of fiscal 2009, the Company recorded a $27 million discrete period tax detriment related to the second quarter 2009 restructuring costs using a blended effective tax rate of 19.2%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $19 million for a total tax adjustment of $8 million.

In the fourth quarter of fiscal 2008, the Company recorded a $43 million discrete period tax detriment related to the fourth quarter 2008 restructuring charge using a blended effective tax rate of 12.4%.

Impairment Charges

In the first quarter of fiscal 2009, the Company recorded a $30 million discrete period tax detriment related to first quarter 2009 impairment costs using a blended statutory tax rate of 12.6%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $4 million for a total tax adjustment of $26 million.

Debt Conversion Costs

In the fourth quarter of fiscal 2009, the Company recorded a $15 million discrete period tax benefit related to debt conversion costs using an effective tax rate of 36.5%.

Valuation Allowance Adjustments

The Company reviews its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary. In fiscal 2009 the Company recorded an overall increase to its valuation allowances by $245 million. This was comprised of a $252 million increase in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the third quarter of fiscal 2009, the Company determined that it was more likely than not that a portion of the deferred tax assets in Brazil would be utilized. Therefore, the Company released $10 million of valuation allowances. This is comprised of a $3 million decrease in income tax expense with the remaining amount impacting consolidated statement of financial position.

In the second quarter of fiscal 2009, the Company determined that it was more likely than not that the deferred tax asset associated with a capital loss would be utilized. Therefore, the Company released $45 million of valuation allowances against income tax expense.

In the first quarter of fiscal 2009, as a result of the rapid deterioration in the economic environment, several jurisdictions incurred unexpected losses that resulted in cumulative losses over the prior three years. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in several jurisdictions including France, Mexico, Spain and the United Kingdom. Therefore, the Company recorded $300 million of valuation allowances as income tax expense. To the extent the Company improves its underlying operating results in these jurisdictions, these valuation allowances, or a portion thereof, could be reversed in future periods.

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

Uncertain Tax Positions

In June 2006, the FASB issued guidance prescribing a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company adopted this guidance, which is included in ASC 740, "Income Taxes," as of October 1, 2007.

Upon adoption, the Company increased its existing reserves for uncertain tax positions by $93 million. The increase was recorded as a cumulative effect adjustment to shareholders' equity of $68 million and an increase to goodwill of $25 million related to business combinations in prior years. As of the adoption date, the Company had gross tax effected unrecognized tax benefits of $616 million of which $475 million, if recognized, would affect the effective tax rate. Also as of the adoption date, the Company had accrued interest expense and penalties related to the unrecognized tax benefits of $75 million (net of tax benefit). The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense or goodwill, when applicable.

At September 30, 2009, the Company had gross tax effected unrecognized tax benefits of $1,049 million of which $874 million, if recognized, would impact the effective tax rate. Total net accrued interest at September 30, 2009 was approximately $68 million (net of tax benefit). A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions of dollars)		
Balance as of September 30, 2008	$	814
Additions for tax positions related to the current year		236
Additions for tax positions of prior years		65
Reductions for tax positions of prior years		(29)
Settlements		(37)
Balance as of September 30, 2009	$	1,049

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities including such major jurisdictions as Austria, Belgium, Canada, China, Czech Republic, France, Germany, Italy, Japan, Mexico, the Netherlands, Spain, United Kingdom, and the United States. The statute of limitations for each major jurisdiction is as follows:

Tax Jurisdiction	Statute of Limitations
Austria	5 years
Belgium	3 years
Brazil	5 years
Canada	5 years
China	3 to 5 years
Czech Republic	3 years
France	3 years
Germany	4 to 5 years
Italy	4 years
Japan	5 to 7 years
Mexico	5 years
Netherlands	3 to 5 years
Spain	4 years
United Kingdom	6 years
United States - Federal	3 years
United States - State	3 to 5 years

In the U.S., the Company's tax returns for fiscal 2004 through fiscal 2006 are currently under exam by the Internal Revenue Service (IRS) and the Company's tax returns for fiscal 1999 through fiscal 2001 are currently under IRS Appeals. Additionally, the Company's tax returns are currently under exam in the following major foreign jurisdictions:

Tax Jurisdiction	Tax Years Covered
Austria	2003-2005
Brazil	2005-2008
Canada	2004-2006
France	2005-2008
Germany	2001-2007
Italy	2004-2006
Mexico	2003-2004
Spain	2003-2005

As a result of certain events in various jurisdictions during the fourth quarter of fiscal year 2009, including the settlement of the fiscal 2002 through fiscal 2003 U.S. federal tax examinations, the Company decreased its total reserve for uncertain tax positions by $32 million. This is comprised of a $55 million decrease to tax expense and a $23 million increase to goodwill.

As a result of various entities exiting business in certain jurisdictions and certain recent events related to prior tax planning initiatives, during the third quarter of fiscal year 2009 the Company reduced the unrecognized tax benefits by $33 million. This is comprised of a $17 million decrease to tax expense and a $16 million decrease to goodwill.

It is reasonably possible that certain other U.S. and non-U.S. tax examinations, appellate proceedings and/or tax litigation will conclude within the next 12 months, including the resolution of the fiscal 1999 through fiscal 2001 U.S. federal tax years. However, it is not possible to reasonably estimate the effect this may have upon the unrecognized tax benefits. There was no other significant change in the total unrecognized tax benefits due to the settlement of audits, the expiration of the statute of limitations, or from other items arising during the twelve months ended September 30, 2009.

In the second and fourth quarters of fiscal 2007, the Company reduced its income tax liability by $15 million and $13 million, respectively, due to the favorable resolution of certain tax audits.

Change in Tax Status of Subsidiary

In the fourth quarter of fiscal 2009, the Company recorded $84 million in discrete period tax benefits related to a change in tax status of a U.S. and a U.K. subsidiary. This is comprised of a $59 million tax expense benefit and a $25 million increase to goodwill. In the second quarter of fiscal 2009, the Company recorded a $30 million discrete period tax benefit related to a change in tax status of a French subsidiary.

For the second quarter of fiscal 2007, the tax provision decreased as a result of a $22 million tax benefit realized by a change in tax status of an automotive experience subsidiary in the Netherlands.

The change in tax status for these subsidiaries resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of its investments. This election changed the tax status from corporations (i.e. taxable entities) to a branch (i.e., flow through entities similar to a partnership) or partnership for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provision of ASC 740.

Interest Refund Claim

In the second quarter of fiscal 2009, the Company filed a claim for refund with the Internal Revenue Service related to interest computations of prior tax payments and refunds. The refund claim resulted in a tax provision decrease of $6 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

In fiscal 2009, the Company obtained High Tech Enterprise status from the Chinese Tax Bureaus for various Chinese subsidiaries. This status allows the entities to benefit from a 15% tax rate.

In February 2009, Wisconsin enacted numerous changes to Wisconsin income tax law as part of the Budget Stimulus and Repair Bill, Wisconsin Act 2. These changes will become effective in the Company's tax year ended September 30, 2010. The major changes included an adoption of corporate unitary combined reporting and an expansion of the related entity expense add back provisions. These Wisconsin tax law changes will not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Various other tax legislation was adopted in the twelve months ended September 30, 2009. None of these changes will have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In December 2007, Canada enacted a new tax law which effectively reduced the income tax rates from 35% to 32%. A Business Flat Tax (IETU) was enacted on October 1, 2007, in Mexico that provides for a tax rate of 17% on a modified tax base with a credit for corporate income tax paid. On December 28, 2007 Italy enacted reductions in regional taxes from 4.25% to 3.9% effective January 1, 2008. These tax law changes did not have a material impact on the company's consolidated financial condition, results of operations or cash flows.

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

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

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

Discontinued Operations

In fiscal 2007, the Company utilized an effective tax rate for discontinued operations of approximately 38% for Bristol Compressors and 35% for its engine electronic business, which approximates the local statutory rate adjusted for permanent differences.

Continuing Operations

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

	Year Ended September 30,		
	2009	2008	2007
Current			
Federal	$ 53	$ 136	$ 95
State	6	26	28
Foreign	(33)	199	240
	26	361	363
Deferred			
Federal	(276)	13	(64)
State	(11)	9	(2)
Foreign	293	(62)	3
	6	(40)	(63)
Provision for income taxes	$ 32	$ 321	$ 300

Consolidated domestic income from continuing operations before income taxes and minority interests for the fiscal years ended September 30, 2009, 2008 and 2007 was a loss of ($263) million, income of $897 million, and income of $883 million, respectively. Consolidated non-U.S. income from continuing operations before income taxes and minority interests for the fiscal years ended September 30, 2009, 2008 and 2007 was a loss ($55) million, income of $426 million, and income of $724 million, respectively.

Income taxes paid for the fiscal years ended September 30, 2009, 2008 and 2007 were $326 million, $317 million, and $306 million, respectively.

The Company has not provided additional U.S. income taxes on approximately $3.8 billion of undistributed earnings of consolidated non-U.S. subsidiaries included in stockholders' equity. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits. It is not practicable to estimate the amount of unrecognized withholding taxes and deferred tax liability on such earnings.

Deferred taxes were classified in the consolidated statements of financial position as follows (in millions):

	September 30,	
	2009	2008
Other current assets	$ 469	$ 524
Other noncurrent assets	1,252	1,171
Other current liabilities	(1)	(36)
Other noncurrent liabilities	(66)	(29)
Net deferred tax asset	$ 1,654	$ 1,630

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

	September 30,	
	2009	2008
Deferred tax assets		
Accrued expenses and reserves	$ 700	$ 778
Employee and retiree benefits	494	368
Joint ventures	23	-
Net operating loss and other carryforwards	1,549	1,072
Research and development	147	249
Other	88	28
	3,001	2,495
Valuation allowances	(816)	(373)
	2,185	2,122
Deferred tax liabilities		
Property, plant and equipment	63	104
Joint ventures	-	66
Intangible assets	310	168
Foreign currency translation adjustments	158	154
Other	-	-
	531	492
Net deferred tax asset	$ 1,654	$ 1,630

At September 30, 2009, the Company had available net operating loss carry forwards of approximately $3.8 billion, of which $1.5 billion will expire at various dates between 2010 and 2029, and the remainder has an indefinite carryforward period. The valuation allowance, generally, represents loss carry forwards for which utilization is uncertain because it is unlikely that the losses will be utilized given the lack of sustained profitability and/or limited carryforward periods in certain countries.

19. SEGMENT INFORMATION

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 ten reportable segments for financial reporting purposes. Certain segments are aggregated or combined based on materiality within building efficiency rest of world and power solutions in accordance with the standard. The Company's ten reportable segments are presented in the context of its three primary businesses – building efficiency, automotive experience and power solutions.

Building efficiency

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.

- North America systems designs, produces, markets and installs mechanical equipment that provides heating and cooling in North American non-residential buildings and industrial applications as well as control systems that integrate the operation of this equipment with other critical building systems.

- North America service provides technical services including inspection, scheduled maintenance, repair and replacement of mechanical and control systems in North America, as well as the retrofit and service components of performance contracts and other solutions.

- North America unitary products designs and produces heating and air conditioning solutions for residential and light commercial applications and markets products to the replacement and new construction markets.

- Global workplace solutions provides on-site staff for complete real estate services, facility operation and management to improve the comfort, productivity, energy efficiency and cost effectiveness of building systems around the globe.

- Europe provides HVAC and refrigeration systems and technical services to the European marketplace.

- Rest of world provides HVAC and refrigeration systems and technical services to markets in Asia, the Middle East and Latin America.

Automotive experience

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

Power solutions

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

The accounting principles applicable to the reportable segments are the same as those described in Note 1, "Summary of Significant Accounting Policies." Management evaluates the performance of the segments based primarily on segment income, which represents income from continuing operations before income taxes and minority interests excluding net financing charges, debt conversion costs and restructuring costs. Segment revenues and expense are allocated to business segments in determining segment income. Unallocated assets are corporate cash and cash equivalents and other non-segment assets. Financial information relating to the Company's reportable segments is as follows (in millions):

	Year Ended September 30,		
	2009	2008	2007
Net Sales			
Building efficiency			
North America systems	$ 2,222	$ 2,282	$ 2,027
North America service	2,168	2,409	2,273
North America unitary products	684	810	953
Global workplace solutions	2,832	3,197	2,677
Europe	2,140	2,710	2,406
Rest of world	2,447	2,713	2,401
	12,493	14,121	12,737
Automotive experience			
North America	4,631	6,723	7,276
Europe	6,287	9,854	8,878
Asia	1,098	1,514	1,398
	12,016	18,091	17,552
Power solutions	3,988	5,850	4,335
Net sales	$ 28,497	$ 38,062	$ 34,624

	Year Ended September 30,		
	2009	2008	2007
Segment Income (Loss)			
Building efficiency			
North America systems	$ 251	$ 256	$ 216
North America service	204	224	197
North America unitary products (1)	(324)	2	65
Global workplace solutions (2)	45	59	79
Europe (3)	41	114	77
Rest of world (4)	180	302	216
	397	957	850
Automotive experience			
North America (5)	(333)	79	72
Europe (6)	(212)	464	445
Asia (7)	4	36	2
	(541)	579	519
Power solutions (8)	406	541	515
	262	2,077	1,884
Net financing costs	(239)	(258)	(277)
Debt conversion costs	(111)	-	-
Restructuring costs	(230)	(495)	-
Income (loss) from continuing operations before income taxes and minority interests	$ (318)	$ 1,324	$ 1,607

	Year Ended September 30,		
	2009	2008	2007
Assets			
Building efficiency			
North America systems	$ 1,447	$ 1,556	$ 1,424
North America service	1,481	1,621	1,575
North America unitary products	1,014	1,336	1,316
Global workplace solutions	860	797	689
Europe	1,625	1,937	1,971
Rest of world	2,062	2,142	1,897
	8,489	9,389	8,872
Automotive experience			
North America	3,259	3,781	3,721
Europe	5,386	5,130	5,047
Asia	1,087	980	965
	9,732	9,891	9,733
Power solutions	4,278	4,699	4,509
Unallocated	1,589	1,008	991
Total	$ 24,088	$ 24,987	$ 24,105

	Year Ended September 30,		
	2009	2008	2007
Depreciation/Amortization			
Building efficiency			
North America systems	$ 26	$ 20	$ 10
North America service	19	13	15
North America unitary products	21	21	22
Global workplace solutions	13	13	10
Europe	22	21	28
Rest of world	33	25	17
	134	113	102
Automotive experience			
North America	198	212	212
Europe	220	258	238
Asia	32	32	29
	450	502	479
Power solutions	161	168	151
Total	$ 745	$ 783	$ 732

	Year Ended September 30,		
	2009	2008	2007
Capital Expenditures			
Building efficiency			
North America systems	$ 16	$ 74	$ 43
North America service	55	11	15
North America unitary products	13	28	10
Global workplace solutions	9	11	5
Europe	8	22	52
Rest of world	31	47	20
	132	193	145
Automotive experience			
North America	104	143	116
Europe	235	292	217
Asia	30	27	14
	369	462	347
Power solutions	146	152	336
Total	$ 647	$ 807	$ 828

(1) Building efficiency –North America unitary products segment income for the year ended September 30, 2008 excludes $5 million of restructuring costs. For the years ended September 30, 2009 and 2008, North America unitary products segment income includes ($160) million and ($9) million, respectively, of equity loss.

(2) Building efficiency – Global workplace solutions segment income for the years ended September 30, 2009 and September 30, 2008 excludes $1 million and $11 million, respectively, of restructuring costs.

(3) Building efficiency – Europe segment income for the years ended September 30, 2009 and September 30, 2008 excludes $15 million and $88 million, respectively, of restructuring costs. For the years ended September 30, 2009, 2008 and 2007, Europe segment income includes $4 million, $5 million and $3 million, respectively, of equity income.

(4) Building efficiency – Rest of world segment income for the years ended September 30, 2009 and September 30, 2008 excludes $8 million and $5 million, respectively, of restructuring costs. For the years ended September 30, 2009, 2008 and 2007, rest of world segment income includes $4 million, $7 million and $4 million, respectively, of equity income.

(5) Automotive experience – North America segment income for the years ended September 30, 2009 and September 30, 2008 excludes $47 million and $102 million, respectively, of restructuring costs. For the years ended September 30, 2009, 2008 and 2007, North America segment income includes ($14) million, $27 million and $25 million, respectively, of equity income (loss).

(6) Automotive experience – Europe segment income for the years ended September 30, 2009 and September 30, 2008 excludes $86 million and $208 million, respectively, of restructuring costs. For the years ended September 30, 2009, 2008 and 2007, Europe segment income includes ($3) million, $9 million and $11 million, respectively, of equity income (loss).

(7) Automotive experience – Asia segment income for the years ended September 30, 2009 and September 30, 2008 excludes $23 million and $4 million, respectively, of restructuring costs. For the years ended September 30, 2009, 2008 and 2007, Asia segment income includes $70 million, $52 million and $43 million, respectively, of equity income.

(8) Power solutions segment income for the years ended September 30, 2009 and September 30, 2008 excludes $50 million and $72 million, respectively, of restructuring costs. For the years ended September 30, 2009, 2008 and 2007, power solutions segment income includes $22 million, $25 million and $3 million, respectively, of equity income.

The Company has significant sales to the automotive industry. In fiscal years 2009, 2008 and 2007, no customer exceeded 10% of consolidated net sales.

Geographic Segments

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

	Year ended September 30,		
	2009	2008	2007
Net Sales			
United States	$ 11,099	$ 13,372	$ 13,753
Germany	2,877	4,009	4,335
Other European countries	7,330	10,956	8,701
Other foreign	7,191	9,725	7,835
Total	$ 28,497	$ 38,062	$ 34,624
Long-Lived Assets (Year-end)			
United States	$ 1,535	$ 1,675	$ 1,547
Germany	438	607	578
Other European countries	1,118	1,083	1,052
Other foreign	895	1,024	1,031
Total	$ 3,986	$ 4,389	$ 4,208

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

20. COMMITMENTS AND CONTINGENCIES

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Reserves for environmental costs totaled $32 million and $44 million at September 30, 2009 and 2008, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the power solutions business. At September 30, 2009 and 2008, the Company recorded conditional asset retirement obligations of $85 million and $75 million, respectively.

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

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

21. SUBSEQUENT EVENTS

ASC 855, "Subsequent Events," requires disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Company has evaluated subsequent events through November 24, 2009, the date the financial statements were issued. No significant subsequent events have occurred through this date requiring adjustment to the financial statements or disclosures.

JOHNSON CONTROLS, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Year Ended September 30,	2009	2008	2007
Accounts Receivable - Allowance for Doubtful Accounts			
Balance at beginning of period	$ 87	$ 75	$ 80
Provision charged to costs and expenses	51	52	40
Reserve adjustments	(11)	(26)	(25)
Accounts charged off	(28)	(15)	(22)
Currency translation	-	1	2
Balance at end of period	$ 99	$ 87	$ 75
Deferred Tax Assets - Valuation Allowance			
Balance at beginning of period	$ 373	$ 326	$ 355
Allowance established for new operating and other loss carryforwards	531	110	22
Acquisition of businesses	(19)	(6)	-
Allowance reversed for loss carryforwards utilized and other adjustments	(69)	(57)	(51)
Balance at end of period	$ 816	$ 373	$ 326

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the company's management has concluded that, as of September 30, 2009, the Company's internal control over financial reporting was effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements and the effectiveness of internal controls over financial reporting as of September 30, 2009 as stated in its report which is included in Item 8 of this Form 10-K and is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

There has not been any change in the Company's internal control over financial reporting during the quarter ended September 30, 2009, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None.

PART III

The information required by Part III, Items 10, 11, 13 and 14, and certain of the information required by Item 12, is incorporated herein by reference to the Company's Proxy Statement for its 2010 Annual Meeting of Shareholders (fiscal 2009 Proxy Statement), dated and to be filed with the SEC on or about December 4, 2009, as follows:

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to the sections entitled "Proposal One: Election of Directors," "Q: Where can I find Corporate Governance materials for Johnson Controls?," "Board Information," "Audit Committee Report," and "Beneficial Ownership Reporting Compliance – Section 16(a)," of the fiscal 2009 Proxy Statement. Required information on executive officers of the Company appears at Part I, Item 4 of this report.

ITEM 11 EXECUTIVE COMPENSATION

Incorporated by reference to the sections entitled "Compensation Committee Report," "Compensation Discussion and Analysis – Executive Compensation," "Director Compensation, Potential Payments and Benefits Upon Termination or Change of Control," "Board Information," and "Shareholder Information Summary" of the fiscal 2009 Proxy Statement.

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

Incorporated by reference to sections entitled "Johnson Controls Share Ownership" and "Schedule 13D and Schedule 13G Filings" of the fiscal 2009 Proxy Statement.

The following table provides information about the Company's equity compensation plans as of September 30, 2009:

	(a)	(b)	(c)
Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by shareholders	33,244,637	$ 23.62	32,306,484
Equity compensation plans not approved by shareholders	-	-	-
Total	33,244,637	$ 23.62	32,306,484

(c) Includes shares of Common Stock that remain available for grant under Company Plans as follows: 30,679,323 shares under the 2007 Stock Option Plan, 1,455,500 shares under the 2001 Restricted Stock Plan, as amended, and 171,661 shares under the 2003 Stock Plan for Outside Directors, as amended and restated.

As of September 30, 2009, the Company had issued and outstanding 670,832,704 shares of Common Stock (including 684,000 shares of unvested restricted stock).

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to sections entitled "Board Information – Related Person Transactions" and "Board Information – Board Independence" of the fiscal 2009 Proxy Statement.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the section entitled "Relationship with Independent Auditors" of the fiscal 2009 Proxy Statement.

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

	Page in Form 10-K
(a) The following documents are filed as part of this Form 10-K:	
(1) Financial Statements	
Report of Independent Registered Public Accounting Firm	45
Consolidated Statements of Income for the years ended September 30, 2009, 2008 and 2007	47
Consolidated Statements of Financial Position at September 30, 2009 and 2008	48
Consolidated Statements of Cash Flows for the years ended September 30, 2009, 2008 and 2007	49
Consolidated Statements of Shareholders' Equity for the years ended September 30, 2009, 2008 and 2007	50
Notes to Consolidated Financial Statements	51
(2) Financial Statement Schedule	
For the years ended September 30, 2009, 2008 and 2007:	
Schedule II - Valuation and Qualifying Accounts	90
(3) Exhibits	
Reference is made to the separate exhibit index contained on pages 95 through 98 filed herewith.	

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

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

Other Matters

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JOHNSON CONTROLS, INC.

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

Date: November 24, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of November 24, 2009, by the following persons on behalf of the registrant and in the capacities indicated:

/s/ Stephen A. Roell
Stephen A. Roell
Chairman and
Chief Executive Officer

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

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

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

/s/ David Abney
David Abney
Director

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

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

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

/s/ Richard Goodman
Richard Goodman
Director

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

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

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

/s/ Eugenio Clariond Reyes-Retana
Eugenio Clariond Reyes-Retana
Director

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
3.(i)	Restated Articles of Incorporation of Johnson Controls, Inc., as amended through July 25, 2007 (incorporated by reference to Exhibit 3.1 to Johnson Controls, Inc. Current Report on Form 8-K dated July 31, 2007) (Commission File No. 1-5097).
3.(ii)	By-laws of Johnson Controls, Inc., as amended November 19, 2008, and effective December 31, 2008 (incorporated by reference to Exhibit 3.ii to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).
4.A	Miscellaneous long-term debt agreements and financing leases with banks and other creditors and debenture indentures.*
4.B	Miscellaneous industrial development bond long-term debt issues and related loan agreements and leases.*
4.C	Letter of agreement dated December 6, 1990 between Johnson Controls, Inc., LaSalle National Trust, N.A. and Fidelity Management Trust Company which replaces LaSalle National Trust, N.A. as Trustee of the Johnson Controls, Inc. Employee Stock Ownership Plan Trust with Fidelity Management Trust Company as Successor Trustee, effective January 1, 1991 (incorporated by reference to Exhibit 4.F to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 1991) (Commission File No. 1-5097).
4.D	Indenture for debt securities dated January 17, 2006 between Johnson Controls, Inc. and US Bank N.A. as successor trustee to JP Morgan Chase (incorporated by reference to Exhibit 4.1 to Johnson Controls, Inc. Registration Statement on Form S-3ASR [Reg. No. 333-130714]).
4.E	Amended and restated Credit Agreement, dated December 5, 2006, among Johnson Controls, Inc., the financial institutions party thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (incorporated by reference to Exhibit 4.E to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).
4.F	Supplemental Indenture, dated March 16, 2009, between Johnson Controls, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.G	Subordinated Indenture, dated March 16, 2009, between Johnson Controls, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.H	Supplemental Indenture No. 1, dated March 16, 2009, between Johnson Controls, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.3 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.I	Purchase Contract and Pledge Agreement, dated March 16, 2009, among Johnson Controls, Inc., U.S. Bank National Association, as Purchase Contract Agent, and U.S. Bank National Association, as Collateral Agent, Custodial Agent and Securities Intermediary (incorporated by reference to Exhibit 4.4 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.J	Form of Remarketing Agreement among Johnson Controls, Inc., U.S. Bank National Corporation, as the Reset Agent and the Remarketing Agent and U.S. Bank National Corporation, as the Purchase Contract Agent (incorporated by reference to Exhibit 4.5 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.K	Form of Corporate Unit (incorporated by reference to Exhibit 4.6 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
4.L	Form of Treasury Unit (incorporated by reference to Exhibit 4.7 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.M	Form of Subordinated Note (incorporated by reference to Exhibit 4.8 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
10.A	Johnson Controls, Inc. 1992 Stock Option Plan, as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.A to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.B	Johnson Controls, Inc. Common Stock Purchase Plan for Executives as amended November 17, 2004 and effective December 1, 2004 (incorporated by reference to Exhibit 10.B to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2004) (Commission File No. 1-5097).**
10.C	Johnson Controls, Inc. Deferred Compensation Plan for Certain Directors, as amended and restated effective November 18, 2009, filed herewith.**
10.D	Johnson Controls, Inc. Executive Survivor Benefits Plan, as amended and restated effective September 15, 2009, filed herewith.**
10.E	Form of employment agreement between Johnson Controls, Inc. and all elected officers remains effective for those officers employed before September 15, 2009, as amended and restated January 1, 2008 (incorporated by reference to Exhibit 10.K to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097).**
10.F	Form of employment agreement between Johnson Controls, Inc. and all elected officers and named executives hired after September 15, 2009, as amended and restated effective September 15, 2009, filed herewith. **
10.G	Form of indemnity agreement effective October 16, 2006, between Johnson Controls, Inc. and each of the directors and elected officers, (incorporated by reference to Exhibit 10.L to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097). **
10.H	Johnson Controls, Inc. Director Share Unit Plan, as amended and restated effective September 1, 2009, filed herewith. **
10.I	Johnson Controls, Inc. 2000 Stock Option Plan, as amended and restated effective January 1, 2009, filed herewith.**
10.J	Form of stock option award agreement for Johnson Controls, Inc. 2000 Stock Option Plan, as amended through October 1, 2001, as in use through March 20, 2006 (incorporated by reference to Exhibit 10.1 to Johnson Controls, Inc. Current Report on Form 8-K dated November 17, 2004) (Commission File No. 1-5097).**
10.K	Johnson Controls, Inc. 2001 Restricted Stock Plan, as amended and restated effective January 1, 2008, (incorporated by reference to Exhibit 10.P to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097).**
10.L	Form of restricted stock award agreement for Johnson Controls, Inc. 2001 Restricted Stock Plan, as amended March 21, 2006, as in effect since August 1, 2006 (incorporated by reference to Exhibit 10.R to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).**

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
10.M	Johnson Controls, Inc. Executive Deferred Compensation Plan, as amended and restated effective November 17, 2009, filed herewith.**
10.N	Johnson Controls, Inc. 2003 Stock Plan for Outside Directors, as amended September 1, 2009, filed herewith. **
10.O	Johnson Controls, Inc. Annual Incentive Performance Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.W to Johnson Controls, Inc. Annual Report Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.P	Johnson Controls, Inc. Retirement Restoration Plan, as amended and restated effective November 17, 2009, filed herewith.**
10.Q	Compensation Summary for Non-Employee Directors as amended and restated effective October 1, 2009, filed herewith.**
10.R	Form of restricted stock award agreement for Johnson Controls, Inc. 2001 Restricted Stock Plan, for grants made on January 3, 2006 (incorporated by reference to Exhibit 10.BB to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).**
10.S	Form of stock option award agreement for Johnson Controls, Inc. 2000 Stock Option Plan, as amended September 16, 2006, as in effect since October 2, 2006 (incorporated by reference to Exhibit 10.CC to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).**
10.T	Johnson Controls, Inc. Long Term Incentive Performance Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.BB to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.U	Johnson Controls, Inc. 2007 Stock Option Plan, amended as of September 14, 2007, (incorporated by reference to Exhibit 10.CC to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097). **
10.V	Form of stock option award agreement for Johnson Controls, Inc. 2007 Stock Option Plan (incorporated by reference to Exhibit 10.1 to Johnson Controls, Inc. Current Report on Form 8-K dated March 21, 2007) (Commission File No. 1-5097).**
10.W	Supplemental Agreement to the Employment Contract between the Company and Dr. Beda Bolzenius dated August 25, 2008 (incorporated by reference to Exhibit 10.EE to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.X	Johnson Controls, Inc. Executive Compensation Incentive Recoupment Policy effective September 15, 2009, filed herewith.**
21	Subsidiaries of the Registrant, filed herewith.
23	Consent of Independent Registered Public Accounting Firm dated November 24, 2009, filed herewith.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
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, filed herewith.
101	The following materials from Johnson Controls, Inc.'s Annual Report on Form 10-K for the year ended September 30, 2009, 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 Cash Flow, and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text, filed herewith.

* These instruments are not being filed as exhibits herewith because none of the long-term debt instruments authorizes the issuance of debt in excess of 10% of the total assets of Johnson Controls, Inc. and its subsidiaries on a consolidated basis. Johnson Controls, Inc. agrees to furnish a copy of each agreement to the Securities and Exchange Commission upon request.

** Denotes a management contract or compensatory plan.

Johnson Controls

Budget Cost Estimate

Licensing

$6,552,800.00

Implementation

$1,998,945.00

Annual Maintenance

$1,784,800.00

Total Net Cost - Licensing, Implementation and Maintenance

$10,336,545.00

Labor Rates for Johnson Controls and Subcontractors

Johnson
Controls Inc.

Part #	Implementation Services Types Included	Hourly Rate
JCI-PM	Project Manager	$180.00
JCI-DE	Design Engineer	$154.00
JCI-SIE	Security Integration Engineer	$165.00
JCI-LSS	Lead System Specialist	$154.00
JCI-TRN	Trainer	$154.00
JCI-ADM	Documentation Specialist	$115.00

Johnson Controls

VidSys

Part #	Partner Mentoring Implementation Services Types Included	Hourly Rate
SVR-SME	Subject Matter Expert	$287.50
SVR-PM	Project Manager	$207.00
SVR-DE	Design Engineer	$207.00
SVR-SFTRE	Software Engineer	$207.00
SVR-SYSE	Systems Engineer	$207.00
SVR-VSE	Software Engineer	$207.00
SVR TRN	Trainer	$207.00
SVR-ADMDOC	Documentation Specialist	$115.00

Quantum Secure

Part #	Consulting and Implementation Services	Daily Rate
QS-50020	Project Manager (On Site)	$2,530
QS-50011	Solution Architect	$2,300
QS-50010	Solution Engineer (On Site)	$1,840
QS-50010	Solution Engineer	$1,840
QS-50018	Training & Documentation (On Site)	$2,300
	T & E -- Estimated per Week Cost	$1,840

QUANTUM SECURE

Quantum Secure, Inc.: End-User License Agreement

BY INSTALLING THE ENCLOSED SOFTARE PROGRAM(S), YOU INDICATE YOUR ACCEPTANCE OF THIS LICENSE AGREEMENT.

THIS LEGAL DOCUMENT IS AN AGREEMENT BETWEEN YOU, THE END USER, AND QUANTUM SECURE. BY INSTALLING THE ENCLOSED SOFTWARE PROGRAM, YOU ARE AGREEING TO BECOME BOUND BY THE TERMS OF THIS AGREEMENT, WHICH INCLUDES THE SOFTWARE LICENSE, CERTAIN OTHER SOFTWARE THAT QUANTUM SECURE MIGHT OEM AND CERTAIN DISCLAIMERS OF WARRANTY (the "Agreement"). THIS AGREEMENT CONSTITUTES THE COMPLETE AGREEMENT BETWEEN YOU AND QUANTUM SECURE, INC.

IF YOU DO NOT AGREE TO THE TERMS OF THIS AGREEMENT, DO NOT INSTALL THE SOFTWARE. PROMPTLY RETURN THE UNOPENED PACKAGE AND THE OTHER ITEMS (INCLUDING WRITTEN MATERIALS, BINDERS OR OTHER CONTAINERS) THAT ARE PART OF THIS PRODUCT TO THE PLACE WHERE YOU OBTAINED THEM FOR A FULL REFUND.

1. OWNERSHIP AND ADMINISTRATION OF SOFTWARE

1.1 **Ownership and Title**. As between the parties, Quantum Secure, and its licensors, own and shall retain all right, title, and interest in and to: (i) the Software including all intellectual property rights embodied therein; (ii) all of the service marks, trademarks, trade names, or any other designations associated with the Software; and (iii) all copyrights, patent rights, trade secret rights, and other proprietary rights relating to the Software. (iv) all "Derivative Work" described as work that is based upon or derived (whether directly or indirectly, or in whole or in substantial part) from product implementation or a copyrighted work, such as a revision, modification, enhancement, translation, portation, abridgment, correction, condensation, addition or expansion of or to the copyrighted work, or any form in which the copyrighted work may be recast, transformed or adapted, which represents an original work of authorship and, if prepared other than in accordance with an express license grant in this Agreement and other express terms of this Agreement, would constitute copyright infringement without limitation, all deliverables, computer programs (source, object and custom code), programming aids and tools, documentation, reports, data, designs, concepts, know-how, and other information, whether copyrightable / patentable or not.

1.2 **Administration of Software**. Quantum Secure may include on the media with the Software additional computer programs which are not currently licensed for use by Licensee. Inclusion of such additional computer programs in no way implies a license from Quantum Secure and access or use of such programs is strictly prohibited unless Licensee procures the right to use any such program and the applicable Enabler Code is provided thereto.

2. LICENSE GRANT

2.1 **Grant**. Quantum Secure grants to Licensee a nonexclusive, nontransferable, non sub-licensable, perpetual, unless terminated in accordance with the provisions of this Agreement, license (the "License") to (i) use the Software installed in accordance with the Documentation and only on the licensed computer solely for its own internal operations; and (ii) move the Software temporarily in case of computer system malfunction. The License granted under this Agreement does not constitute a sale of the Software or any portion or copy of it. Licensee may not use the Software on more than one computer system unless otherwise specifically authorized by an explicit Software product, or additional licenses for additional computers are purchased. Rights not expressly granted are reserved by Quantum Secure. Where the Software is provided to Licensee at no charge for evaluation purposes only, the License granted is limited to a continuous thirty (30) day period, commencing with the acceptance of this Agreement (the "**Evaluation Period**"). At the conclusion of the Evaluation Period, Licensee agrees to destroy the Software

and certify its destruction to Quantum Secure, in writing, within ten (10) days, or shall return the Software to Quantum Secure or purchase a perpetual license.

2.2 **Copies**. Licensee may make copies of the Software provided that any such copy is: (i) created as an essential step in utilization of the Software according to this agreement and is used in no other manner; or (ii) used for archival purposes to back up the licensed computers. All trademark and copyright notices must be reproduced and included on such copies. Licensee may not make any other copies of the Software.

2.3 **Restrictions on use**. Licensee shall not, and shall not aid, abet, or permit any third party to: (i) decompile, disassemble, or otherwise reverse engineer or attempt to reconstruct or discover any source code or underlying ideas or algorithms of the Software by any means whatsoever; (ii) remove any identification, copyright, or other notices from the Software; (iii) provide, lease, lend, use for timesharing or service bureau purposes; (iv) create a derivative work of any part of the Software; or (v) develop methods to enable unauthorized parties to use the Software. If EC law is applicable, the restrictions in Section 3.3 (i) are limited so that they prohibit such activity only to the maximum extent such activity may be prohibited without violating the EC Directive on the legal protection of computer programs. Notwithstanding the foregoing, prior to decompiling, disassembling, or otherwise reverse engineering any of the Software, Licensee shall request Quantum Secure in writing, to provide Licensee with such information or assistance and Licensee shall refrain from decompiling, disassembling, or otherwise reverse engineering any of the Software unless Quantum Secure cannot or has not complied with such request in a commercially reasonable amount of time.

Licensee will not sell, assign or sub-license this license or sell or otherwise transfer the Software or Documentation (or any portion thereof) to any other party except to an affiliate of the Licensee and except with the written consent of Quantum Secure. Licensee will maintain the Software and Documentation ("Confidential Information") in confidence and not disclose any data or other information contained in the Software or Documentation to any party, except for Licensee's employees and agents who require access to the Software for the purposes of Licensee's internal business and only for use in accordance with the terms of this License Agreement. Customer will not use the Software for the provision of time-sharing services to others.

2.4 **OEM License.** Quantum Secure may OEM certain software products from third party manufacturers and all such products are subject to strictly this license agreement.

2.5 **Non Disclosure**. Licensee will implement appropriate measures, such as the requirement that employees and others permitted access to the Software enter into appropriate non-disclosure agreements, to satisfy its obligation hereunder and, generally, will treat the Software and Documentation with the same degree of care and confidentiality which Customer provides for its own confidential information. Since unauthorized transfer, use or disclosure of the Software and Documentation would diminish their value to Quantum Secure and its suppliers, who would have no adequate remedy at law if Quantum Secure claims that Customer materially breaches its obligations under this License Agreement, Quantum Secure may be entitled to seek injunctive relief, in addition to such other remedies and relief that would be available to them in the event of such a breach. Confidentiality requirements shall not apply to Confidential Information:

a. Already known by the recipient party without an obligation of confidentiality,
b. Publicly known or becomes publicly known through no unauthorized act of the recipient party,
c. Rightfully received from a third party without obligation of confidentiality,
d. Independently developed by the recipient party without use of the other party's Confidential Information,
e. Disclosed without similar restrictions by the owner of the Confidential Information to a third party (other than an affiliate or customer of the party owning the Confidential Information),
f. Approved by the party owning the Confidential Information, in writing, for disclosure, or
g. Required to be disclosed pursuant to a requirement of a governmental agency or law so long as the recipient party provides the other party with timely prior written notice of such requirement.

2.6 **Purchase Orders**. Nothing contained in any purchase order, acknowledgment, or invoice shall in any way modify the terms or add any additional terms or conditions to this Agreement.

2.7 **Updates**. This section applies if the Software acquired is an update to the original Software (the "**Update**"). An Update does not constitute a legally licensed copy of the Software unless purchased as an Update to a previous version of the same Software. The Update may only be used in accordance with the provisions of this Agreement. The Update, together with the original Software, constitutes one (1) legally licensed copy of the Software.

2.8 **Evaluation License**. This Section applies if the Software is being used for an initial thirty (30) day evaluation period. The license is valid only for a period of thirty (30) days from the delivery of the Software, and is designed to allow Licensee the right to evaluate the Software during such period. In the event that Licensee desires to enter into a longer-term license agreement with Quantum Secure, Licensee shall pay all applicable fees and dues, which authorizes use of the Software after such evaluation period, but only subject to all of the terms and conditions of this Agreement. In the event Licensee determines not to enter into a licensing transaction with Quantum Secure at the end of such thirty (30) day evaluation period, then Licensee's rights under this Agreement shall terminate automatically and Licensee shall promptly return to Quantum Secure or destroy all copies of the Software and so certify to Quantum Secure.

3. SALES, MAINTENANCE AND SUPPORT

3.1 Attached Exhibit A describes the maintenance and support policies of Quantum Secure under this contract.

3.2 Attached Exhibit B describes the sales terms of Quantum Secure under this contract.

4. **LIMITED WARRANTY**

4.1 **Media and Documentation**. Quantum Secure warrants that if the media or documentations are damaged or physically defective at the time of delivery of the first copy of the Software to Licensee and if defective or damaged product is returned to Quantum Secure within thirty (30) days thereafter, then Quantum Secure will provide Licensee with replacements at no cost.

4.2 **Limited Software Warranty**. Subject to the conditions and limitations of liability stated herein, Quantum Secure warrants for a period of thirty (30) days from the delivery of the first copy of the Software to Licensee that the Software, as delivered, will materially conform to Quantum Secure's then current published Documentation for the Software. This warranty covers only problems reported to Quantum Secure during the warranty period. For customers outside of the United States, this Limited Software Warranty shall be construed to limit the warranty to the minimum warranty required by law.

4.3 **Remedies**. The remedies available to Licensee hereunder for any such Software which does not perform as set out herein shall be either repair or replacement, or, if such remedy is not practicable in Quantum Secure's opinion, refund of the license fees paid by Licensee upon a return of all copies of the Software to Quantum Secure. In the event of a refund this Agreement shall terminate immediately without notice

EXCEPT AS SET FORTH IN THIS SECTION 4, QUANTUM SECURE DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED WITH RESPECT TO THE SOFTWARE OR THE DOCUMENTATION OR THEIR OPERATION OR USE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR USE. SOME STATES DO NOT ALLOW THE EXCLUSION OF IMPLIED WARRANTEIS, SO THE ABOVE EXCLUSION DOES NOT APPLY IN SUCH STATES. THIS WARRANTY GIVES YOU SPECIFIC LEGAL REIGHTS AND YOU MAY ALSO HAVE OTHER RIGHTS THAT VARY FROM STATE TO STATE.

QUANTUM SECURE

5. **LIMITATION OF LIABILITY**

5.1 **Limited Liability.** QUANTUM SECURE AND ITS SUPPLIERS, EMPLOYEES, AGENTS, RESELLERS, OEM PARTNERS, DEALERS AND FRANCISEES WILL IN NO EVENT BE LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL, OR OTHER DIRECT OR INDIRECT DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF BUSINESS, LOSS OF PROFITS, BUSINESS INTERRUPTION OR THE LIKE, DAMAGES FOR THE INABILITY TO USE EQUIPMENT OR ACCESS DATA) SUFFERED BY LICENSEE, ANY OF ITS EMPLOYEES OR AGENTS OR ANY OTHER PERSON ARISING OUT OF OR IN CONNECTION WITH THE USE OR INABILITY TO USE THE SOFTWARE OR THE DOCUMENTATION, OR THE MAINTENANCE OR SUPPORT THEREOF AND BASED ON ANY THEORY OF LIABILITY INCLUDING BREACH OF CONTRACT, BREACH OF WARRANTY, TORT (INCLUDING NEGLIGENCE), PRODUCT LIABILITY OR OTHERWISE, EVEN IF QUANTUM SECURE OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IF A REMEDY SET FORTH HEREIN IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.

Quantum Secure neither assumes nor authorizes any employee, agent, dealer or franchisee to assume for Quantum Secure any other liability in connection with the license, use of performance of the Software or Documentation.

Licensee is solely responsible for the selection of the Software to achieve Licensee's intended results, for the conformity of the computer on which the Software is run to Quantum Secure's specifications or requirements and for the maintenance of such computer in good working order and repair. Quantum Secure's suppliers do not warrant the Software, assume any liability regarding the use of the Software or undertake to provide any maintenance, support or information regarding the Software.

THE FOREGOING LIMITATIONS ON LIABILITY ARE INTENDED TO APPLY TO THE WARRANTIES AND DISCLAIMERS ABOVE AND ALL OTHER ASPECTS OF THIS EULA.

5. **TERM AND TERMINATION**

5.1 **Term**. The term of this Agreement is perpetual unless terminated in accordance with its provisions.

5.2 **Termination**. Quantum Secure may terminate this Agreement, without notice, upon Licensee's breach of any of the provisions hereof.

5.3 **Effect of Termination**. Upon termination of this Agreement, Licensee agrees to cease all use of the Software and to return to Quantum Secure or destroy the Software and all Documentation and related materials in Licensee's possession, and so certify to Quantum Secure. Except for the License granted herein and as expressly provided herein, the terms of this Agreement shall survive termination.

6. **PAYMENT; TAXES**

6.1 **Payment**. All amounts payable hereunder are due at net thirty (net 30) term, unless otherwise specified herein. Quantum Secure reserves the right to charge 1.5% / month late fee on any unpaid balance.

6.2 **Increases**. Unless otherwise specified in this agreement, Quantum Secure's fees for maintenance services may be increased on each annual anniversary of the Effective Date provided that the fees after any such increase shall not exceed the lesser of: (i) eight percent (8%) over the amounts charged in the preceding year, or (ii) Quantum Secure's then current standard published charges.

6.3 **Taxes**. Licensee agrees to pay all taxes levied upon the Software and any services based upon their use hereunder, exclusive, however, of taxes based on Quantum Secure's income, which taxes shall be paid by Quantum Secure.

QUANTUM SECURE

7. U.S. GOVERNMENT RIGHTS

7.1 **Restricted Rights**. The Software and Documentation are provided with restricted rights. Use, duplication or disclosure by the U.S. Government is subject to restrictions as set forth in subparagraphs (b)(3)(ii) and (c) (1) (ii) of the Rights in Technical Data and Computer Software Clause of Department of Defense Federal Acquisition Supplement (DFARS) 252.227-7013 or in subparagraph (g) (3) (i) of Federal Acquisition Regulations (FAR) 52.227-14, Alternate III as applicable.

8. MISCELLANEOUS

8.1 **Governing Law**. This Agreement shall be governed by the laws of the State of California, as applied to agreements entered into and to be performed entirely within California between California residents, without regard to the principles of conflict of laws or the United Nations Convention on Contracts for the International Sale of Goods.

8.2 **Export and Import Controls**. Regardless of any disclosure made by Licensee to Quantum Secure of an ultimate destination of the Products, Licensee will not directly or indirectly export or transfer any portion of the Software, or any system containing a portion of the Software, to anyone outside the United States (including further export if Licensee took delivery outside the U.S.) without first complying with any export or import controls that may be imposed on the Software by the U.S. Government or any country or organization of nations within whose jurisdiction Licensee operates or does business. Licensee shall at all times strictly comply with all such laws, regulations, and orders, and agrees to commit no act which, directly or indirectly, would violate any such law, regulation or order.

8.3 **Assignment**. This Agreement may not be assigned or transferred by Licensee without the prior written consent of Quantum Secure, which shall not be unreasonably withheld. Quantum Secure may assign or otherwise transfer any or all of its rights and obligations under this Agreement upon notice to Licensee.

8.4 **Sole Remedy and Allocation of Risk**. Licensee's sole and exclusive remedies are set forth in this Agreement. This Agreement defines a mutually agreed-upon allocation of risk, and the License price reflects such allocation of risk.

8.5 **Equitable Relief**. The parties agree that a breach of this Agreement adversely affecting Quantum Secure's intellectual property rights in the Software may cause irreparable injury to Quantum Secure for which monetary damages may not be an adequate remedy and Quantum Secure shall be entitled to equitable relief in addition to any remedies it may have hereunder or at law.

8.6 **No Waiver**. Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision, nor will any single or partial exercise of any right or power hereunder preclude further exercise of any other right hereunder.

8.7 **Severability**. If for any reason a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to affect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

8.8 **Audit Rights**. Quantum Secure shall have the right to periodically audit (or to request a report from the Licensee which report will be due fifteen days from the written (letter or email) request from Quantum Secure) the total number of active identities (employees, contractors and physical access cardholders) managed by Quantum Secure software in the records of the Licensee during normal business hours and upon reasonable notice to the Licensee, to verify compliance with the licensing and payment provisions of this Agreement.

QUANTUM SECURE

8.9 **Publicity / News**. Quantum Secure reserves the right to use Licensee's name or logo in publicity releases, promotional material, advertising, marketing or business generating efforts. Quantum Secure will notify the licensee appropriately.

9. **ENTIRE AGREEMENT**

9.1 This Agreement sets forth the entire understanding and agreement between the parties and may be amended only in a writing signed by authorized representatives of both parties. No vendor, distributor, dealer, retailer, sales person, or other person is authorized by Quantum Secure to modify this Agreement or to make any warranty, representation, or promise which is different than, or in addition to, the warranties, representations, or promises made in this Agreement. No preprinted purchase orders terms shall in any way modify, replace, or supersede the terms of this Agreement.

IN WITNESS WHEREOF, Quantum Secure and Licensee have each caused this Software License Agreement to be signed and delivered by its duly authorized officer or representative, effective _____

	QUANTUM SECURE
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

QUANTUM SECURE

Exhibit A

Software Support Agreements (SSA) and Software Maintenance

Quantum Secure offers standard software system support coverage for all their products. This Agreement sets forth the terms and conditions under which Quantum Secure shall maintain its Software Products *which have been properly purchased, licensed or sub-licensed to the Customer.*

Term
This Agreement will be for a period of one year from the start date Quantum Secure software is shipped to the customer and shall be automatically renewed for additional one year terms, unless terminated by the Customer serving thirty days notice in writing to Quantum Secure prior to the end of the then running term. This Agreement may also be terminated by Quantum Secure if the Customer defaults in the payment of any monies due under this Agreement and fails to remedy the default within 15 days after written notice or in the event of a breach by Customer of any other provision of this Agreement.

Fees & Payments
The support fees will be invoiced annually up to 30 days in advance of the renewal date and invoices are payable 30 days after receipt of invoice by the Customer. In the event that the agreement is not terminated at the end of a running one year term, the Customer is responsible for ensuring that the appropriate customer purchase order is sent to Quantum Secure. Quantum Secure reserves the right to amend the support fees by giving not less than sixty days notice prior to the end of the then running one year term. The Support Fees will generally increase concomitant with the inflation rate in the economy.

Standard Service is our standard support coverage option. It provides telephone support and assistance from our Customer Support Center during normal support hours (Mon – Fri, 9:00 a.m. – 5:00 p.m. PST) as well as software upgrades from time to time.

Responses to the Customers's support issues require the Customer to provide adequate information and documentation to enable Quantum Secure to recreate the problem. Quantum may notify the Customer that the problem could not be recreated, located or identified, if such is the case. If the reported problem is unrelated to Quantum Secure's installed products, Quantum Secure may notify Customer that the problem will not be resolved and the reason for this decision. Notwithstanding the provisions of this section, Quantum Secure makes no warranties that the Support Services provided hereunder will be successful in resolving all difficulties or problems or in diagnosing all faults.

Customer must maintain a functional Internet connection and dial-in (or log in via VPN) capabilities during business hours for any on-line support. Customer must make sufficient daily, weekly and monthly backups.

NOTE: It is our policy to support the current version of each software product and one full version back. All support calls for products not under Warranty or SSA are subject to T &M charges or will be directed to purchase a SSA.

Limitation of Liability
Customer agrees that Quantum Secure shall not in any event be liable to Customer for lost profits or special, consequential, or exemplary damages, under any circumstances, arising from this Agreement, the Software, or Quantum Secure's negligence, or otherwise, and that Quantum Secure shall not be liable for failure to perform any of its obligations under this Agreement if such failure is due to acts of God or the *public enemy, acts of government in either its sovereign or contractual capacity, critical materials* shortages, fires, floods, strikes, lockouts, freight embargoes, inclement weather, errors or defects in the data supplied by Customer, or any other case or condition beyond Quantum Secure's reasonable control.

QUANTUM SECURE

Customer shall indemnify and hold harmless Quantum Secure, its respective employees, officers, directors, shareholders and agents (collectively, the "**Indemnitee**") and hold the Indemnitee harmless against any and all losses, costs (including court costs and reasonable attorneys' fees), damages, settlements, suits, actions, expenses, liabilities, and claims sustained by the Indemnitee arising out of or resulting from any material breach by Customer of the terms and conditions of this Agreement.

Software Support Agreements

Services	Standard
Telephone Support: Mon – Fri, 9:00 a.m. – 5:00 p.m. (PST)	X
If & when available, Software Maintenance and/or Enhancement Release Updates (Software Upgrades)	X

Software System Support
Standard Software Support Agreement (SSA) coverage, as listed, is in force for the customer after the initial warranty period. In addition, systems integrators opting to purchase support services on an "as needed" basis only, may do so at prevailing **Time and Materials Rates (T&M).** Quantum Secure requires a signed Purchase Order prior to providing T & M support services. If the end user requires on-site installation of the software upgrades from Quantum Secure, then the end-user may do so at the prevailing time and material rates from Quantum Secure.

Telephone Technical Support
During the Agreement, Quantum Secure will only accept service calls from the end –user or the employees of the Systems Integrator of Record for the specific installation to which the support inquiry relates. The standard technical support telephone number is (800) 776-3414. The preferred way to report issues is through our web site: http://support.quantumsecure.com/Login.asp

This Agreement may be modified only in writing by authorized representatives of Quantum Secure, Inc. and the Customer.

QUANTUM SECURE

Exhibit B

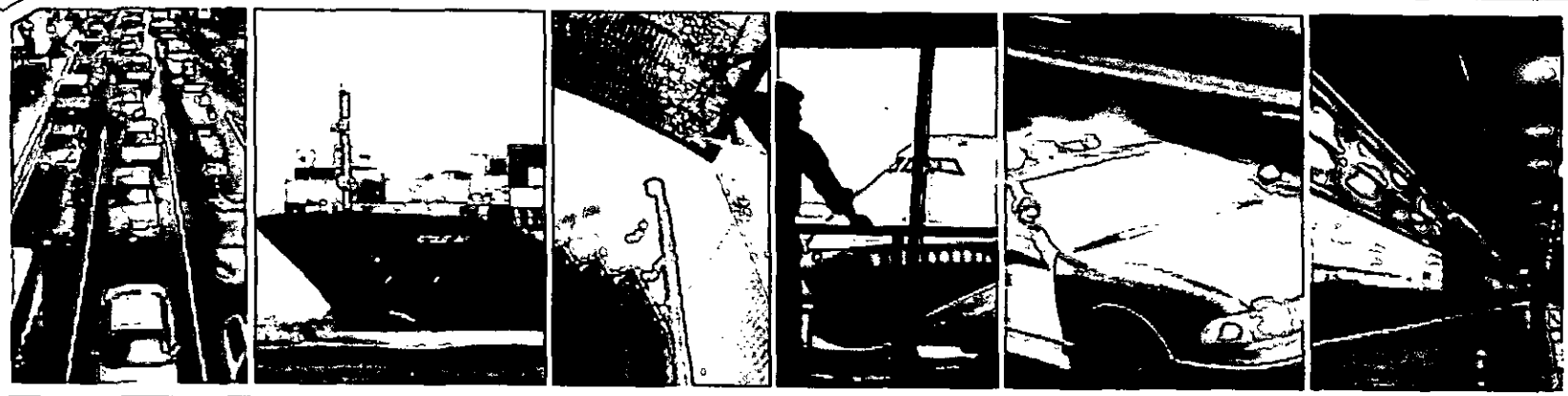
Sales Terms

All Terms are subject to this entire License Agreement.

VidSys

Manage the Situation ◆ Not the Technology

Physical Security Information Management (PSIM) Software



VidShield

MODULE 6- USING RISKSHIELD

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VidSys

VIDSYS, INC.
MASTER SOFTWARE LICENSE AGREEMENT

This Master Software License Agreement ("Agreement") is entered into this ____ day of _____, 200__ (the "Effective Date", to be entered upon VidSys' execution of the Agreement), by and between VidSys, Inc. ("VidSys"), a Delaware corporation, and _____ a _____ corporation ("Customer"), as applicable to the licensing of software products identified in a particular Sales Order ("Products") and certain maintenance services in connection with such Products ("Maintenance") from VidSys by Customer.

1. **General.** In consideration of the terms of this Agreement, including payment, VidSys hereby will provide to Customer the Products and Maintenance each as described on the attached Sales Order(s) or on a statement of work attached to this Agreement or to the VidSys Professional Services Agreement. Each Sales Order executed by the parties and referencing this Agreement shall be incorporated by reference herein. VidSys does not agree to any other terms, including without limitation any terms on Customer's purchase order. Customer's acceptance of Products shall constitute Customer's acceptance of this Agreement. The Customer acknowledges and agrees that VidSys Products and services may be acquired through the VidSys Professional Services Agreement and/or through third-party contractors acting on behalf of the Customer. The Customer further acknowledges and agrees that no matter how acquired, the Products are subject to the terms and conditions of this Agreement, including but not limited to the Section 4 below.

2. **Payment.** VidSys will invoice Customer according to the prices set forth on each Sales Order hereto or, as applicable, on a statement of work attached to this Agreement or to the VidSys Professional Services Agreement. Subject to credit approval, payment by Customer of the full invoice amount will be due within thirty (30) days after the date of such invoice. Customer shall pay all applicable taxes (other than taxes based on VidSys' net income). VidSys reserves the right to charge, and Customer agrees to pay, a late charge equal to one percent (1%) per month on any amount that is not the subject of a good faith dispute that is unpaid on the due date, and on any other *outstanding balance.*

3. **Delivery and Acceptance; Maintenance.** VidSys shall use its reasonable commercial efforts to deliver the Products requested by Customer as set forth on each Sales Order. Delivery will be deemed completed once VidSys provides Customer access codes that enable Customer to electronically download the applicable Products. Products will be deemed accepted upon VidSys providing Customer access codes to a site that allows electronic downloads and Customer waives all right of revocation. The terms and conditions of any Maintenance provided hereunder are set forth in Exhibit A.

4. **VidSys Software.** Subject to the terms and conditions of this Agreement (including the payment of the applicable fees), VidSys hereby grants to Customer a perpetual, non-exclusive, non-transferable, non-sublicensable license to install and display the software (the "Software") and to use the Software in machine-readable form only and only for Customer's internal business purposes, on the specifically identified types and number of devices fully described in the respective Sales Order and or Statement of Work. Customer may copy the Software only for backup purposes, provided that Customer reproduces all copyright and other proprietary notices that are on the original copy of the Software.

(a) Software Restrictions. Customer agrees not to: (i) use, copy, modify, or transfer the Software, or any copy thereof, in whole or in part, except as expressly provided in this Agreement; (ii) reverse engineer, reverse compile, disassemble, decompile, or translate the Software, or otherwise attempt to derive the source code of the Software; (iii) use of Product to develop a product which is competitive with any of the Product; (iv) permit third-party access to, or use of, the Product, except as expressly permitted herein; (v) distribute or publish keycode(s) to the Product; or (vi) use unauthorized keycode(s) and (vii) that it shall not use the Product except as expressly permitted by this Agreement and Sales Order(s). Customer shall notify VidSys if Customer becomes aware of any unauthorized third party access to, or use of the Product. Customer agrees not to remove or modify any copyright, patent, or other proprietary labels or markings on the products or the packaging provided by VidSys or permit others to do so. Any attempt to transfer any of the rights, duties, or obligations hereunder is void. Customer may not rent, lease, loan, resell for profit, provide access to, or distribute the Software, or any part hereof, including, but not limited to, as a time-share or on an application service basis. Third party software vendors whose technology has been incorporated, in whole or in part, into the Software are third party beneficiaries to the extent permitted by applicable law.

(b) Ownership. The Software is licensed, not sold, to Customer for use only under the terms of this Agreement, and VidSys reserves all rights not expressly granted to Customer.

(c) Term. The Software and accompanying user documentation are protected by United States copyright law and international treaty. Unauthorized reproduction or distribution is subject to civil and criminal penalties. The license granted hereunder will terminate immediately upon such time as Customer no longer uses the Product or, upon notice to Customer, if Customer is in material breach of any term or condition of this Agreement. Customer agrees upon termination to promptly return the Software and all copies. Paragraphs 2, 4(a), 4(b), 4(c), 4(g), 5, 6, 8 and 11 shall survive termination of this Agreement.

(d) Software Warranty Disclaimer. VidSys warrants to Customer that the Software will perform substantially in accordance with its user documentation for the thirty (30) day period immediately following Customer's receipt of the Software (the "Warranty Period"). If Customer notifies VidSys during the Warranty Period that the Software does not perform substantially in accordance with the user documentation and VidSys is able to reproduce such failure then VidSys shall, at VidSys' sole discretion: (i) provide a correction or a workaround for such failure; (ii) replace the Software with conforming Software; or (iii) refund the price of the Product upon return of the product to VidSys. The foregoing warranty shall not apply to failures to conform to the documentation to the extent such failures arise, in whole or in part, from (i) any use of the Products other than in accordance with the documentation, (ii) modification of the Products; or (iii) any combination of the Product with software, hardware or other technology not provided by VidSys under this Agreement, to the extent the combination is the cause of the failure to conform. The forgoing shall be VidSys' sole, entire and exclusive liability and remedy for any breach of any warranty.

THE EXPRESS WARRANTIES IN THIS SECTION 4 ARE IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, QUIET ENJOYMENT, AND NON-INFRINGEMENT. EXCEPT AS EXPRESSLY STATED IN THIS SECTION 4, VIDSYS PROVIDES THE SOFTWARE ON AN "AS IS" BASIS. NO WARRANTY IS MADE BY VIDSYS ON THE BASIS OF TRADE USAGE, COURSE OF DEALING OR COURSE OF TRADE. VIDSYS DOES NOT WARRANT THAT THE PRODUCTS ANY OTHER INFORMATION, MATERIALS, TECHNOLOGY OR SERVICES PROVIDED UNDER THIS AGREEMENT WILL MEET CUSTOMER'S REQUIREMENTS OR THAT THE OPERATION THEREOF WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT ALL ERRORS WILL BE CORRECTED. CUSTOMER ACKNOWLEDGES THAT VIDSYS' OBLIGATIONS UNDER THIS AGREEMENT ARE FOR THE BENEFIT OF CUSTOMER ONLY.

(e) U.S. Government End Users. The Software is a "commercial item" as that term is defined in 48 C.F.R. 2.101, consisting of "commercial computer software" and "commercial computer software documentation" as such terms are used in 48 C.F.R. 12.212. Consistent with 48 C.F.R. 12.212 and 48 C.F.R. 227.7202-1 through 227.7202-4, all U.S. Government end users acquire the Software with only those rights set forth herein.

(f) Export Law. The Software and related technology are subject to U.S. export control laws and may be subject to export or import regulations in other countries. Customer agrees to comply strictly with all such laws and regulations and acknowledges that Customer is solely responsible for obtaining such licenses to export, re-export, or import as may be required.

(g) **Audits.** VidSys, or VidSys' designated agent, may, upon five (5) days prior written notice to Customer, inspect any Customer facility where the Product is used and audit records for the purpose of confirming Customer's compliance with this Agreement. VidSys may perform only one audit per twelve (12) month period unless a previous audit reveals a discrepancy. VidSys' audit shall be performed at VidSys' sole expense; provided

however, that if. As a result of VidSys' audit, it is determined that Customer owes VidSys additional fees, then Customer shall bear the reasonable cost of VidSys' audit and pay all past due fees in accordance with the terms of this Agreement. This section survives termination of this Agreement for two (2) years.

5. **Limitation of Liability.** IN NO EVENT WILL VIDSYS BE LIABLE FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS, COST OF PROCUREMENT OF SUBSTITUTE GOODS, TECHNOLOGY, OR SERVICES, OR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY KIND (INCLUDING LOST PROFITS) REGARDLESS OF THE FORM OF ACTION WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT PRODUCT LIABILITY, OR ANY OTHER LEGAL OR EQUITABLE THEORY EVEN IF VIDSYS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT EXCEPT FOR VIDSYS' OBLIGATIONS UNDER SECTION 10 OF THIS AGREEMENT WILL VIDSYS' AGGREGATE CUMULATIVE LIABILITY FOR ANY CLAIMS ARISING OUT OF OR RELATED TO THE PRODUCTS OR SOFTWARE EXCEED THE PRICE OF THE PRODUCTS. THE LIMITED LIABILITY PROVISIONS CONTAINED IN THIS AGREEMENT ARE FUNDAMENTAL PARTS OF THE PARTIES' BARGAIN HEREUNDER AND NEITHER WOULD AGREE TO THE TERMS HEREIN ABSENT SUCH LIMITATIONS.

6. **Confidential Information.** The Software contains certain valuable confidential or proprietary information of VidSys that is not generally known to the public ("Confidential Information"). Customer agrees that it will not use or disclose to any third party any Confidential Information except as expressly permitted by this Agreement. This section shall survive termination of this Agreement. This section shall not apply to the extent Customer can establish that such information: (a) was already lawfully known by Customer, (b) has lawfully become publicly known without a breach of this Agreement, or (c) was lawfully received by Customer from a third party without restrictions. Customer shall not remove or modify any copyright, patent, or other proprietary labels or markings on the Software or the packaging provided by VidSys or permit others to do so. Customer understands and agrees that all information provided by Customer shall be non-confidential.

7. **Applicable Law.** This Agreement shall be subject to the laws of the Commonwealth of Virginia, as such laws are applied to agreements entered into and to be performed in Virginia between Virginia residents.

8. **Compliance with Laws; Export.** In exercising its rights and performing its obligations under this Agreement, Customer will comply with all applicable international, national, and local laws and regulations. Without limiting the generality of the foregoing, Customer will not use or re-export, or permit any person to use or re-export, the Products without all required licenses, and Customer will comply, and will require all of its own customers to comply, with all applicable export and import control laws. Customer will defend, indemnify, and hold harmless VidSys and its successors, agents, officers, directors, and employees from and against any violation of any laws or regulations by Customer or any of its agents, officers, directors, employees, or customers.

9. **Customer Reference.** a) Licensee agrees to allow VidSys to prepare and distribute a press release within 60 days of the Effective Date announcing the commitment Licensee has made to VidSys products. Licensee will have the opportunity to review the release for accuracy and clarity. All content in the release will be jointly agreed upon. b) Licensee agrees to provide VidSys with a single customer quote as to why Licensee chose the VidSys solution. Said quote may be used outside of the original press release in VidSys material without requiring consent for up to 1 year. Additional use for the quote beyond the one year time frame will be negotiated in good faith by Licensee and VidSys. In such cases VidSys will be required to notify Licensee prior to usage. VidSys will issue the press release to North American media outlets via PR Newswire. c) Licensee agrees to approve a licensee case study authored by VidSys.

10. **Indemnification.**

10.1 Indemnification. VidSys shall defend Customer against all third party claim that any use of the Product by Customer as expressly authorized under this Agreement infringes or misappropriates, as applicable, any U.S. patent issued as of the Effective Date or any copyrights or trade secrets under applicable laws of any jurisdiction within the United States, provided that Customer gives VidSys (i) prompt written notice of such claim; (ii) authority to control and direct the defense and/or settlement of such claim; (iii) takes no action to prejudice the defense of such claim; and (iv) such information and assistance as VidSys may reasonably request, at VidSys' expense, in connection with such defense and/or settlement. Notwithstanding the foregoing, VidSys shall have no obligation or liability to the extent that the alleged infringement arises from (1) the combination, operation, or use of the Products with products, services, information, materials, technologies, business methods or processes not furnished by VidSys; (2) modifications to the Products, which modifications are not made by VidSys; (3) failure to use updates to the Product provided by VidSys; or (4) use of the Product except in accordance with any applicable user documentation or specifications.

10.2 Corrections and Remedy for Infringement. Upon the occurrence of any claim for which indemnity is or may be due under this Section 10, or in the event that VidSys believes that such a claim is likely, VidSys may, at its option (i) appropriately modify the Product so that it becomes non-infringing, or substitute functionally equivalent software or services; (ii) obtain a license to the applicable third-party intellectual property rights; or (iii) terminate this Agreement on written notice to Customer and refund to Customer any unused license fees under the then current Term(s). The obligations set forth in this Section 10 shall constitute VidSys' entire liability and Customer's sole remedy for any actual or alleged infringement or misappropriation.

11. **General.** If any provision of this Agreement is held to be invalid or unenforceable for any reason, the remaining provisions will continue in full force without being impaired or invalidated in any way. Any notices required hereunder (i) shall be in writing and shall be sent by means of certified mail, postage prepaid, or by confirmed facsimile (with a duplicate sent via certified mail, postage prepaid) as applicable to VidSys' address, Customer's Main Contact Address as set forth on Sales Order, or addressed to such other address as a party may have given by written notice in accordance with this provision and (ii) shall be effective on the date received. The parties agree to replace any invalid provision with a valid provision that most closely approximates the intent and economic effect of the invalid provision. The waiver by either party of a breach of any provision of this Agreement will not operate or be interpreted as a waiver of any other or subsequent breach. Neither this Agreement nor any rights or obligations of Customer may be assigned by Customer in whole or in part. Any assignment in derogation of the foregoing shall be void. Neither party shall be liable under this Agreement by reason of any failure or delay in the performance of its obligations under this Agreement (except for the payment of money) because of strikes, shortages, riots, insurrection, fires, flood, storm, explosions, acts of God, war, governmental action, labor conditions, earthquakes, material shortages, or any other cause that is beyond the reasonable control of such party, and such occurrence shall not allow a party to terminate this Agreement. This Agreement sets forth the entire understanding and agreement of the parties, including, but not limited to, sales and marketing materials and supersedes any and all oral or written agreements or understandings between the parties as to the subject matter of this Agreement, and may be changed only by a writing signed by both parties.

VIDSYS , INC.

By: _____

Printed Name: John F. Bruno

Title: Chief Financial Officer

CUSTOMER:

By: _____

Printed Name: _____

Title: _____

VidSys

EXHIBIT A

CUSTOMER SUPPORT PROGRAM

Maintenance, support, product enhancements, and warranty services are offered by VidSys to any user of a VidSys Product ("Licensee") who has paid an annual fee for membership in the VidSys Customer Support Program and who is not otherwise in default of any material obligation under a valid Master Software License Agreement. VidSys will provide the services described below to members of the Customer Support Program:

Software and Documentation Updates
The following updates will be provided at no additional charge:

- Product Updates: General releases containing error corrections and incremental feature enhancements. Decimal revision levels (e.g., 1.1 to 1.2) designate product updates.
- Documentation Upgrades: When changes or enhancements are made to the documentation or to supplement updates to the software, VidSys will provide updated documentation.
- Major Upgrades: New versions of the software that significantly enhance functionality. Incremental non-decimal revision levels (e.g., 2.0 to 3.0) designate major upgrades.

The following will be provided at an additional charge:

- New Products: Licensees who wish to obtain such products may do so by paying an upgrade fee to acquire the New Product.

Telephone and Email Assistance
Error reports and requests for assistance with VidSys products may be submitted via telephone, facsimile, and e-mail.

- Telephone: Telephone support in the use of VidSys products during normal business hours (8:00 a.m. to 8:00 p.m. US Eastern Time, Monday through Friday) can be obtained at (703) 883-3730 ext 308.
- Facsimile: Facsimile reports and requests for assistance can be submitted to 703-883-3731.
- E-mail: E-mail reports and requests for assistance can be sent to support@VidSys.com.

Correction of Reproducible Errors
Reproducible errors submitted to VidSys will be handled in accordance with the following error definition and problem resolution procedures. Resolution may take the form of a written response, supplementary documentation, work-around, coding change, product patch, postponement to the next release, or other correctional aids. VidSys' response efforts begin when VidSys has received all information from Licensee necessary for VidSys to be able to reproduce the suspected error. Response times are based on the time of receipt of reports received by telephone.

Severity Classifications

- Severity One: Critical Impact. The reported error relates to an VidSys product that is inoperable. VidSys' initial response and description of resolution objectives shall be within four (4) hours and efforts toward resolution shall be continuous until successful.
- Severity Two: Significant Impact. The reported error affects the software to the extent that the operation of an VidSys product is significantly impaired. VidSys' initial response and description of resolution objectives shall be within one (1) business day and efforts toward resolution shall be continuous until successful.
- Severity Three: Some Impact. The reported error impairs Licensee's use of some software functionality, but the software is still operational. VidSys' initial response and description of resolution objectives shall be within two (2) business days and efforts toward resolution shall be reported to Licensee periodically as necessary thereafter.
- Severity Four: Minimal Impact. The report relates to a request for information, clarification, or modifications to the current release or requests for enhancements. VidSys' initial response and description of resolution objectives shall be within five (5) business days and efforts toward resolution shall be reported to Licensee periodically as necessary thereafter. All decisions regarding enhancements, additions, and other software modifications shall be made at VidSys' sole discretion.

VidSys' response times shall be within VidSys' normal support hours (8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday). A report received overnight or on a weekend will be considered received at 9:00 a.m. on the next business day.

Licensee's Obligations
VidSys' Customer Support personnel rely on teamwork between Licensee and VidSys' Customer Support personnel to successfully resolve errors. Accordingly, VidSys asks Licensee to:

- Ensure that the use of the software is in accordance with its documentation;
- Use reasonable efforts to eliminate any hardware, operating system software and application software deficiencies (including reasonable efforts to isolate the error to small representations of the code which can be provided to VidSys to assist in providing a resolution);
- Capture all relevant data and document all operating conditions and other operating information and fully supply VidSys' Customer Support personnel with requested diagnostic information necessary to reproduce the error; and
- Implement recommended remedial, corrective or work-around procedure(s); and fully describe any limitations imposed by such corrections or workarounds.

Obtaining Customer Support Program Services
Each customer will receive a unique "Customer ID". For each copy of an VidSys Product, VidSys will also assign a unique "Product ID". Both the Customer ID and Product ID must be referenced by a user prior to receiving Customer Support Program services. Customer Support Program services are available to subscribers immediately upon receipt of the Software for which Customer Support Program services have been ordered. For purposes of determining the annual renewal date, the annual period covered by the initial year payment of Customer Support Program fees begins on the first day of the month following the month that you originally receive the Products and continues for a period of twelve (12) months. After the initial annual period, and upon receipt and acceptance by Licensee of an invoice specifying the Customer Support Program fee due for the next term, Customer Support Program services will be renewable for a successive twelve-month period. Payment of this invoice is due by the first day of the successive annual period. Reinstatement after a lapse in Customer Support Program services will require payment by Licensee of a reinstatement fee of $500 and VidSys' then-current Customer Support Program fee for the next annual period and the lapsed period. All payments are nonrefundable, except in the event the Software License Agreement is terminated due to a breach by VidSys, in which case Licensee shall receive a pro rata refund of the unused portion. If Licensee elects to order Customer Support Program services, Licensee must purchase Customer Support Program services for the total number of copies of the Software.

Supported Releases of the Software
VidSys' Customer Support Program services cover (i) the latest incremental decimal level release of the software (the "Primary Release") and (ii) the immediately preceding incremental decimal level release of the software (the "Secondary Release").

Customer Support Program services for the Primary Release shall include all of the support and maintenance services described above. Support for the Secondary Release shall include all of the services described above except that VidSys will correct only minor reproducible errors, as determined by VidSys, in the software.

Additional Services

Product consulting or training may be obtained by Customer on an as-available basis at mutually agreed rates in accordance with a separate agreement. Should Customer agree to VidSys providing consulting services, the payment of the Product license and Customer Support Program fees under this Agreement shall not be contingent under any circumstance upon the performance of any such services including installation and implementation services.

Customer's Vendor Cooperation
Customer agrees that it will ensure the cooperation of all vendor systems that the Customer connects to the VidSys software for installation, maintenance and diagnoses and resolution of errors ("Integrated Vendor"). If an Integrated Vendor does not cooperate with VidSys, Customer will not hold VidSys responsible for the errors or lack of functionality caused therein.

Errors not caused by the VidSys Software
If upon diagnoses or resolution of a problem reported by the Customer it is determined that Error is not a result of an Error in the VidSys Software or a Hardware failure covered under warranty, the Customer will be invoiced for time and materials at VidSys' then standard rates for the time spent in the resolution process.

Remote access to the system may be required by VidSys to provide support for any Errors. If remote access is not available, VidSys may not be able to meet the response times noted above for different classification of errors. To the extent that the Support requires VidSys to access or use any Customer or third party software, hardware or other products used by Customer, Customer warrants that Customer shall have all rights and licenses of third parties necessary or appropriate for VidSys to access or use such third party products and agrees to produce evidence of such rights and licenses upon the reasonable request of VidSys.

In no case shall VidSys be required to provide on-site support services unless mutually agreed in writing by the parties. Upon Customer's written request and subject to availability of VidSys personnel, VidSys may furnish qualified personnel for on-site assistance to Customer to resolve Errors in the VidSys Software. In such event, Customer shall pay VidSys at its then current time and materials rates for the efforts of such personnel and reimburse VidSys for reasonable travel and living expenses of such personnel incurred in rendering the requested assistance. If VidSys chooses to furnish qualified personnel for on-site assistance without a request from the Customer, VidSys will do that at its own expense.

Sales Order Dated ?????

VidSys

Sales Order	
Transaction ID	Sales Order Date 9/2/2008
Subject to the terms of Customer Agreement:	
☑ Attached	☐ Effective Date:

8219 Leesburg Pike - Suite 250
Vienna, VA 22182
http://www.vidsys.com/

Account Rep:

Fax: 240-238-9874

Customer Information

Main Contact (Licensee)	Invoice To	Ship To
Company ABC Company		
Address		
Contact		
Title		
Tel		
Fax		

Sales Order Details - VidSys Perpetual Licensing *(Rates Locked)*

Insert Copy of Sales Order for respective customer after the numbers are finalized.

Notes

(1) The discount offered is valid if this order is signed along with the license agreement on or before XXX, 2008.
(2) Maintenance renewals are due at the end of the initial maintenance period, that begins on the date the Sales Order is executed.
(3) All quotes are in US dollars and do not include applicable taxes, tariffs, and shipping.
(4) A minimum of one year maintenance must be purchased for each VidSys perpetual software license.
(5) Installation & Configuration services are based on a day rate of $2,500 and includes all travel expenses, with a two (2) day or $5,000 minimum.
(6) Training services are based on a day rate of $2,000 and includes all travel expenses, with a two (2) day or $4,000 minimum.
(7) Release Migration Service is based on a day rate of $2,500 and includes all travel expenses, with a three (3) day or $7,500 minimum.

Acceptance and Agreement

ACCEPTANCE:
To approve this Sales Order and initiate an order, please sign below and fax to (240) 238-9874, attn: Order Processing.

Accepted by:		Accepted by:	
Company Name:	Effective Date	VidSys, Inc.	Date
Name:		Name:	

Thank you for doing business with the VidSys Team!

Confidential and Proprietary

QUANTUMSECURE

TRAINING MANUAL

QUANTUM SECURE SAFE SYSTEM ADMINISTATOR

100 Century Center Ct., Suite 501,
San Jose, CA 95112 USA
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Fax: + 1-408-453-1009

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SAFE System Administrator Syllabus

The Quantum Secure SAFE System Administrator Certificate training is a two-day, instructor-led training course that provides system integrators and channel partners with the tools, support and resources to help expand market reach, maximize profitability and foster growth in this fast growing market.

Day 1:
• SAFE Policy Development • System Administration • Integration Methodology
Day 2:
• Report Writing • Custom Reporting • MACs (Moves, Adds and Changes) • SAFE Configuration (High-level) • SAFE System Maintenance and Troubleshooting

The material in the following pages will be used to cover the two days training syllabus above.

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QUANTUMSECURE

Table of Contents

SAFE System Administrator Syllabus **2**

Introduction **6**

Web Administration Console **7**

Accessing and Using *7*

Windows Client Requirements *7*

First Time Administrator Login 7

Primary SAFE Applications *9*

Navigating the User Interface **10**

SAFE Application Tabs *10*

SAFE System Navigation Hierarchy *10*

Application Data Interactive Tables *10*

Application Data Reports *11*

SAFE Administration **11**

Configuring SAFE Users *11*

Creating User 11

Modifying User 15

Deleting User 16

Configuring SAFE User Groups *17*

Creating User Group 17

Modifying User Group 19

Deleting User Group 20

Assign Users to User Groups *21*

Assign UI Templates to User Groups *22*

Assign Sub Application Templates to User Groups *23*

Assign Application/Sub Application Access to User Groups *24*

Assign System Access to User Groups *25*

Assign Object Access to User Groups *26*

Assign Report Access to User Groups *27*

Configuration of Mail Settings *28*

Mail Templates 29

Creating Mail Template 31

Modifying Mail Template 33

100 Century Center Ct., Suite 501,
San Jose, CA 95112 USA
Office: + 1-408-453-1008
Fax: + 1-408-453-1009

Deleting Mail Template 33
Setting up Preferences *36*
General Settings for Admin Application 36
General Settings for Self-Service application 37
Setting of Default Sub application for Application 38
Configure Preferences for Tables 39
Master Data *40*
Adding Master Data Values 40
Modifying/Deleting Master Data Value 41
Badging Templates *42*
Search Badge Templates 42
Creating Badge Template 44
Modifying Badge Template 48
Employer *49*
Creating Employer 49
Modifying Employer 51
Assigning Sponsors to Employers 52
Assigning Authorised Signatories to Employers 52
Access Management *54*
Access Zones - Search 54
Creating Access Zones 55
Modifying Access Zone 59
Access Profiles – Search 60
Creating Access Profile 60
Modifying Access Profile 65
Area Owners – Search *65*
Self Service 68
Self Service – My Requests *68*
Creating Request 69
Modifying Request 70
Self Service – My Tasks 71
Personnel Manager 75
Searching for Persons *75*
Creating Person *76*
Modifying Person *78*
Assigning Access Levels to Person 80

100 Century Center Ct., Suite 501
San Jose, CA 95112 USA
Office: + 1-408-453-1008
Fax: + 1-408-453-1009

Assigning Access Cards to Person 81
Personnel Audit 83
Search/View Audit 83
Visitors 85
Searching Visitors 85
Check In Visitors 86
Check Out Visitors 88
Creating Unscheduled Visitors 88
MYSAFE 90
MyDashboard 90
Personalize 90
Reports 93
User Reports 93
Scheduled Reports 94
Using SAFE Policy Manager 95
Using Policy Library to Document Security Policies 96
Create Policy Library 97
Edit Policy Library 101
Export Policy Library 103
Using SAFE Policy Rules to Enforce Security Policies 104
SAFE Rule Basics 105
Create a Rule 106
Edit a Rule 108
Enable / Disable a Rule 109
Rule Order 110
6.2.6 Export Rule 111
6.2.7 Clone Rule 112
6.2.8 View Drawing 112
SAFE Security Live Objects 113
Live Objects Reference 113
Working with SAFE Live Objects 125

100 Century Center Ct., Suite 501,
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QUANTUMSECURE

Introduction

Quantum Secure's SAFE platform is a policy-based Enterprise Security System that enables corporations to centrally define, document, deploy and enforce physical security policies across multiple-sites and systems.

SAFE Physical Security Policies are Rules, Constraints and Procedures to:

- Unify Identity Management and Physical Access across disparate IT and Physical Security systems.
- Integrate IT/HR security, processes & events with that of Physical Security.
- Deploy role based common access clearance, badge definitions across all facilities.
- Enforce organization & government compliance such as Sarbanes Oxley, HIPAA & Basel-II, etc.
- Create enforceable security rules at global, regional and local levels from a centralized system.
- Implement a Global Crisis Management & Risk Assessment System.
- Ensure Security by increasing awareness & education of all stake holders – Employees, Contractors, Visitors.

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QUANTUMSECURE

Web Administration Console

SAFE Web administration console provides the primary entry point into the SAFE application for its administrators and users.

Accessing and Using

After SAFE has been successfully installed and configured, the default SAFE Administrator can launch Internet Explorer Web browser to connect to the SAFE Web Administration Console.

Windows Client Requirements

The following are the environment prerequisites for Windows PCs used to access the SAFE Web Administration Console.

- Windows 2000, XP or 2003 with the latest Service Packs and Security Updates installed from Microsoft.
- Windows 2000, XP or 2003 with the latest Service Packs and Security Updates installed from Microsoft.
- *Internet Explorer 6.0 with JavaScript enabled and SAFE Web site added to the list of Trusted Sites.*
- Microsoft Visio 2003 installed. This is only required for Administrators who will be creating or modifying SAFE Visual Policies.
- Windows account with administrator rights on the PC.

First Time Administrator Login

To login to the SAFE Web Administration Console login to Windows, launch Internet Explorer and open the link to SAFE Administrative Web site. The URL will generally be in one of the following forms shown below. The actual details will vary in actual customer environment and are provided by the administrator responsible for installing and configuring SAFE.

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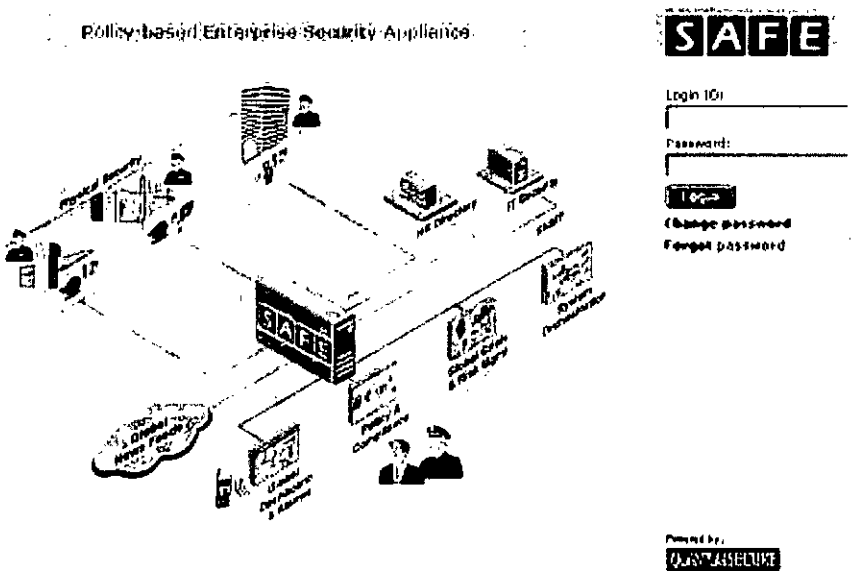
- Using Domain name of the computer hosting SAFE. For example, http://hostname.corpdomain/safe
- Using the actual IP address of the machine hosting SAFE. For example, http://192.168.10.10/safe
- SAFE Web Administration site may be configured on a specific network port which has to be provided on the URL. For example, http://hostname.corpdomain:8080/safe (for port 8080).

Note that at the time of this release SAFE Visual Policy editor requires Internet Explorer 6.x. Windows updates should not be allowed to upgrade to Internet Explorer 7.0.

SAFE is configured with the default Administrator login when it is installed. This role has access to all SAFE applications and data and can in turn define other Administrative users who can login and work on SAFE applications.



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The default Administrator's login credentials are:

a) Username: admin

b) Password: admin

It is strongly recommended that the SAFE Administrator change the password after logging into the Web Administration Console for the first time.

Primary SAFE Applications

The SAFE Administrator has access to all SAFE Web applications. Other SAFE users created subsequently may be restricted in their usage. The main SAFE applications are the following.

- SAFE Web Administration provides the functionality for management of user accounts, access privileges and general preferences for SAFE Web applications.
- SAFE Personnel Identity Manager is the central point to manage identities & credentials such as corporate cardholder records, global & local accounts, access levels and other personnel information. The module includes pre-configured templates to centralize user provisioning, and administer identities in physical security systems with direct links to HR / IT directory systems.
- SAFE Policy Manager is a unique patent-pending module, designed for Security Administrators to create, edit, approve, document and implement physical security policies via easy-to-use graphical interface. For example, a security policy defined in SAFE will restrict an employee's access to corporate networks if the employee is not present within the enterprise building.
- SAFE Self Service
- SAFE Systems Manager
- *MySAFE* Dashboard provides customizable graphical views of global security operations, policies, tasks, calendars, deviation & metrics reports, ad-hoc queries and analytics for security administrators & executive management.

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Navigating the User Interface

SAFE Web User Interface is designed for easy workflow oriented navigation. The organization of the SAFE User Interface is based on industry best practices of organizing data and its related applications. SAFE User Interface is organized in the following manner.

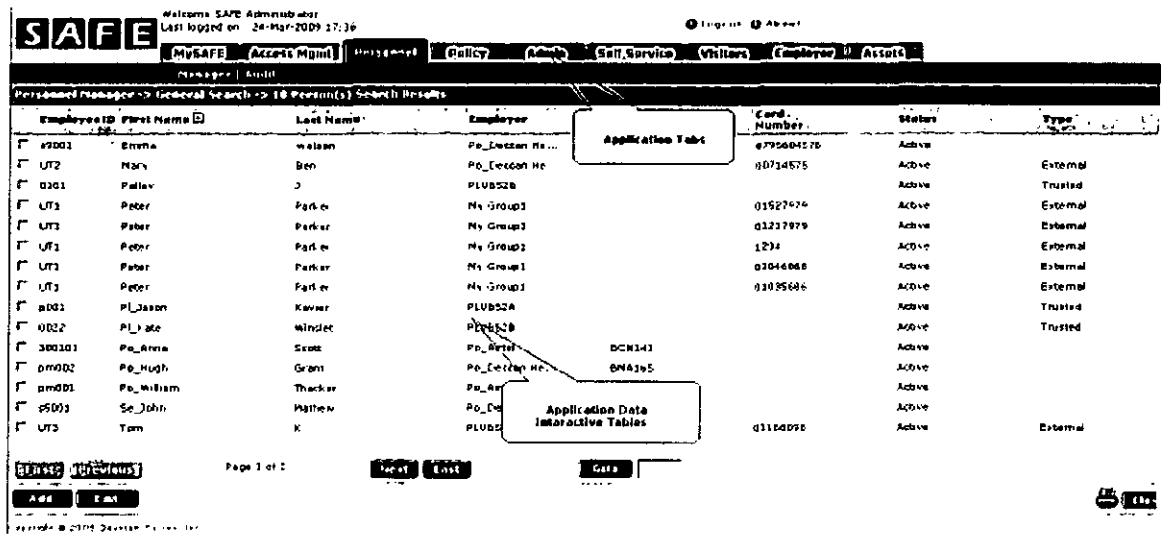
SAFE Application Tabs

SAFE applications are organized as a series of Tabs and Sub Tabs. They are grouped by functionality and workflow. Access can also be controlled to specific applications thus disabling those particular Tabs or Sub Tabs for certain users.

SAFE System Navigation Hierarchy

For every application the user is presented with the hierarchy of data organized across various Systems defined in SAFE.

Systems in SAFE represent individual Physical Access Control Systems (PACS) or HR and IT systems (PeopleSoft, Oracle, Active Directory etc.) that are connected to SAFE and sending / receiving data through SAFE Orchestration and Policy Manager.



Application Data Interactive Tables

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For every application the user is presented with data organized in tabular form. This tabular framework makes it easy to sort, search and navigate through multiple pages of data.

Application Data Reports

For every application the user also has the ability to run standard reports or define custom reports for the displayed or filtered data.

SAFE Administration

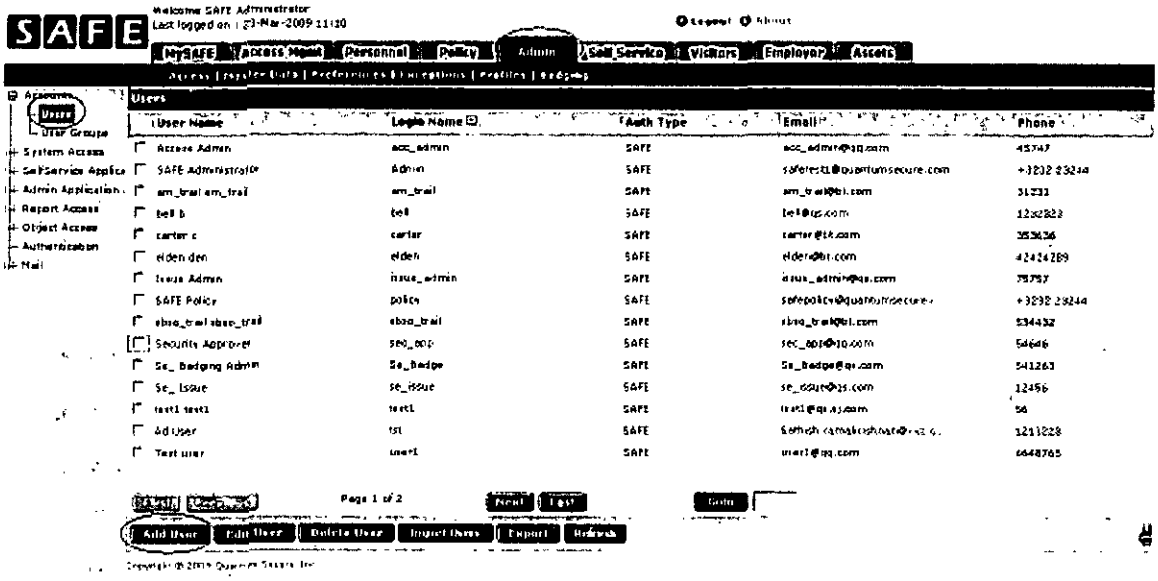
***SAFE** Admin* provides easy administration of maintaining all the users and their security permissions for accessing the *SAFE* application. SAFE Administrators are generally corporate security managers who can login directly to the SAFE application to create policies, view or modify personnel data and approve or deny requests. A SAFE Administrator has the permission for all the modules present in the SAFE Application. Personnel changes (Employee hiring/firing) can be maintained in the *Access* tab in the *Admin* module. Creating User groups to group similar type of users and assigning privileges to each group can also be achieved. The layout display for each module and sub modules both in content pane and left navigation pane can be achieved by customizing the layout of each module in the *Preference* tab under the *Admin* module. General display settings pertaining to date format, page-refreshing interval and others can be set in the *Admin General Preferences* and *SelfService General Preferences* sections in the left navigation tree.

Configuring SAFE Users

Creating User

SAFE can be configured for various levels of access. SAFE Users may have limited access.

1. Under *Admin > Access*, click the *User* link present in the left navigation pane.
2. New SAFE Users can be added to the list of existing users by clicking the *Add User* button



3. *Add User* dialog will be displayed where you need to fill in the details of the user such as First and Last Name, Login ID, Password and Confirm Password, Email ID, Contact Numbers, Status and the Expiry Date.

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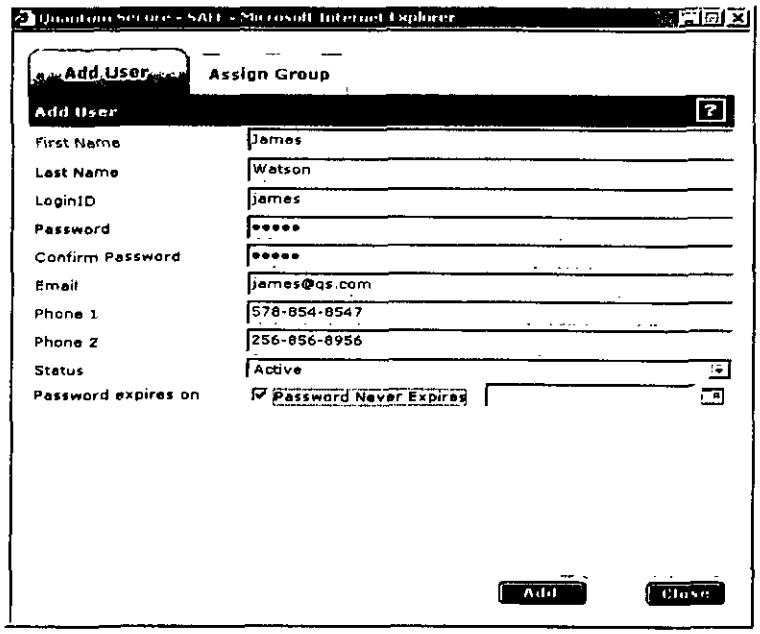

4. Click on the *Assign Groups* tab to assign a group to the user.
5. The *Assign Groups* tab displays the list of Groups which can be selected and assigned to the user by clicking the arrow button pointing downwards.
6. The selected Users can also be removed from the User Groups by selecting them from the bottom list and using the arrow button pointing upwards.
7. Finally, click the Add button to add the user.

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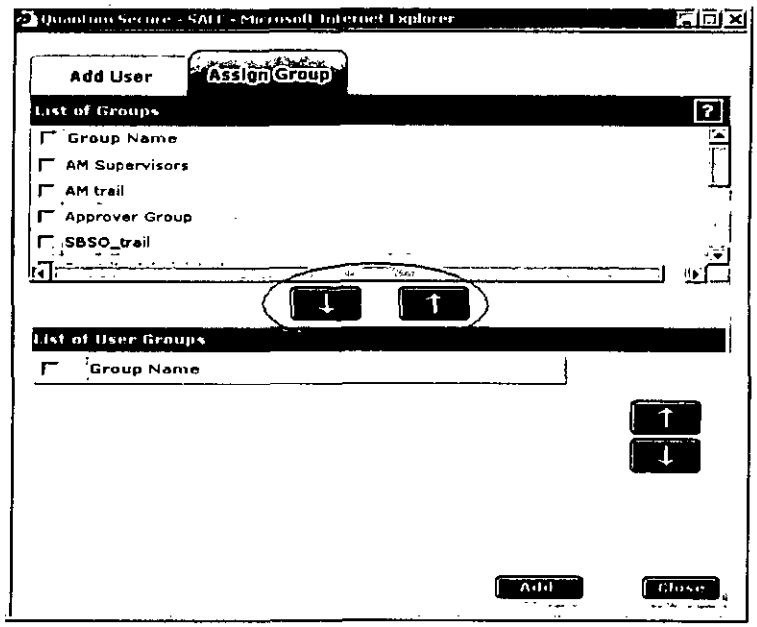

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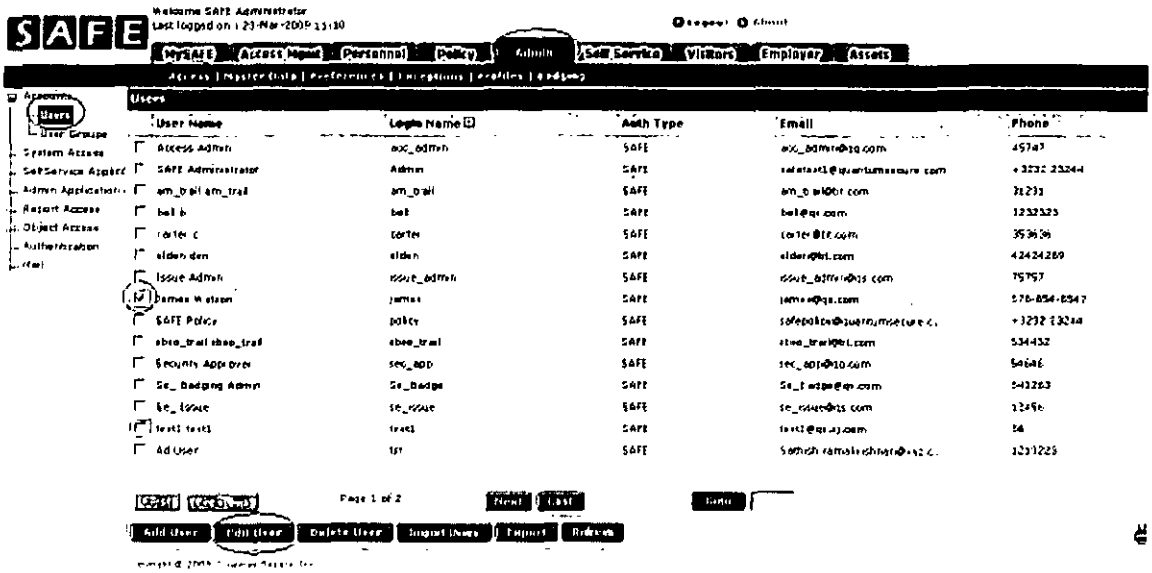
Modifying User

1. Select a user from the list whose details you want to modify and click the *Edit User* button.
2. The same window pops up as described in the previous section where you can edit the user details and add him or remove him from the user groups.
3. Click the *Save* button to save the changes.



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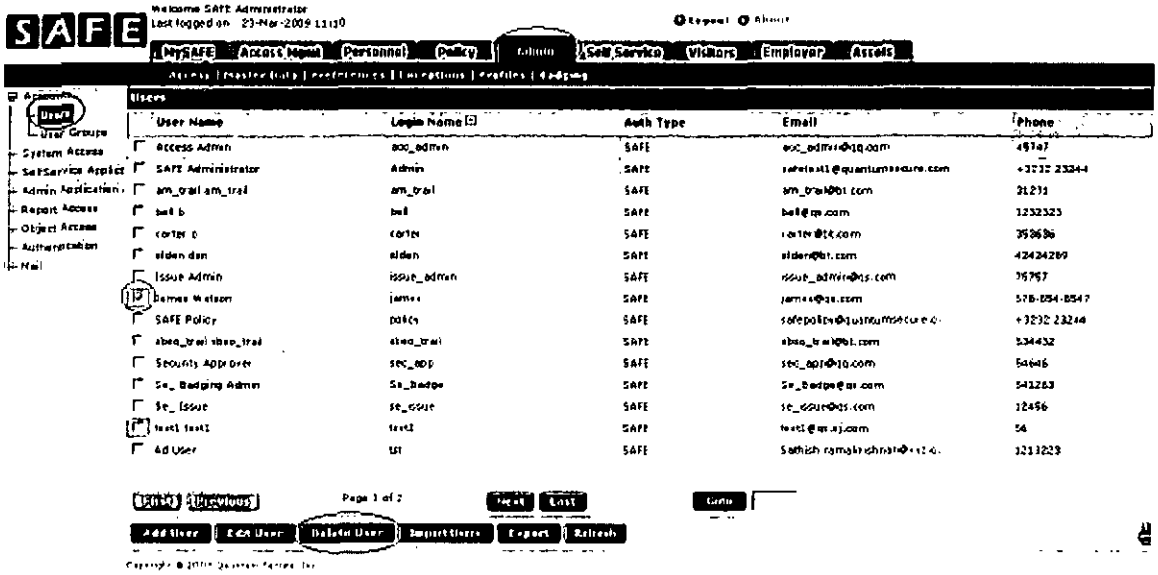
Deleting User

1. Select the user to be deleted and click the *Delete User* button.
2. The user shall also be deleted from the user group if he belongs to any.



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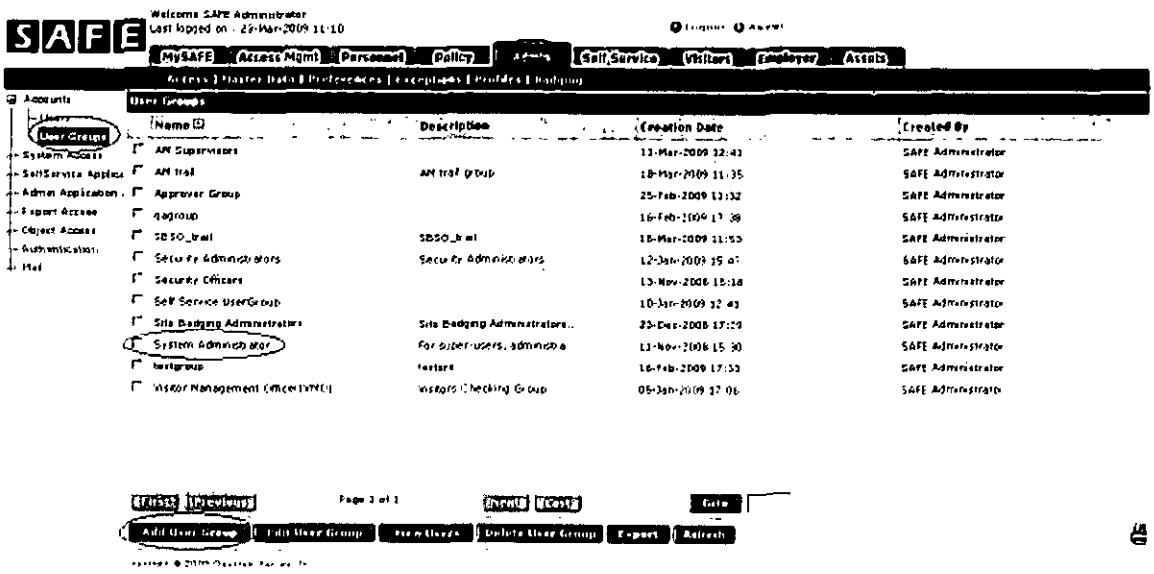
Configuring SAFE User Groups

Creating User Group

1. Click on the *User Group* link present at the side navigation pane.
2. You can see the built-in user group named *System Administrator* which cannot be deleted.



3. Click the *Add User Group* button to add a new group.
4. The following window pops up where the list of users present is given.
5. You need to enter the name of the group and the description (if any).
6. Refer to **Section 5.3** for a description of how to assign users to the Group.
7. Finally, click the Add button to save the new user group.

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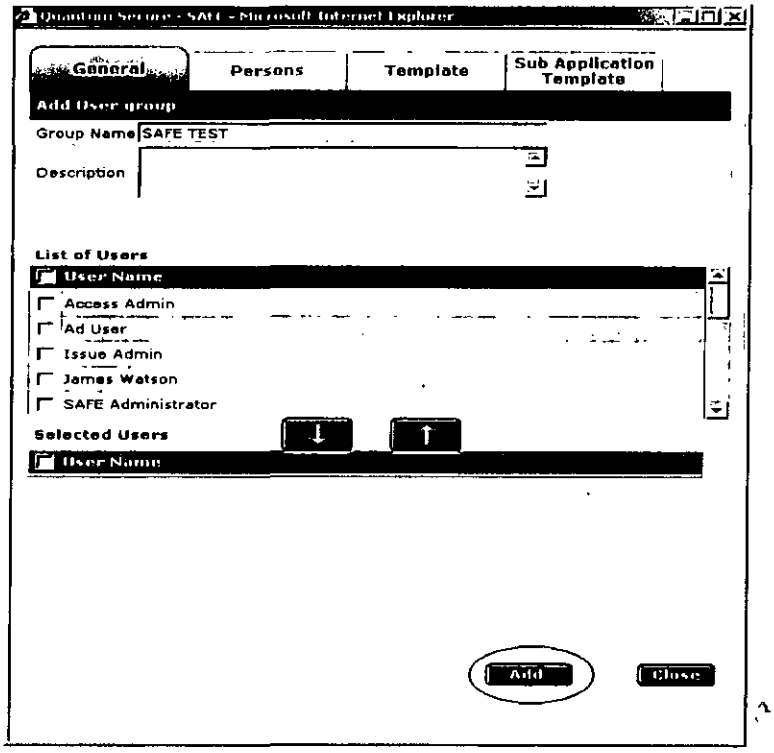

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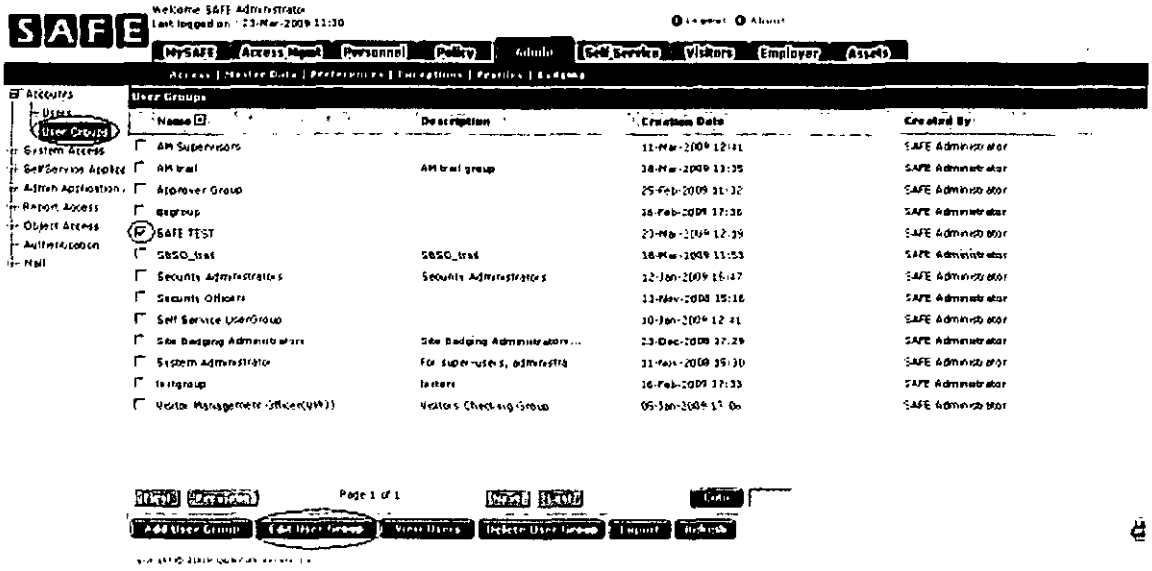
Modifying User Group

1. You can modify the user group details by selecting the group from the list and clicking on the *Edit User* Group button.
2. The same window is displayed as shown in the last section.
3. You can add new users to the group as well as remove them from the group.



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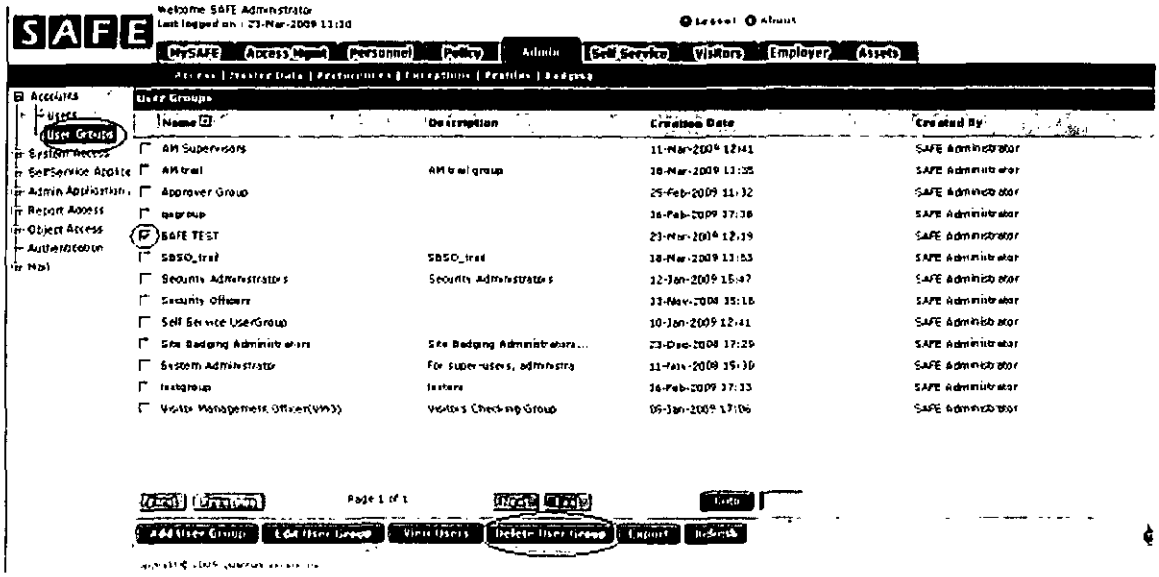
Deleting User Group

1. You cannot delete a user group until it is empty i.e. it does not contain any users.
2. Select the user group which is to be deleted by clicking the box.
3. Click the *Edit User Group* button to delete the users present in the group.
4. After the User group is empty, you can delete it by clicking the *Delete User Group* button present in the main screen.



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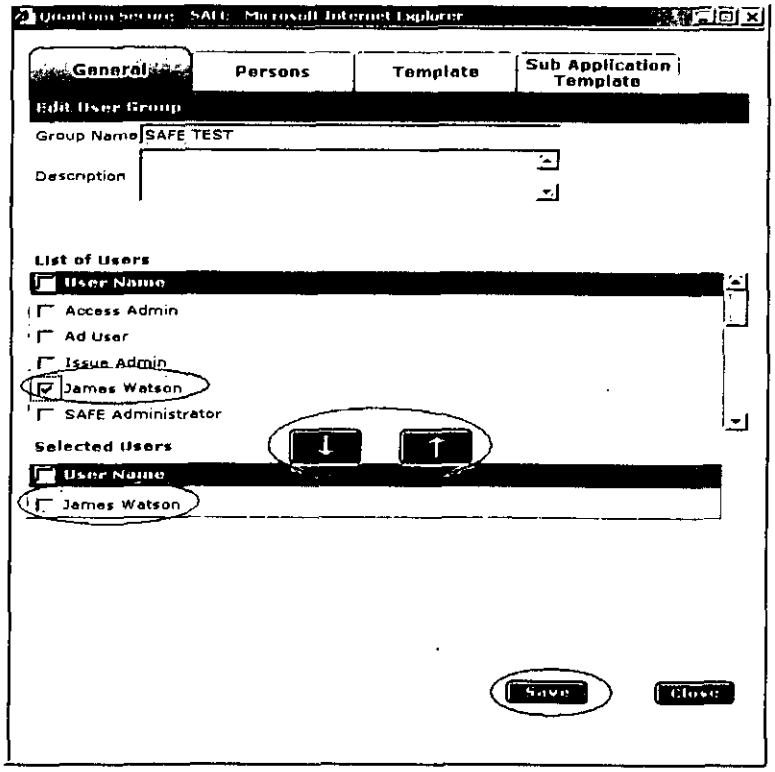
Assign Users to User Groups

1. Select an existing Group and click on Edit User Group.
2. Choose from the user's list, the users you want to add to the Group.
3. Use arrow pointing downwards to add users and arrow pointing upwards to remove the selected users and click on Save.



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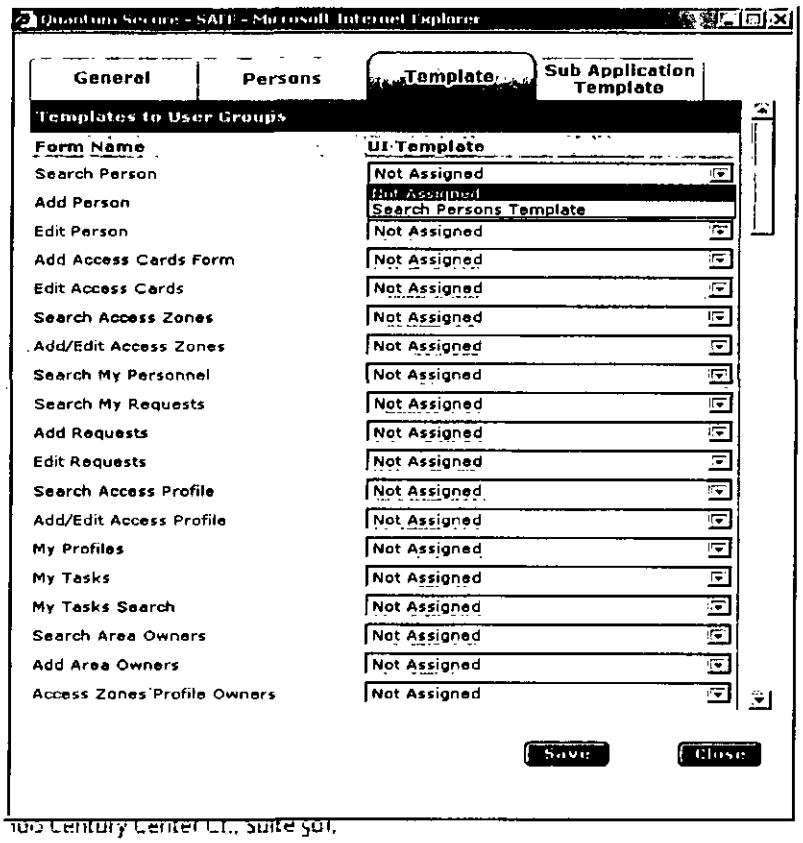
Assign UI Templates to User Groups

1. Select an existing Group and click on Edit User Group, navigate to Template tab.
2. Under this tab you can assign required Templates to the Group you have selected. So that the users associated with this Group, when they login they will be able to view only the assigned UI Templates.
3. Click on the Save button to Save the changes.



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Assign Sub Application Templates to User Groups

1. Select an existing Group and click on Edit User Group, navigate to Sub Application Template tab.
2. Under this tab you can assign required Templates to the Group you have selected. So that the users associated with this Group, when they login they will be able to view only the assigned Templates.
3. Click on the Save button to Save the changes.

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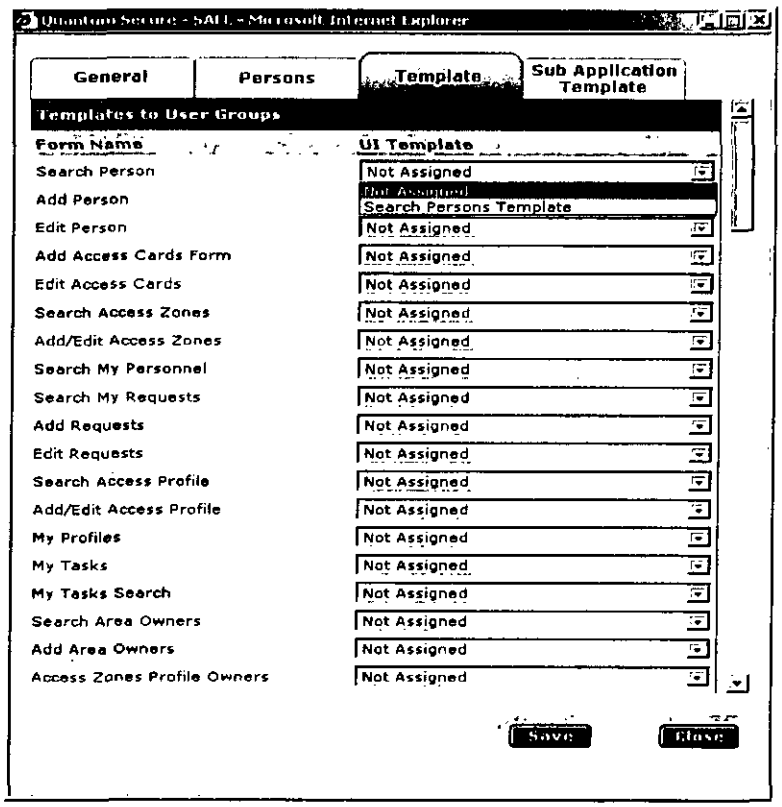

Assign Application/Sub Application Access to User Groups

1. Here permissions can be assigned at two levels, Application and sub-application.
2. Clicking on the *Admin Application Access* on the left pane displays all the modules present in the application such as MYSAFE, Policies, Personnel, etc.
3. Each application contains certain sub-applications.
4. By selecting the User group, you can set permissions (view/modify/delete) for the group users

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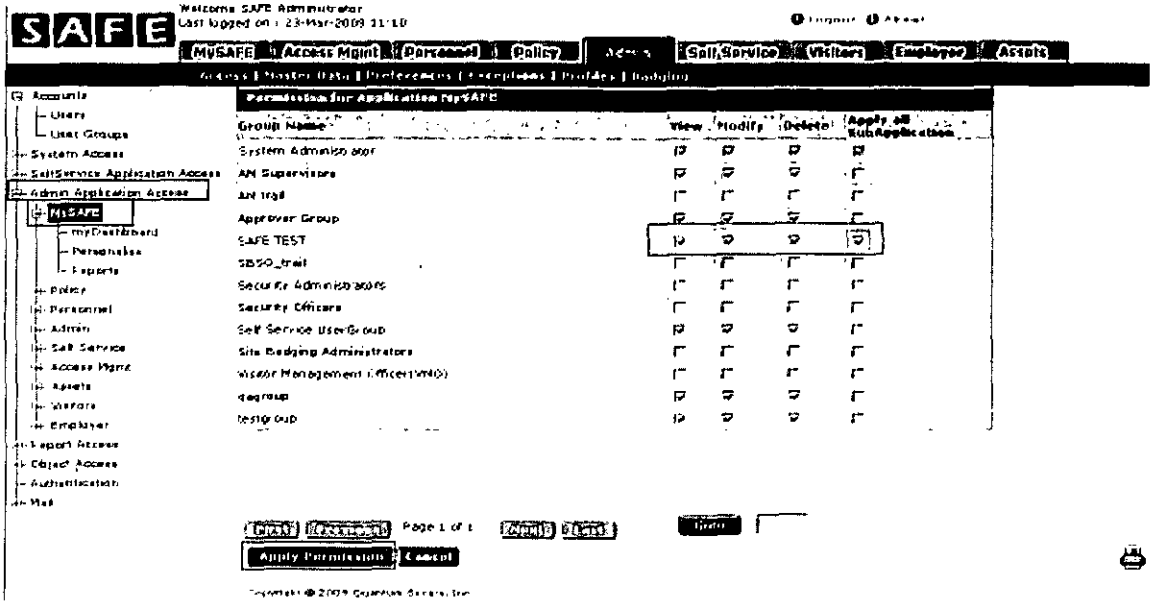
for accessing the applications.

5. You can select *Apply All Sub Application* tab to apply the selected permissions to all the sub-applications as well.
6. Permissions can be assigned individually to sub-applications also.
7. Click the *Apply Permissions* button to apply all changes made to the permissions.
8. You can click the *Cancel* button if you want to discard the changes.



Assign System Access to User Groups

- You can assign permissions at two levels, System level and sub-system level.
- Clicking on the *System Access* on the left pane displays all the systems present.
- The systems in turn may or may not consist of sub-systems.
- Various levels of access can be given at the system and sub-system level.
    1. Select the permissions (view/modify/delete) by clicking on the respective check boxes against the group names.
    2. You can select *Apply All Sites* tab to apply the selected permissions to all the sites which comes under a particular system.
    3. You can assign permissions individually to the sub systems/sites by selecting the same

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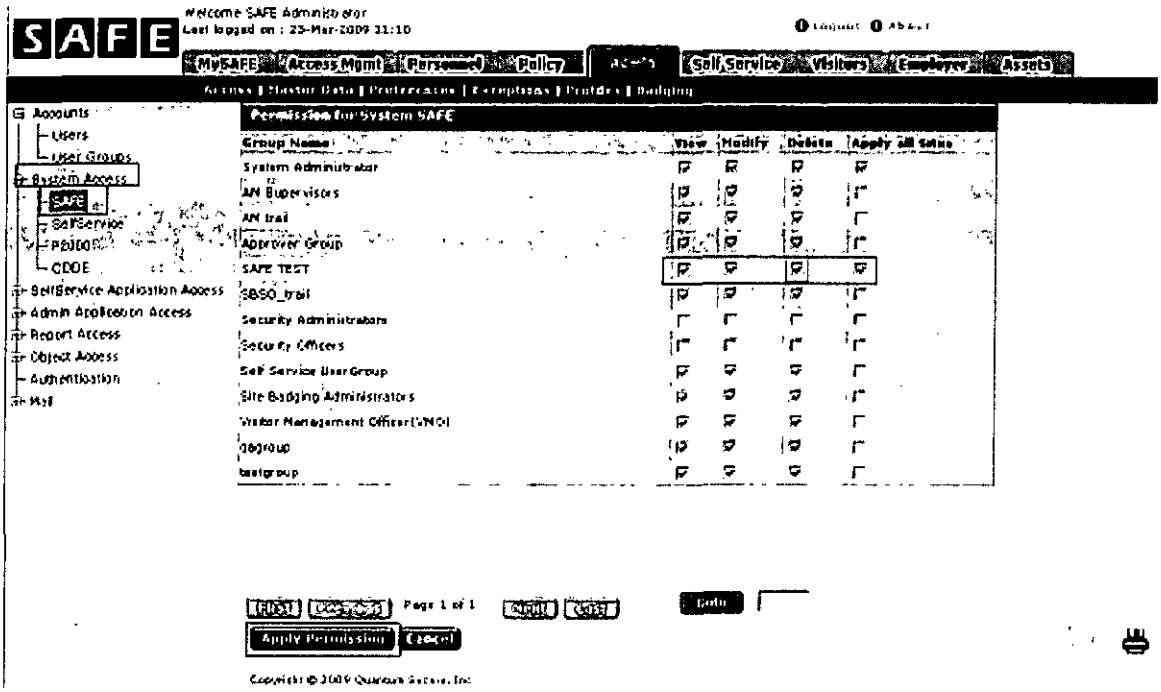
from the left navigation pane.

4. Click the *Apply Permissions* button to apply the changes done to the permissions for the selected system.
5. You can click the *Cancel* button to discard any changes made to the permission.



Assign Object Access to User Groups

The "Object Access" permission can be set to a User Group so that when the user logs into the SAFE he will view/modify/delete only those systems and their objects which he has privileged to.

1. Navigate to *Admin > Access* tab, click the Object Access link from the left navigation tree, list of Systems are displayed
2. Expand the link, all the objects are displayed.
3. Now select an object and apply View/Modify/Delete permissions to the User Group.
4. Click *Apply Permissions* after granting permissions to the Objects

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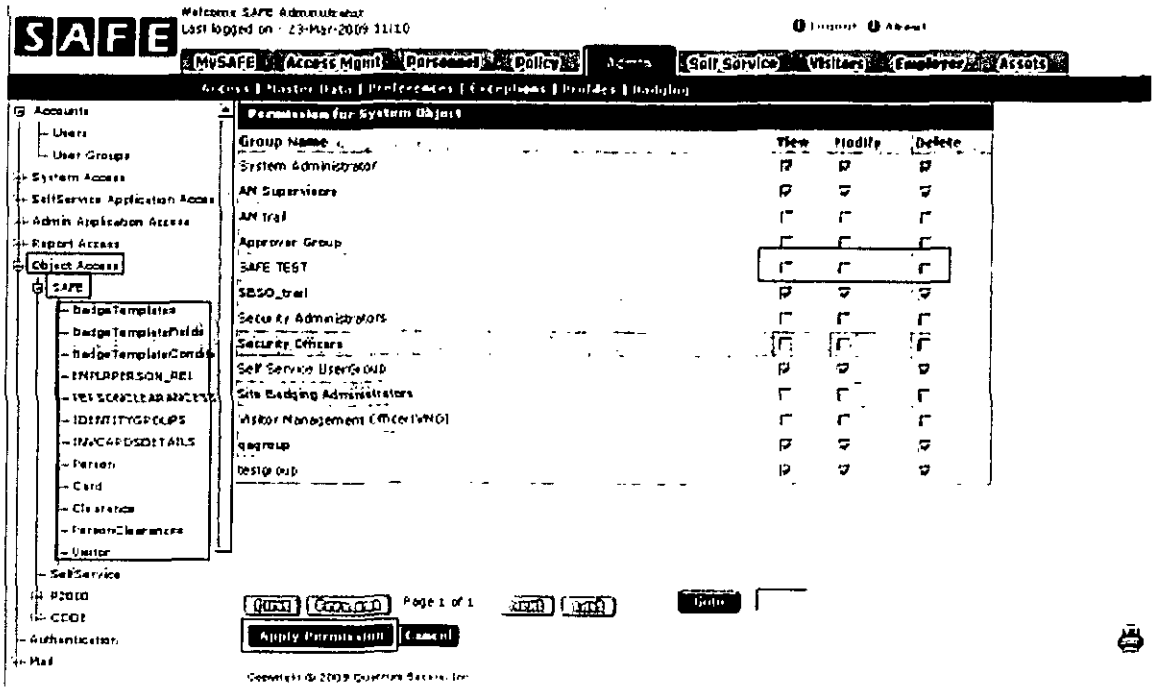

Assign Report Access to User Groups

The "Report Access" permission can be set to a User Group so that when the user logs into SAFE, only the specified reports are shown and accessible. By default SAFE Administrator can access all the Reports and is privileged to view/modify/delete Reports.

1. Navigate to Admin > Access tab, click the Report Access link from the left navigation tree, list of Reports are displayed
2. Now select a report and apply View/Modify/Delete permissions to the User Group.
3. Click Apply Permissions after granting permissions to the Reports

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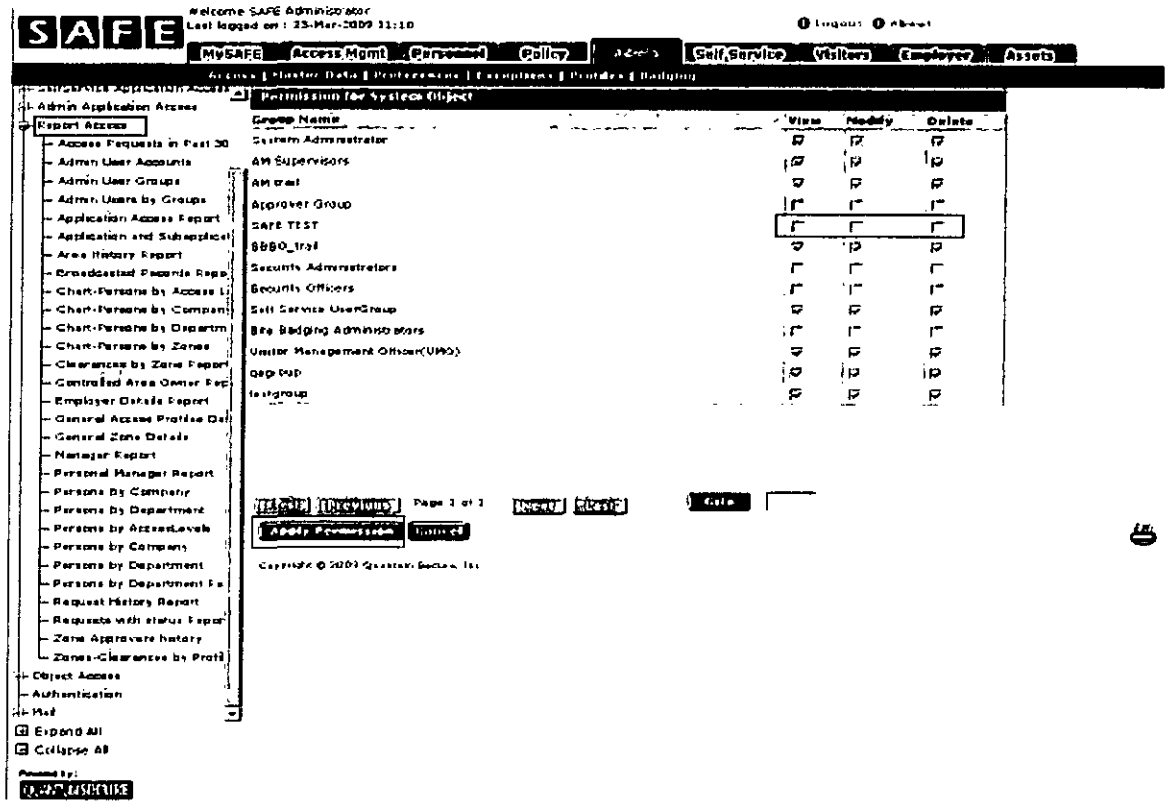
View – The Reports are displayed in View-Only mode

Modify – User can modify the existing Reports

Delete – User can delete an existing Report and also add a new one



Configuration of Mail Settings

1. In this section, mail server connection details are defined.
2. The details like mail server address, the username and the password are specified here.
3. Click the *Update* button to update the new information provided.

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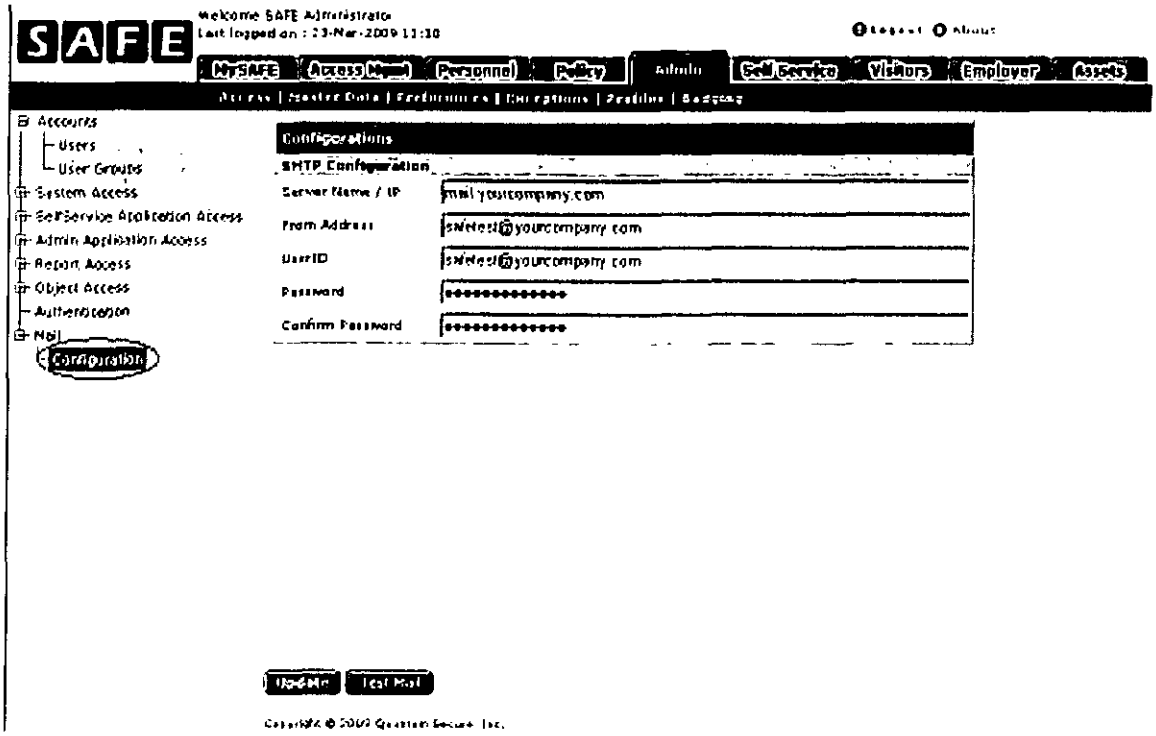

Mail Templates

1. Standard email templates can be defined and used at various places in SAFE such as Policy Rules or Web applications.
2. To access these mail templates click the *Admin* application and *Access* sub application.

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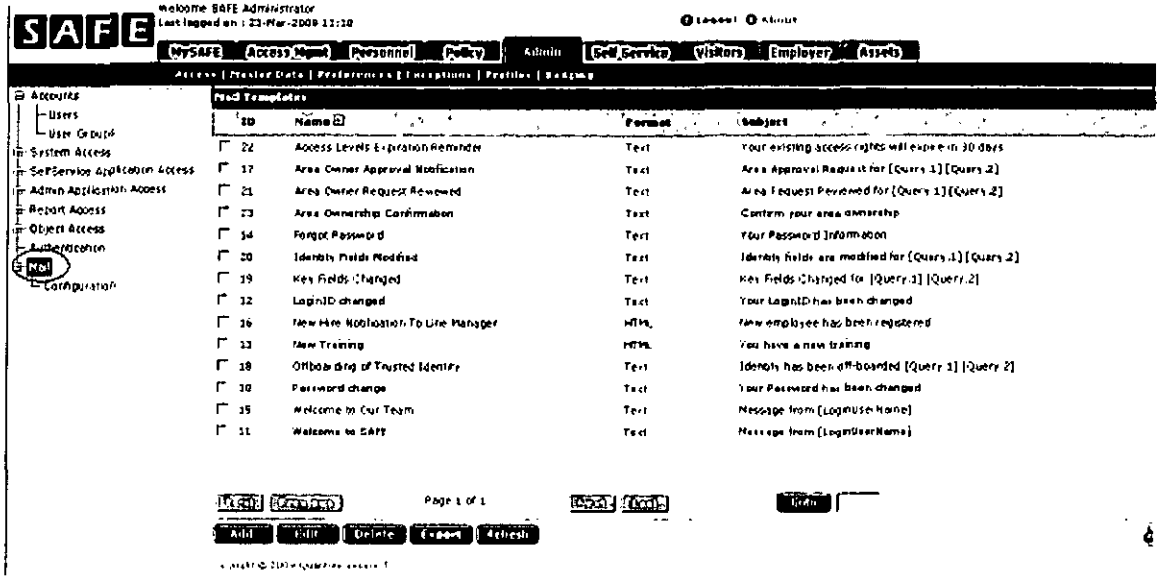
3. Now click the *Mail* in the left navigation pane.



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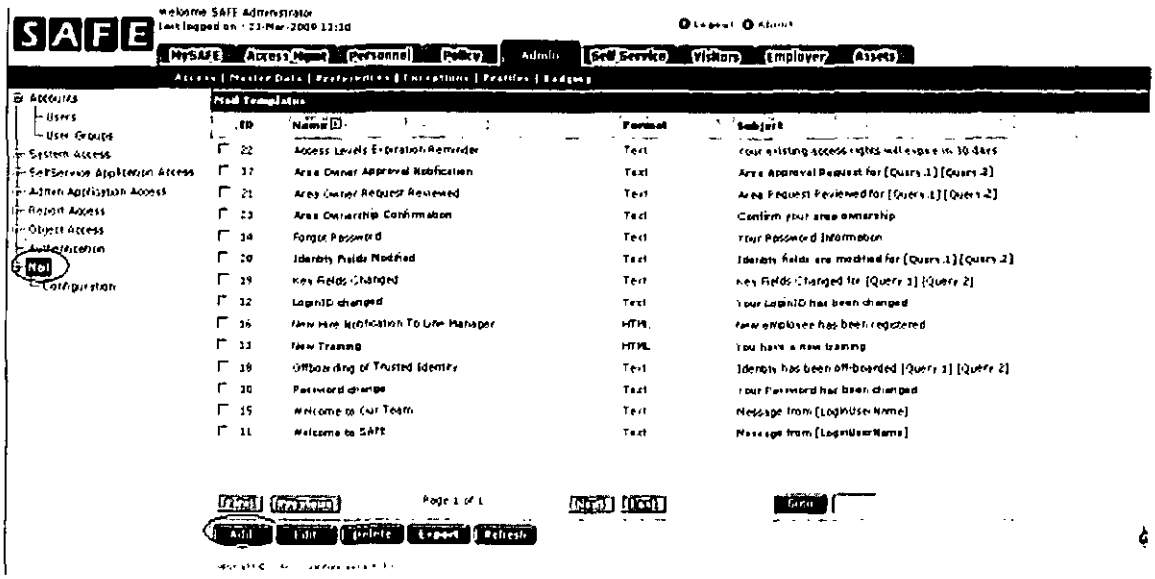
Creating Mail Template

1. You can add a new mail template as and when required.
2. Click the *Add* button.



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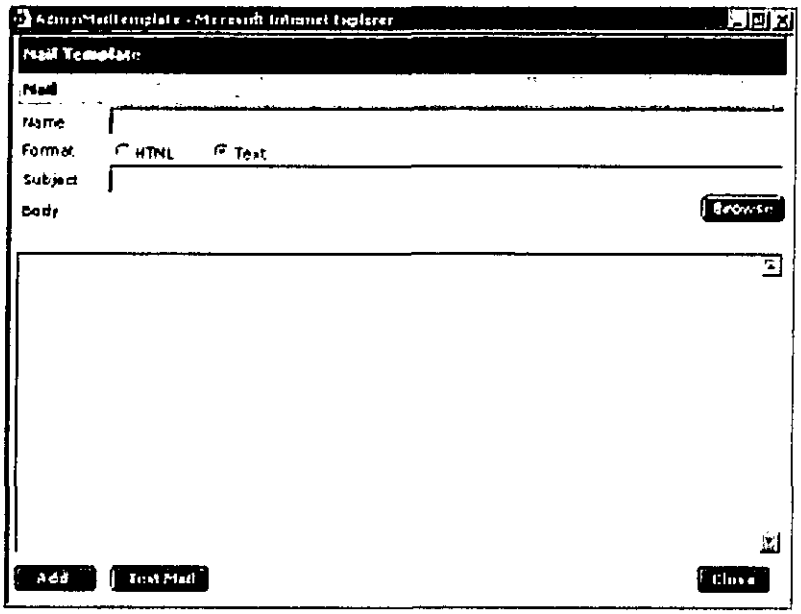
3. The following window appears:



4. Write the name of the template and choose the mail format as HTML or text.
5. You can write the subject of the mail which may contain the purpose of the mail.
6. The *Body* section contains the contents of the mail.
7. Body may contain a login id and the password or some link which can be sent to the user according to the requirement.
8. You can also browse and import an existing mail template document (in HTML or text format) by clicking the *Browse* button.
9. Click on the *Add* to add the mail template to the list of existing templates.

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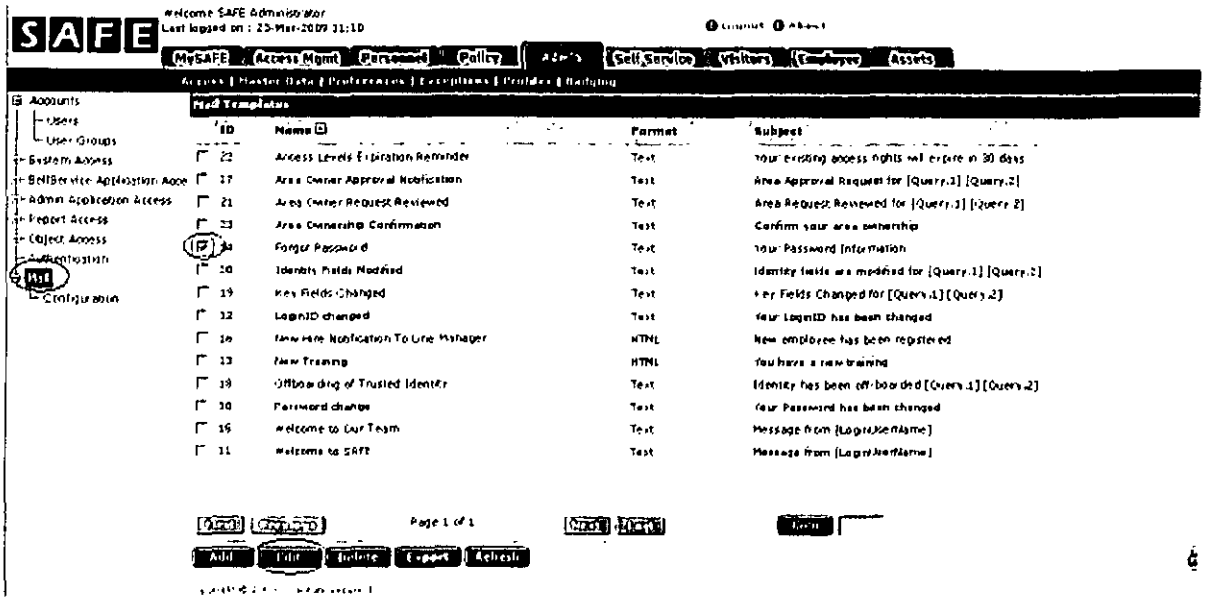
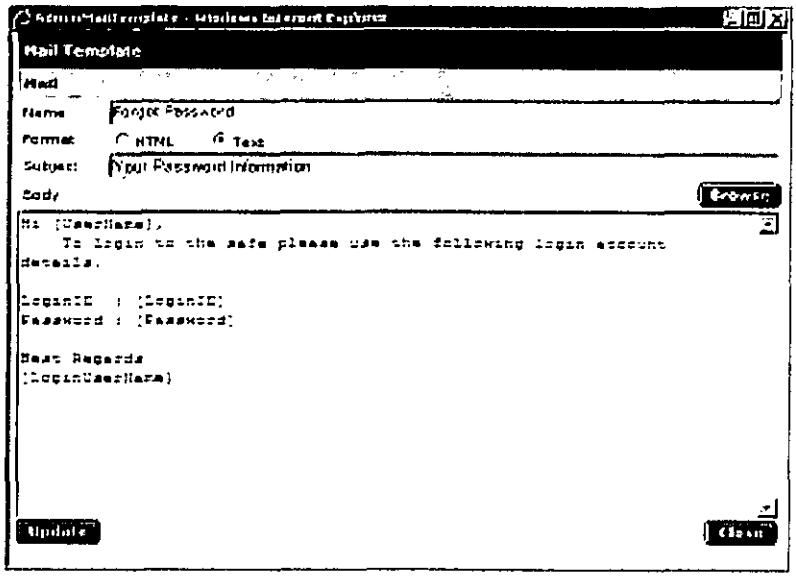
Modifying Mail Template

1. Select the mail template you want to modify and click the *Edit* button.



2. The following window pops up:



3. You can edit the details of the template.
4. Click *Update* to save the changes.

Deleting Mail Template

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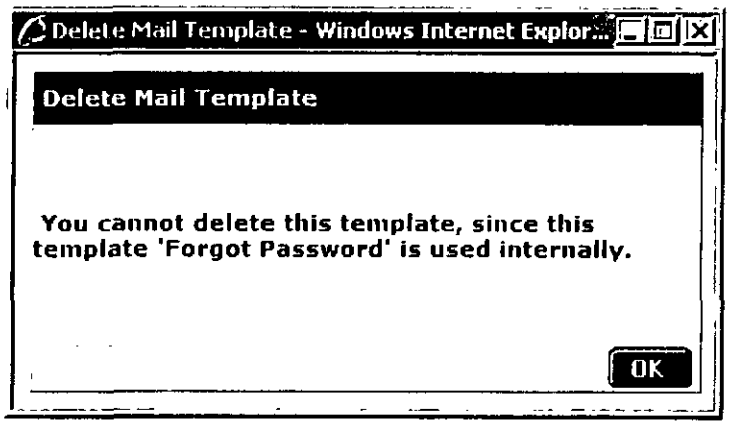
1. We can define two types of mail templates, internal and external.
2. Internal Templates
    - Internal templates are those which are built-in.
    - These are the standard mandatory templates.
    - Internal templates cannot be deleted.
3. External templates are the ones created by the administrators.
    - These can be deleted if no longer required.

An attempt to delete an internal template will pop up this message:-



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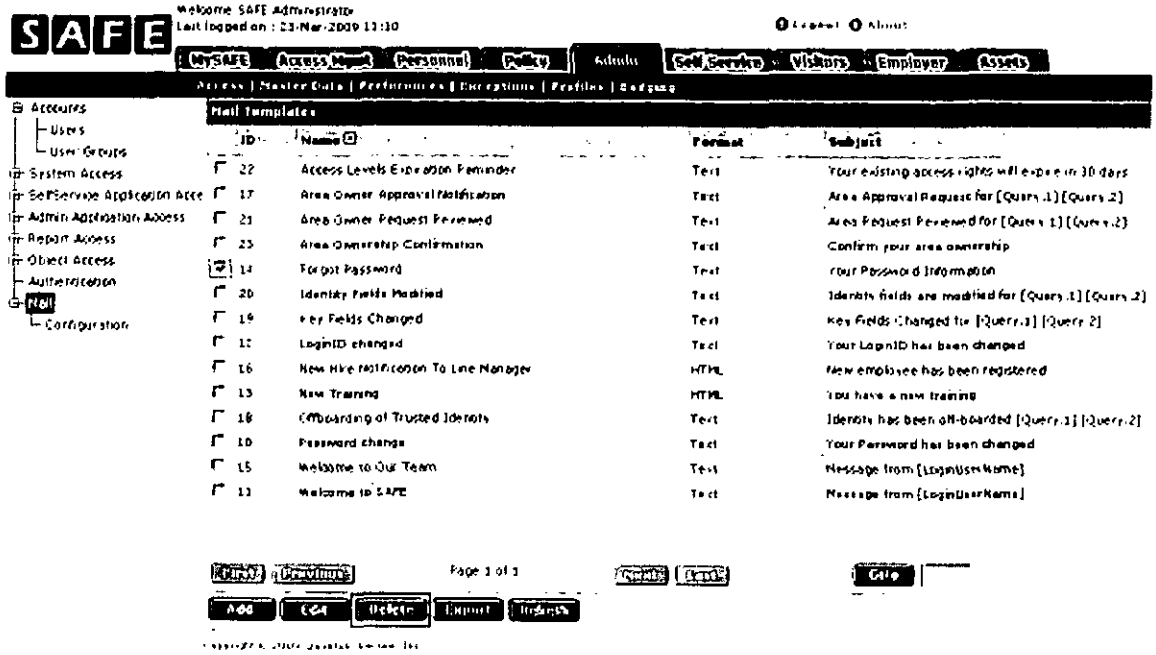
4. Select an external mail template and click on the *Delete* button, selected Template will be deleted from the list.



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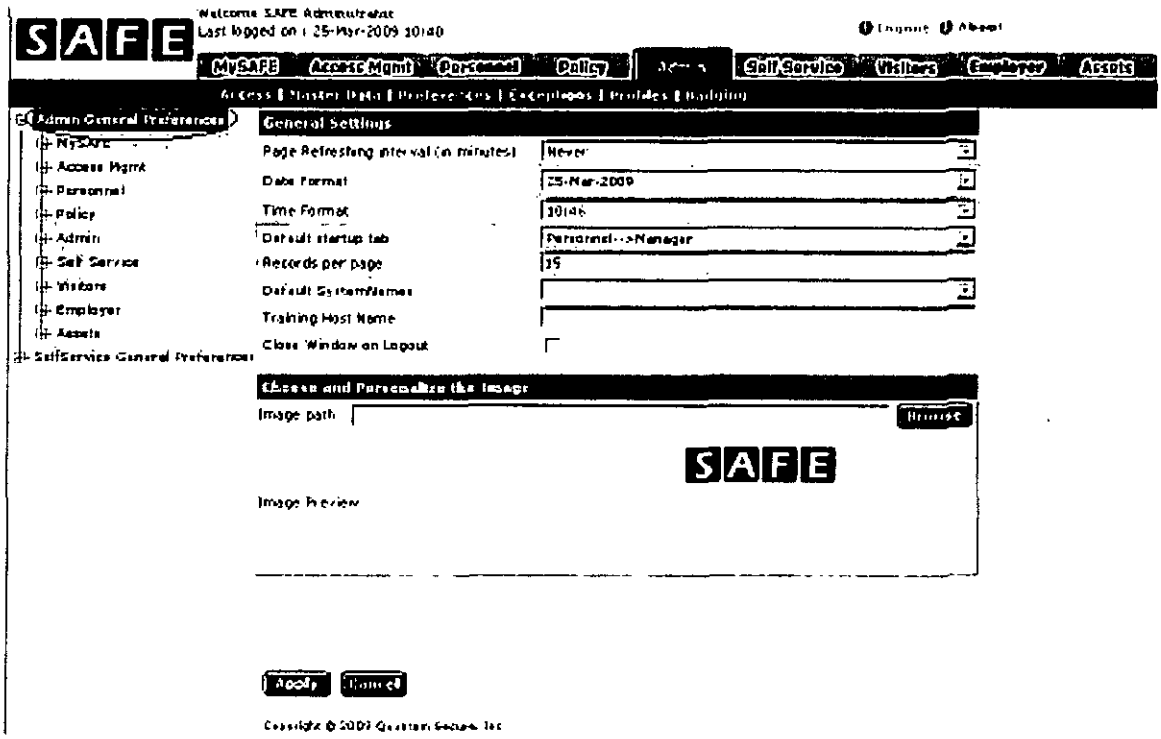
Setting up Preferences

General Settings for Admin Application

1. In the *Admin General Preferences* section, we can configure the following settings:
    - Date Formatting
    - Records per Page
    - Default Startup tab etc

2. You can also attach a new logo/image as per the requirement.



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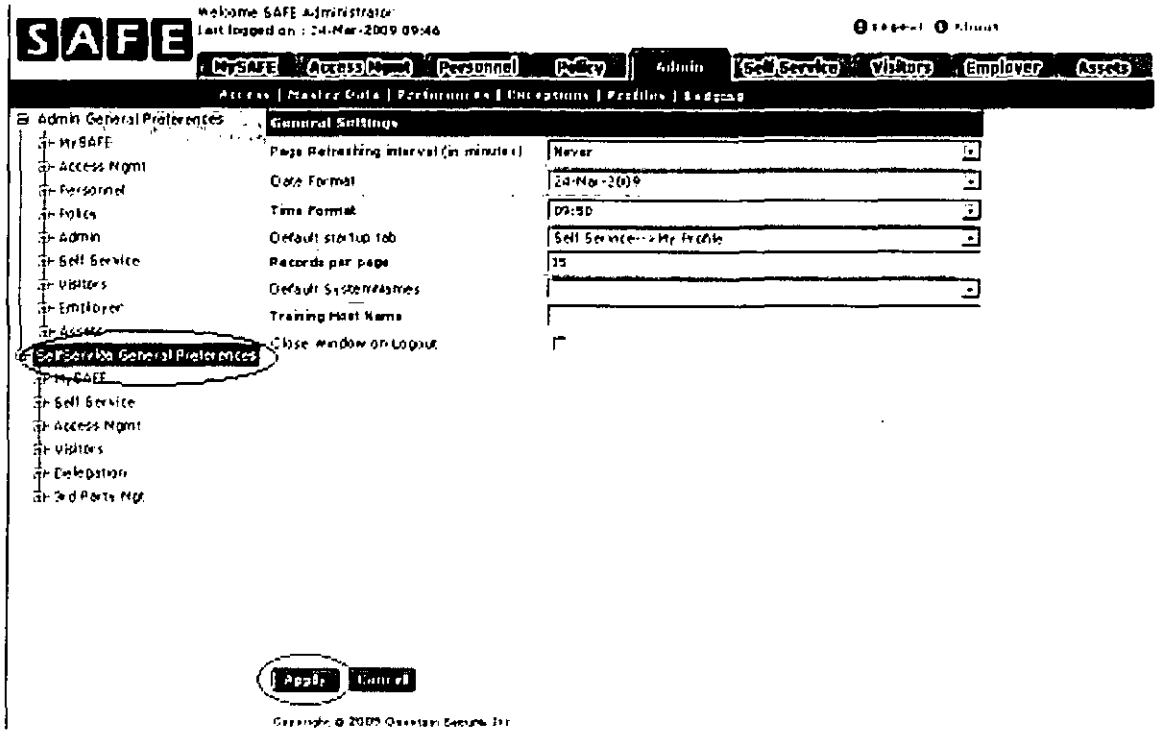
General Settings for Self-Service application

1. In the *SelfService General Preferences* section, we can configure the following settings:
    - Date and Time Formatting
    - Page Refreshing Interval
    - Records per Page
    - Default startup tab etc



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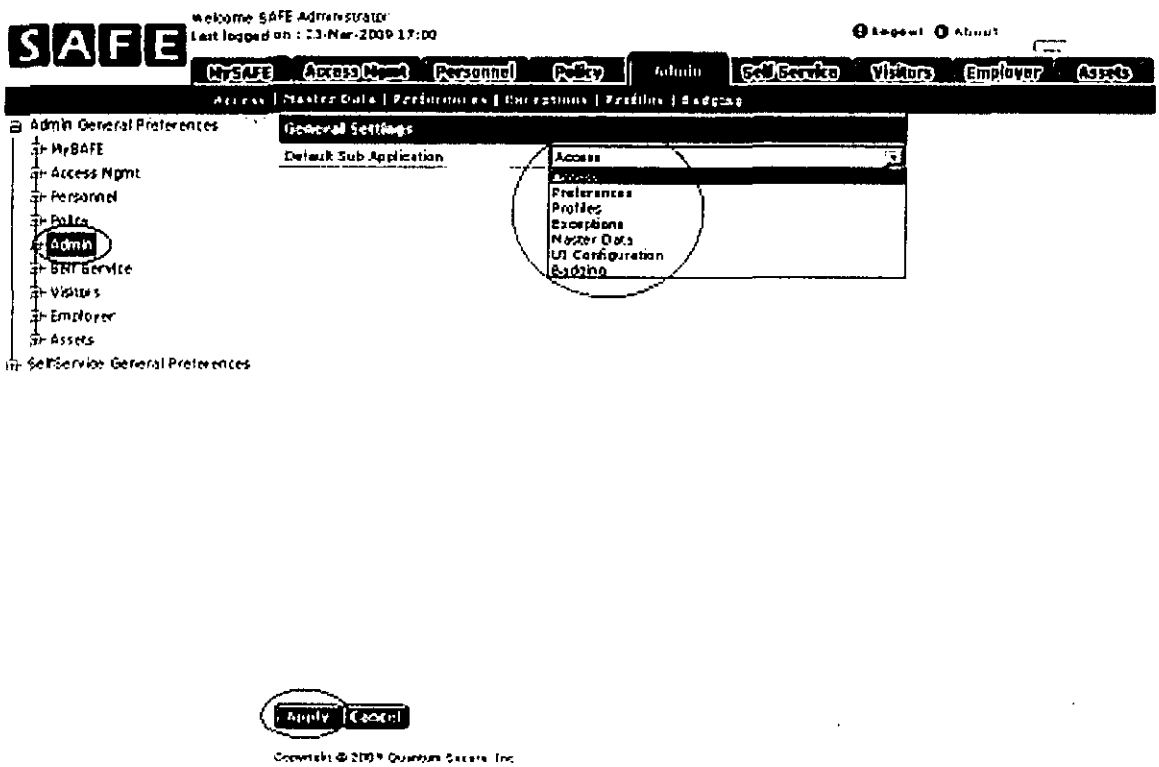
Setting of Default Sub application for Application

1. In the left navigation tree, all the applications will be listed.
2. Click on an application, in the content pane list of sub applications will be displayed in the drop down.
3. Select a sub application and click on the *Apply* button to set the default sub application for the selected application.



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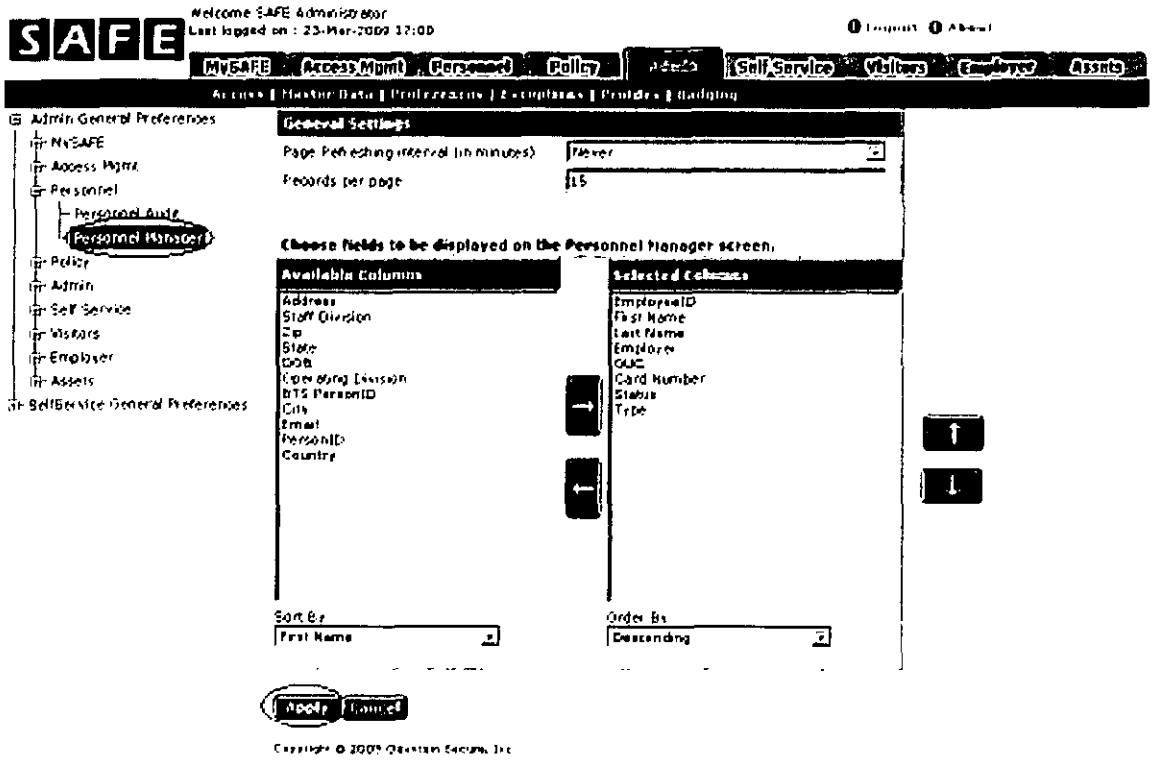
Configure Preferences for Tables

In the left navigation tree, all the application and their sub-application will be listed.

1. You can select and configure the following parameters for any of the sub applications.
   - Page refreshing interval
   - No. of records per page to be displayed
   - The columns (Person fields in example below) that should be displayed in the list
   - Default Sort column name
   - Default sort order
2. Click the Apply button to save the changes.



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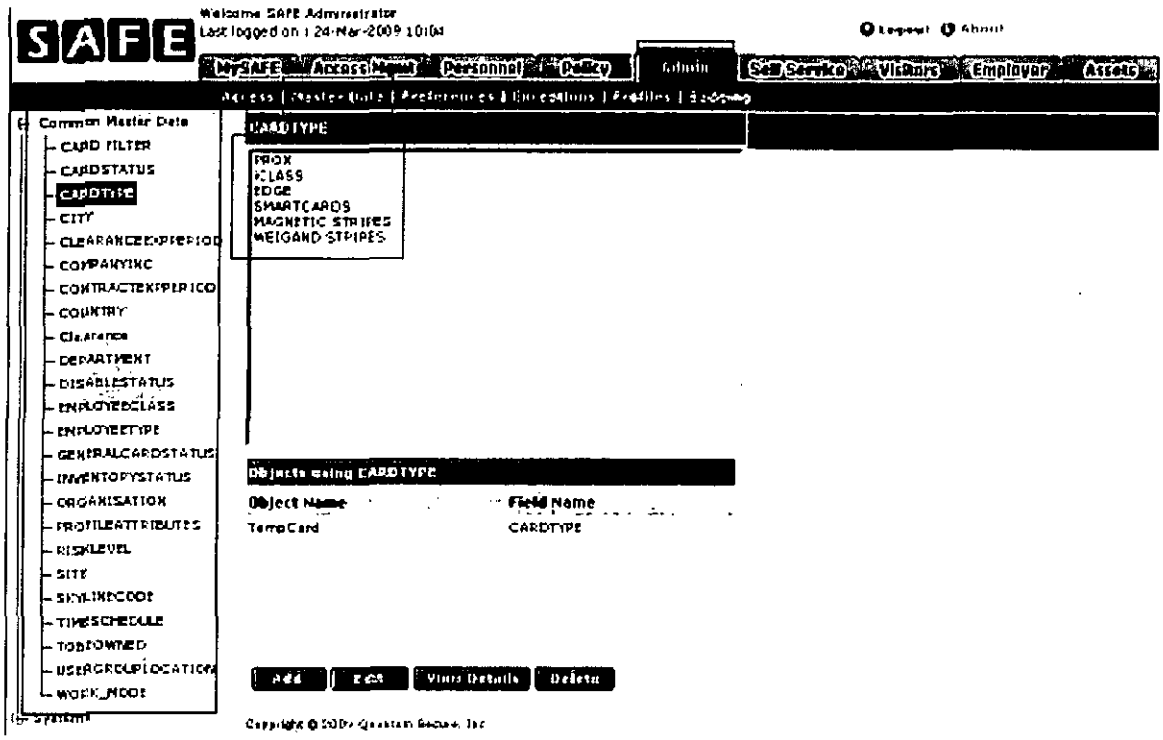
Master Data

Certain fields are described as Master Data and the data for these fields are usually selected through a drop down list box in the user interface. The values to be entered for such fields are pre-defined and can be set/modified/added by the SAFE Administrator. Here master data can be created to Systems and also to the Common Master Data list. Under Object and Field Name columns you can see the list of objects and their fields that are linked with the selected master data. See the screen below.



Adding Master Data Values

1. Login in as SAFE Administrator
2. Go to Admin tab. Select Master Data sub tab.
3. From the left pane, select a system/Common Master Data for which you want to add Master Data.

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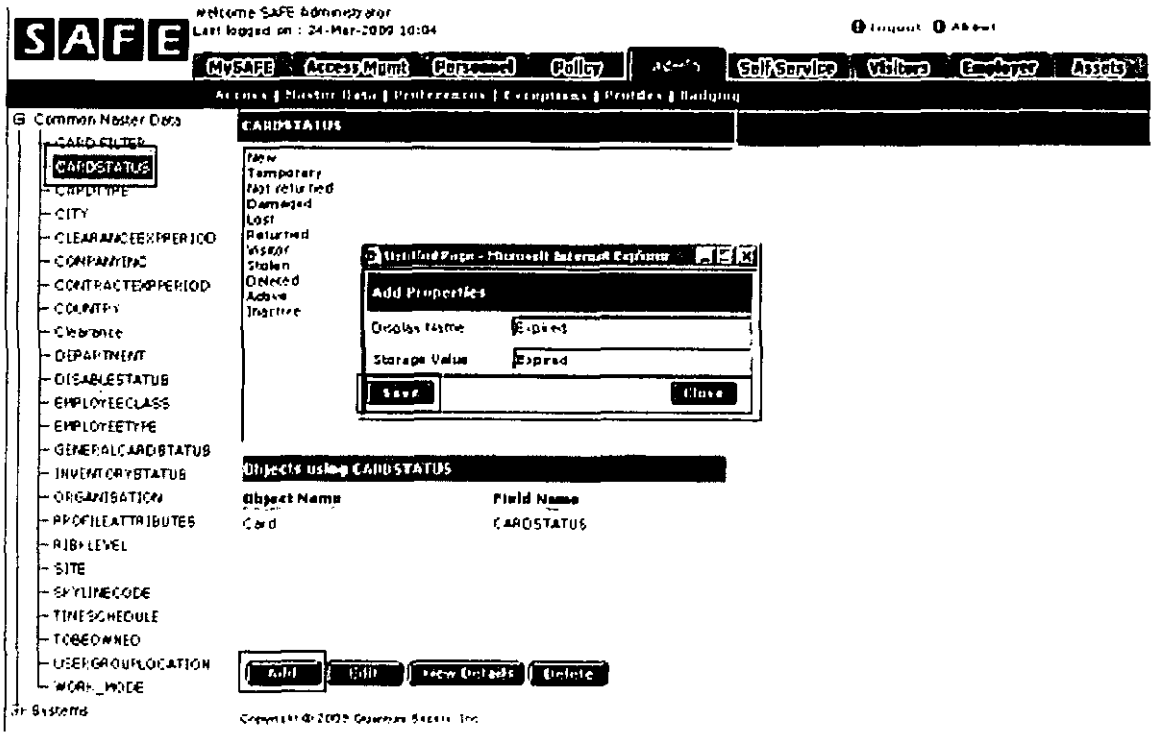
4. Select the field to which you want to add a new master data field. In this example, we will add a new Card Status.
5. Click on Add and add appropriate Display and Storage Value.
6. Click on Save, the newly created Card Status will be added to the selected master data list.



Modifying/Deleting Master Data Value

1. Similar to the steps followed in the above section, one can modify the master data value or delete the same.

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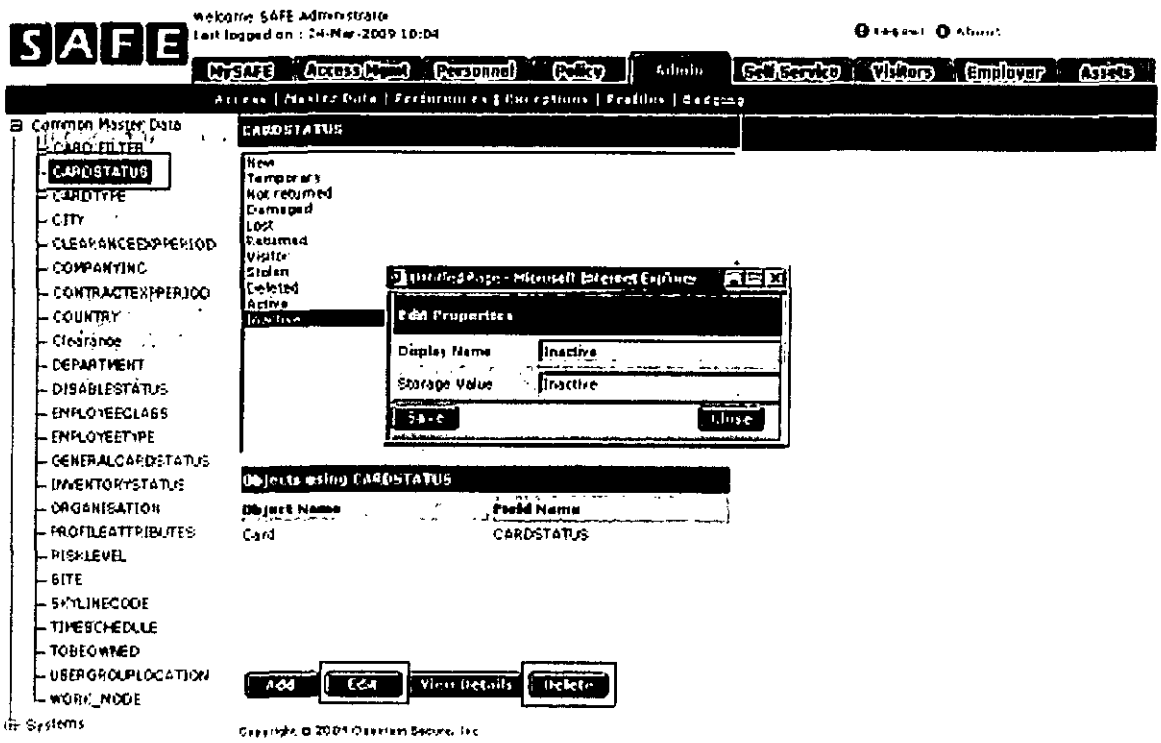

Badging Templates

Badging Templates define the appearance and layout of how security badges are printed. The definition of these templates is done by selecting the Admin tab and clicking the Badging sub tab.

Search Badge Templates

1. Badge Templates can be searched by providing search parameters like Template Name and Keywords.

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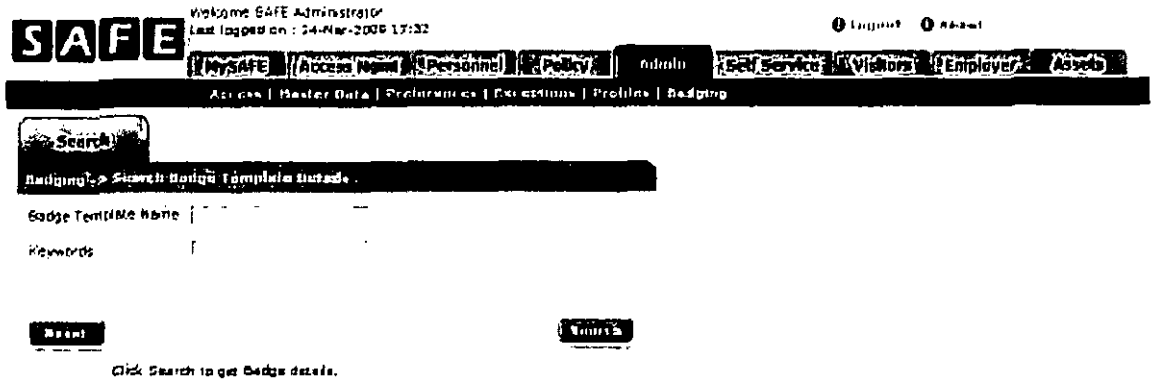
2. Fill in any one of the search criteria and click on *Search*, only those records matching the search criteria will be displayed in the *Search result* screen
3. Without filling any search criteria, click on *Search* all the records will be displayed.



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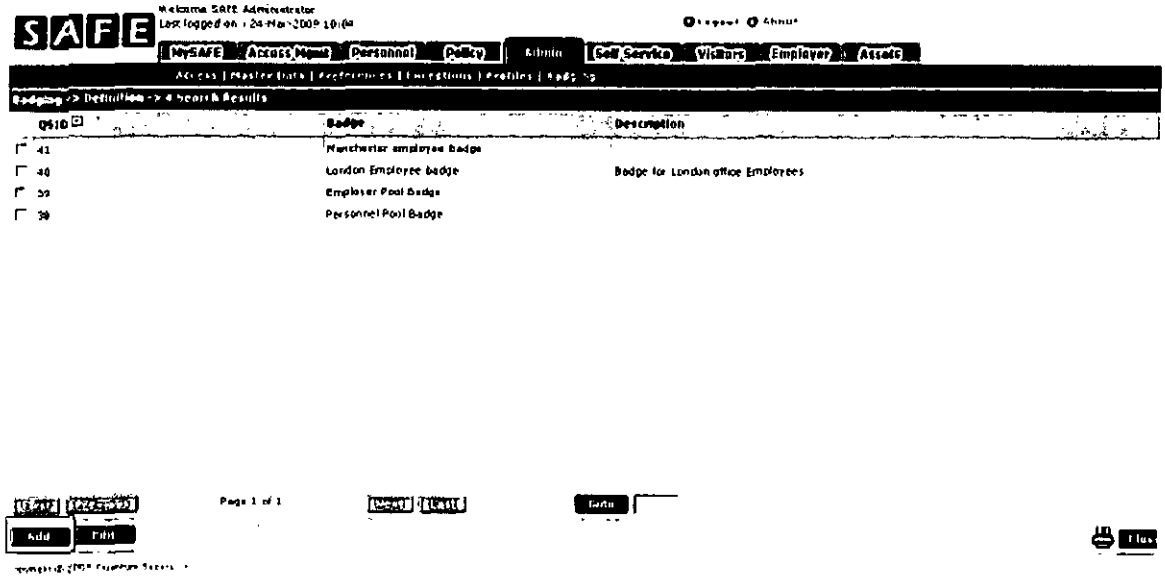
Creating Badge Template



1. From the list of badge templates shown in the search results, click the Add button.
2. The Template page is shown where the Template details can be provided.

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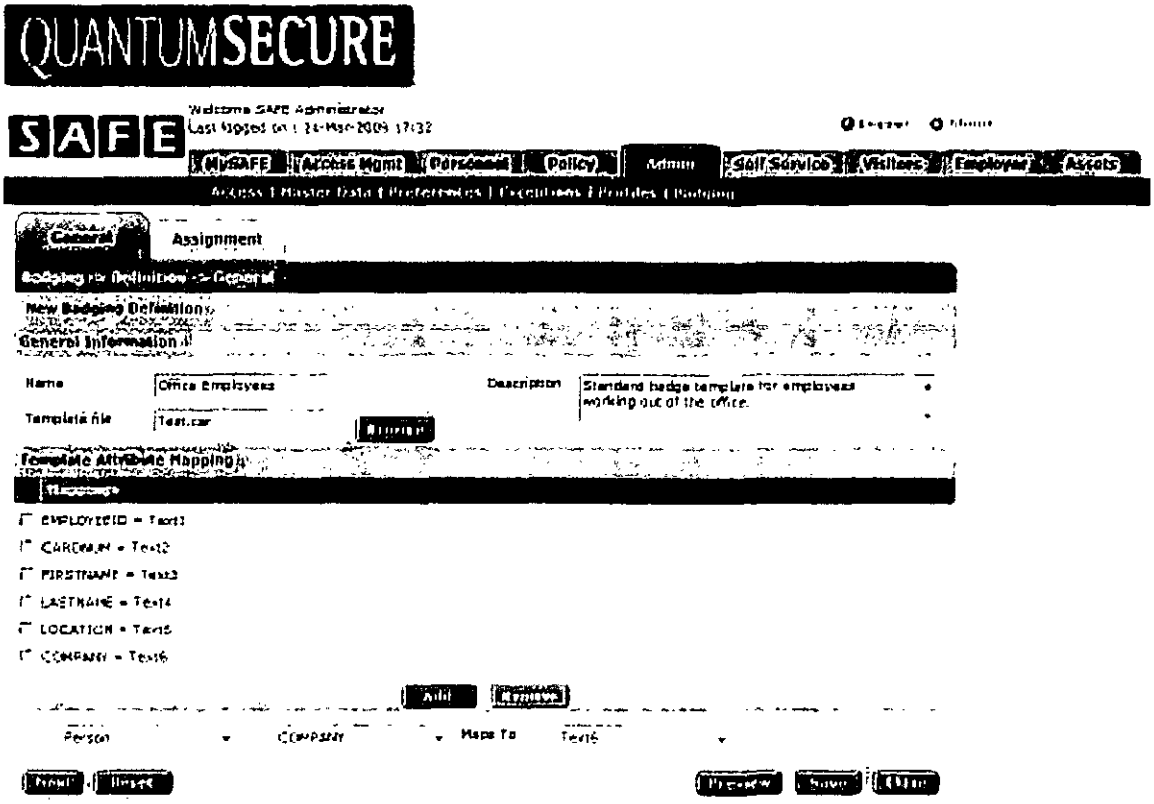

3. Enter the name for the Badge Template and a description.
4. A Template File can be selected by clicking the Browse button. This file contains the layout design for the badge that was created using the Card Designer software.
5. Under Template Attribute Mapping, the data attributes that are to be displayed on the badge are mapped.
6. Select an object in the first dropdown (i.e. Person, Card or TempCard)
7. Based on the object selected, the second dropdown list allows selection of the object attribute (i.e. FirstName of Person, Company, etc.)
8. The third dropdown list to the right of "Maps To" is the name of the field defined in the Template File selected earlier.
9. Click the *Add* button to add the mapping and repeat from step 6 for each field to be mapped and displayed on the badge.

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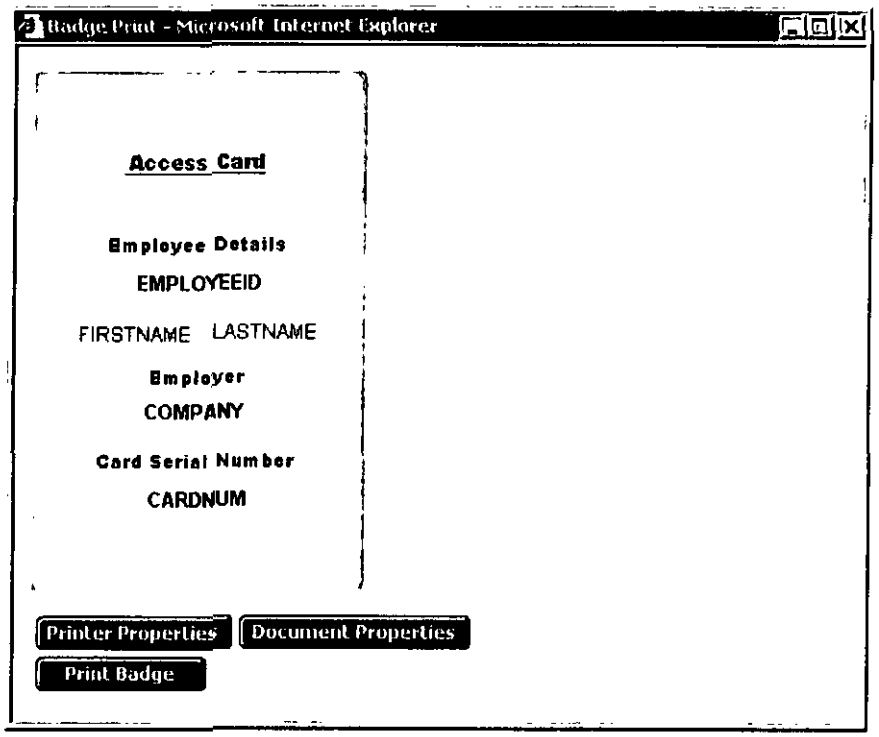
10. Clicking the *Preview* button will display a preview of the badge template layout. The attribute mappings specified correspond to the fields shown in the preview. When the badge is printed those field values are populated automatically.



11. Click the *Assignment* tab to display the Assignment page. This page is where Object attributes are specified to determine which people are assigned this badge template automatically by SAFE.

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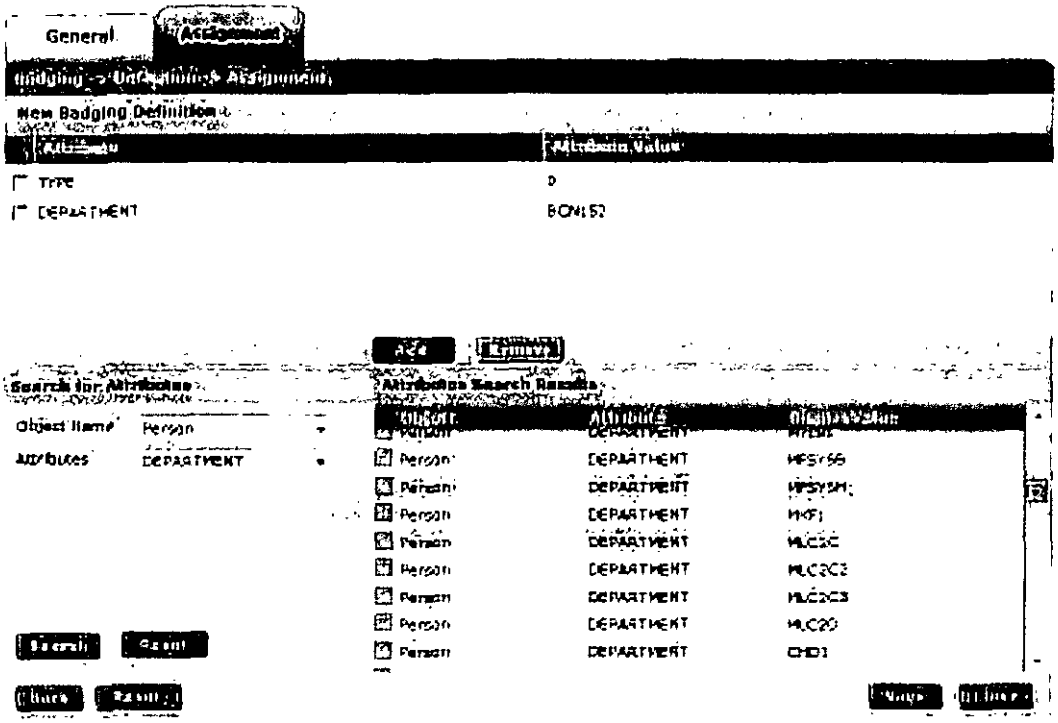

12. Select an Object Name and Attribute under the Search for Attributes section and click the *Search* button.
13. All of the available values for this attribute are shown to the right under Attributes Search Results.
14. Select an item with the value that should correspond with this badge template assignment and click the *Add* button above.
15. Repeat from step 11 for each attribute value that should match to assign this badge template.
16. Click the *Save* button when complete to save the template details.

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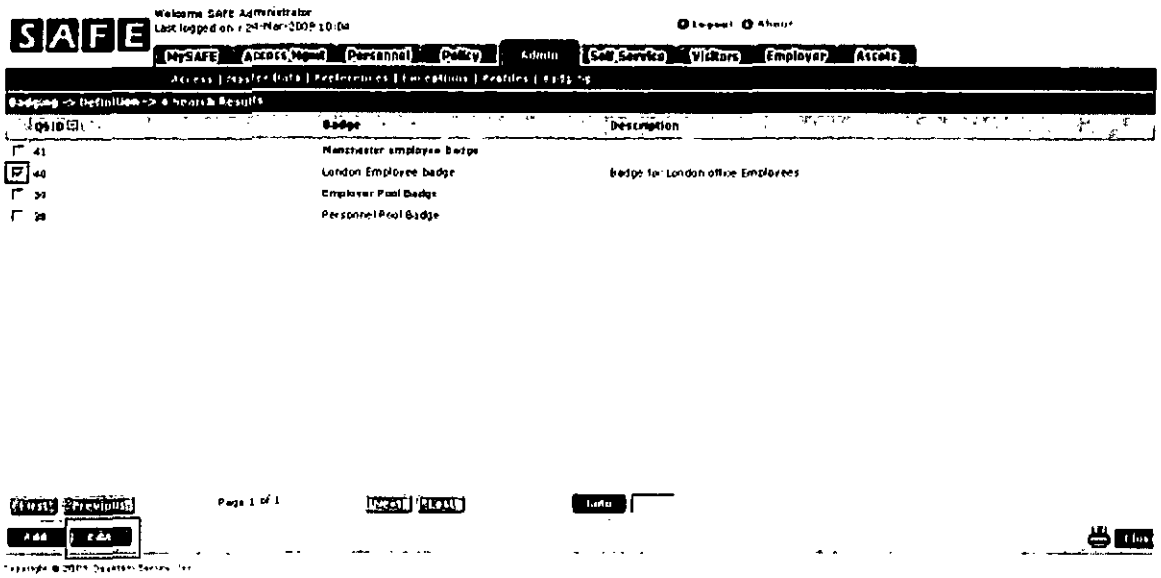
Modifying Badge Template

17. Select an existing Template from the list you want to modify and click the *Edit* button.
18. The Template page is shown where you can edit the Template details.
19. The template can be modified in the same way it was created as described previously in *Creating Badge Template*.
20. Click the *Save* button to update the changes.



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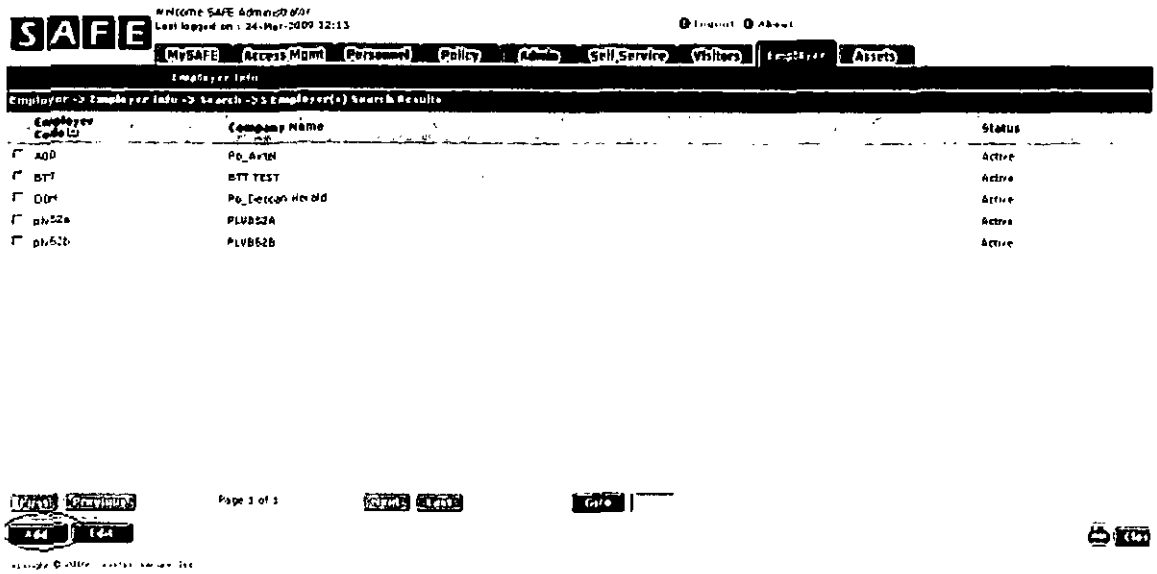
Employer

Creating Employer

1. New Employer can be created by clicking on *Add* in the *Employer Search Result* screen.



2. *Employer* > *General* tab will be displayed where you need to enter the general details of an Employer.
3. Click on *Save* to save the record and the same will be displayed under *Employer Search Result* screen.

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SAFE

Welcome SAFE Administrator
Last logged on : 24-Mar-2009 12:13

Logout About

MySAFE | Access Mgmt | Personnel | Policy | Admin | Self Service | Visitors | Employer | Assets

Employer Info

General | Sponsors | Authorised Signatories

Employer -> Employer Info -> General Details

New Employer Request

Employer Information

Company Name: Guco Apparels

Employer Code: Gu

Status: Active

Address Information

Address 1:

Address 2:

City/Town:

Province/State:

Postal Code:

Country: --Select--

Contact Details

Telephone No.:

Fax No.:

Website:

Next | Print | Save | Close

Employer details can be saved by clicking the Save button. Close button returns to Employer Search Results.

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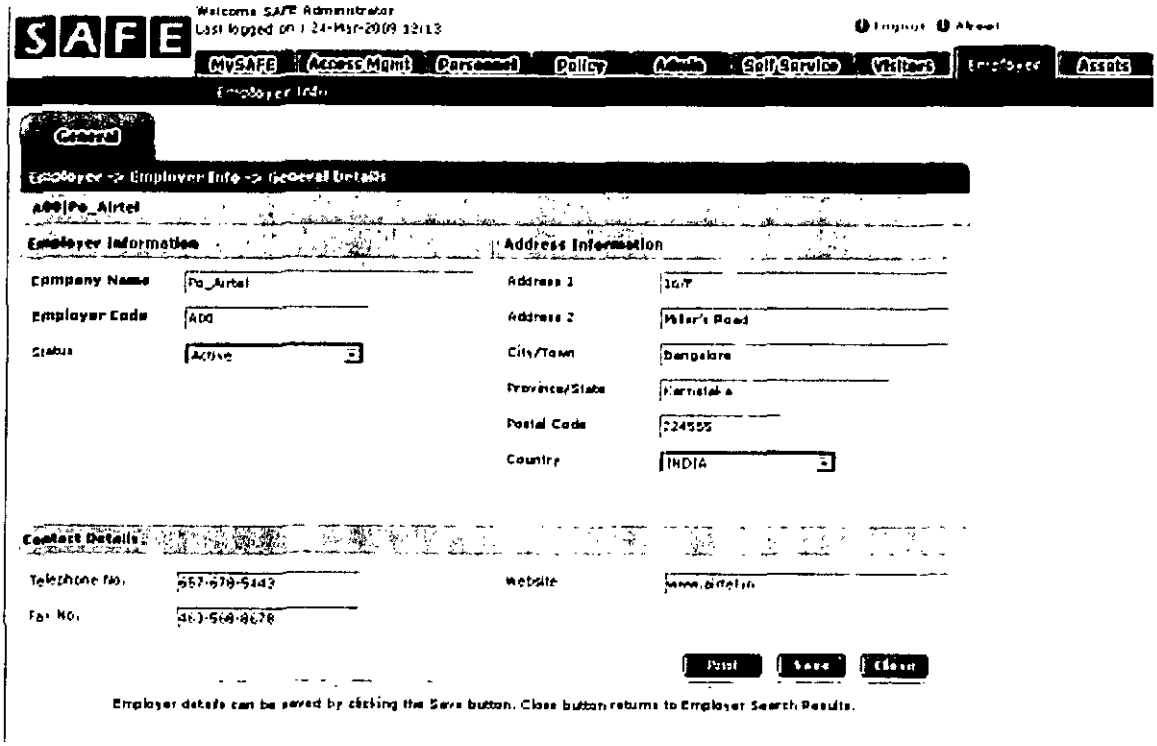
Modifying Employer

1. Select an Employer whose details you want to modify and click on *Edit*.
2. *Employer > General* tab will be displayed where you can modify the Employer details.
3. The Employer you have selected to modify is 'Trusted' then the Edit form will display only *General* tab. Since Sponsors or Authorized Signatories cannot be set for Trusted Employers.
4. Trusted and Un Trusted will be differentiated based on the *Employer Code* given while creating.



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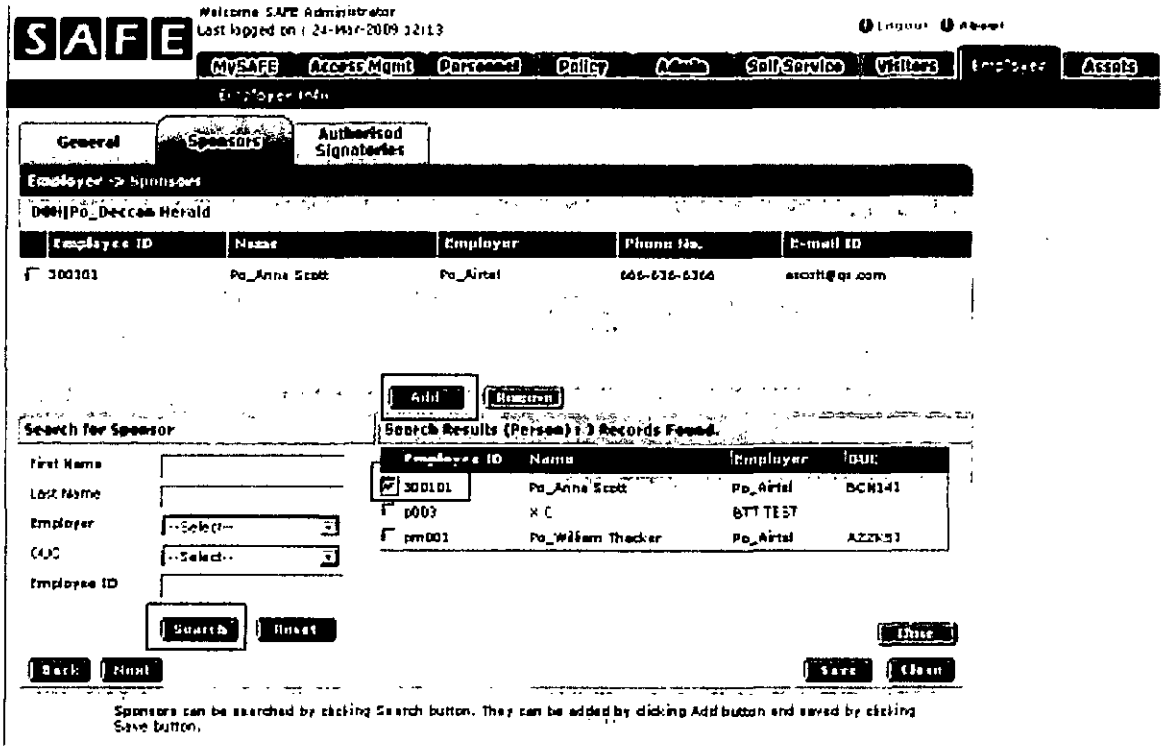
Assigning Sponsors to Employers

1. Select an un trusted Employer and click on Edit, 3 tabs will be displayed *General, Sponsor and Authorized Signatories*
2. Navigate to *Sponsors* tab, in this tab you can search and set Sponsor for selected Employer.
3. When Search is performed, only Employees belonging to the Trusted Employers will be shown.
4. Multiple Sponsors can be set for an Employer.
5. Click on the *Save* button to save the changes.



Assigning Authorised Signatories to Employers

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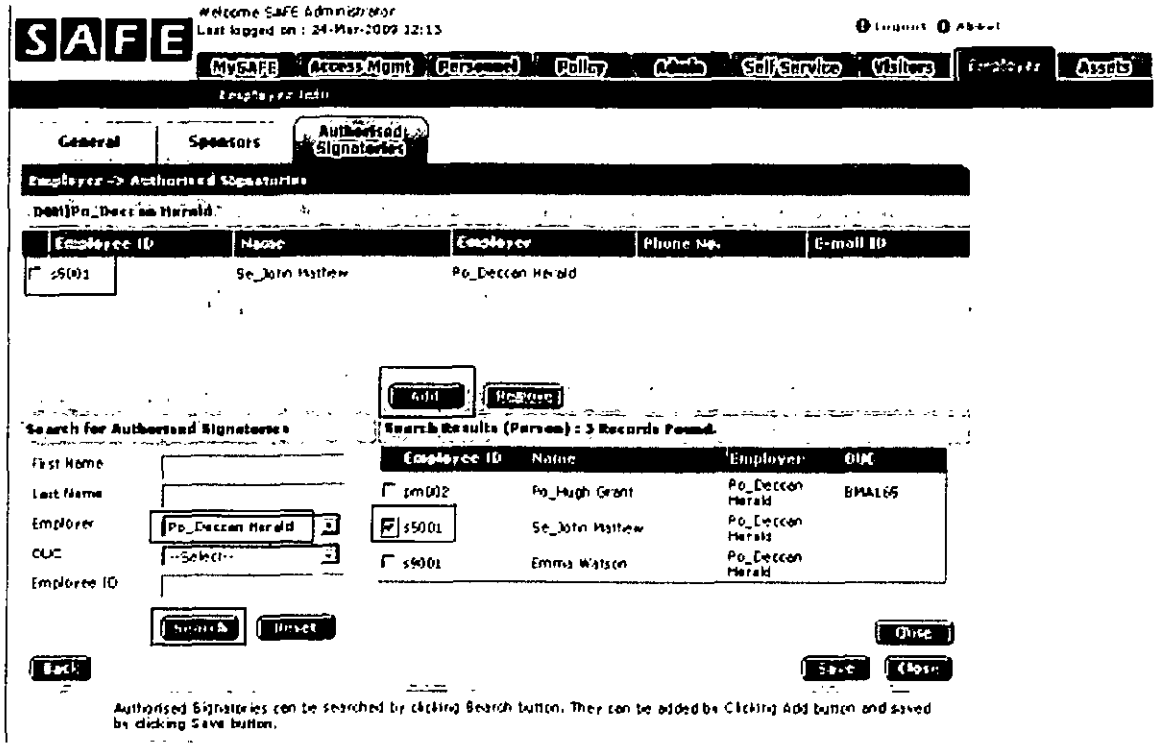
1. Select an un trusted Employer and click on Edit, 3 tabs will be displayed *General, Sponsor and Authorized Signatories*
2. Navigate to *Authorized Signatories* tab, in this tab you can search and set *Authorized Signatory* for selected Employer.
3. When Search is performed, only Employees belonging to the selected Employer will be shown.
4. Multiple *Authorized Signatories* can be set for an Employer.
5. Click on the *Save* button to save the changes.



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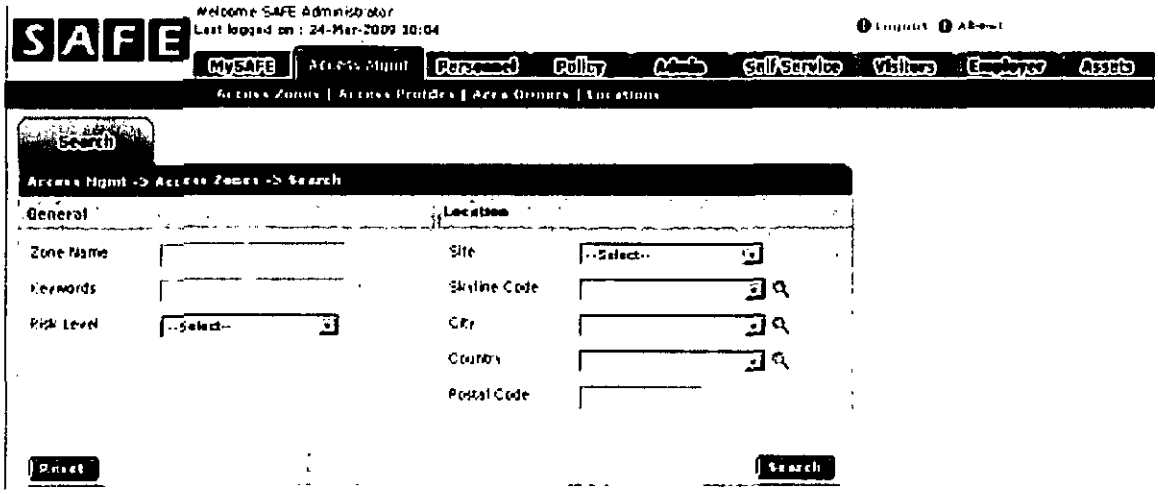
Access Zones - Search

1. Access Zones can be searched with various search parameters such as Zone Name, Keywords and Risk Level or on Location details.
2. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search result* screen will be shown.
3. Without filling any search criteria, click on *Search* all the records will be displayed.



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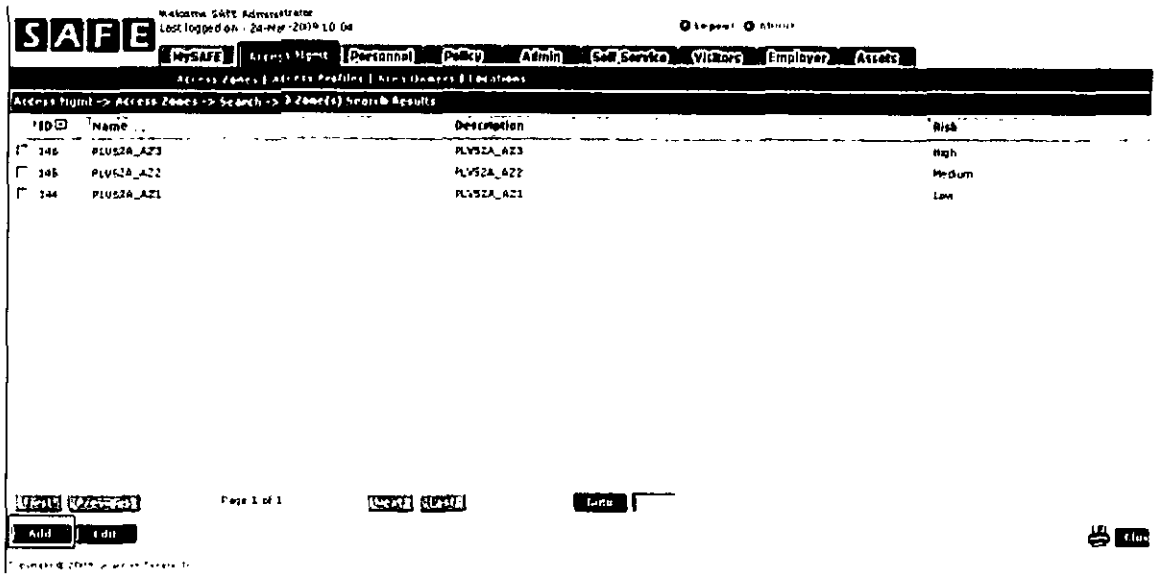
Creating Access Zones

1. New Access Zones can be added to the list by clicking the *Add* button present in the Search Result.



2. *Access Zone > General* screen will be displayed where you need to fill in the general zone details such as Zone Name, Description, Key Words, Risk Level with Time Schedule (Time Schedule which will be used by default when assigning the zone) and Location Identifiers.
3. Location Identifiers will be added in the bottom grid where you need to select the Site, Skyline Code, City, Country and Postal Code using respective drop downs and click on *Add*
4. Multiple Location Identifiers can be added for each location field.

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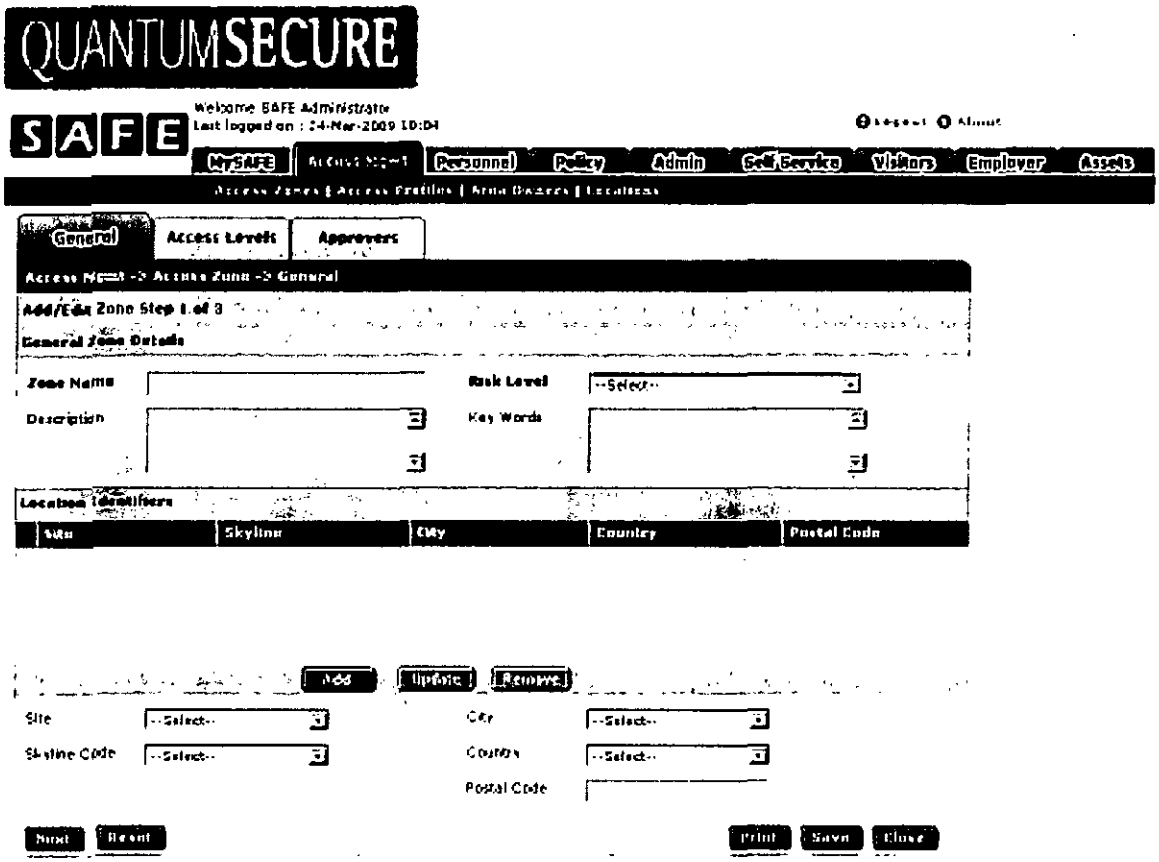
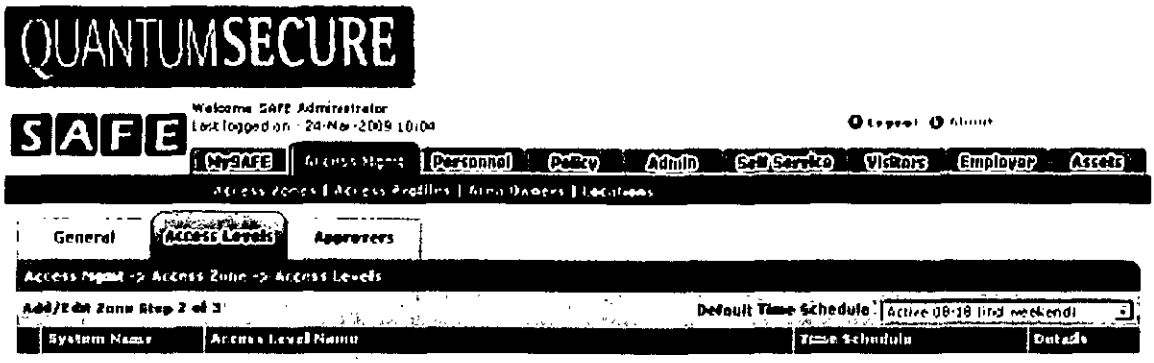
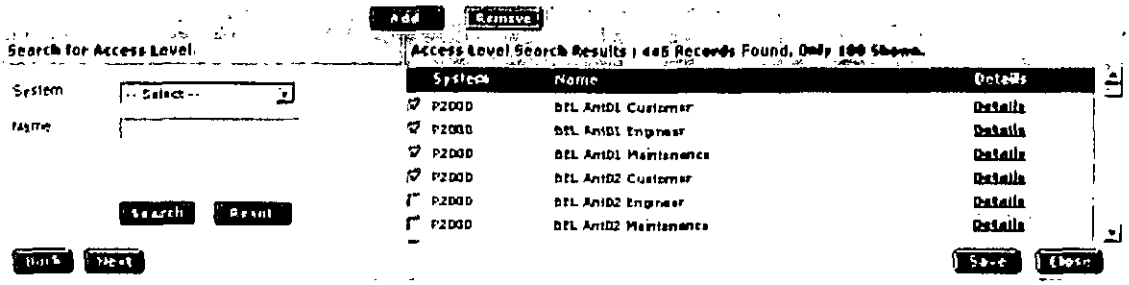


5. Click on the *Access Levels* tab to add Access Levels.
6. The *Access Levels* tab displays three different sections: *List of Access Levels*, *Search for Access Level* and *Access Level Search Result*.
7. Under the *Search for Access Level* section enter search criteria using the drop down options and click on *Search*, all the Access Levels that meet the search criteria will be displayed under *Access Level Search Result* section.
8. Set the Default Time Schedule using the drop down and then select an Access Level from the *Search Result* section and click on *Add*, the selected record will be displayed under the *List of Access Levels* section as shown below.
9. Multiple Access Levels can be selected and added to the list.
10. Using the *Remove* button you can remove the Access Levels from the list.





11. Click on the *Approvers* tab to add Approvers to the list.
12. The *Approvers* tab displays three different sections: *List of Approvers*, *Search for Approver* and *Search Result*.
13. Under the *Search for Approver* section enter search criteria and click on *Search*, all the records that meet the search criteria will be displayed under *Search Result* section.
14. The fields under *Search for Approver* section changes as the user selects Person, User or User Group.
15. Select an Approver from the *Search Result* section and click on *Add*, the selected record will be displayed under the *List of Approvers* section as shown below.
16. Set the Approval Level using the drop down.
17. Multiple Approvers can be selected and added to the list.
18. Using the *Remove* button you can remove the Approvers from the list.

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SAFE

Welcome SAFE Administrator
Last logged on : 24-Mar-2009 10:04

Logout Help

MySAFE | Access Mgmt | Personnel | Policy | Admin | Self Service | Visitors | Employer | Assets

Access Zones | Access Profiles | Access Devices | Locations

General | Access Levels | Approvers

Access Mgmt -> Access Zone -> Approvers

Add/Edit Zone Step 3 of 3

Override Individual Access Approvers

	Name	Approver Type	Approval Level
☐	Po_Holly Gardener	Person	-- Select --

-- Select --
1st Level Approver
2nd Level Approver
Final Level Approver

Add | Remove

Search for Approver

First Name
Last Name
Employer --Select--
OUC --Select--
EmployeeID

Person
Admin User
Admin Group

Search | Reset

Search Results (Persons) 27 Found

Name	Employer	OUC
Pallav J	PLUB528	
Po_Holly Gardener	Po_Lotus	BCN141
Po_Jane Scott	Po_Landmark	NLC2C2
Po_Jerry Kennedy	Po_Landmark	N7C163
Po_Sarah Jacobs	Po_Lotus	BNA165

Back | Reset | Save | Close

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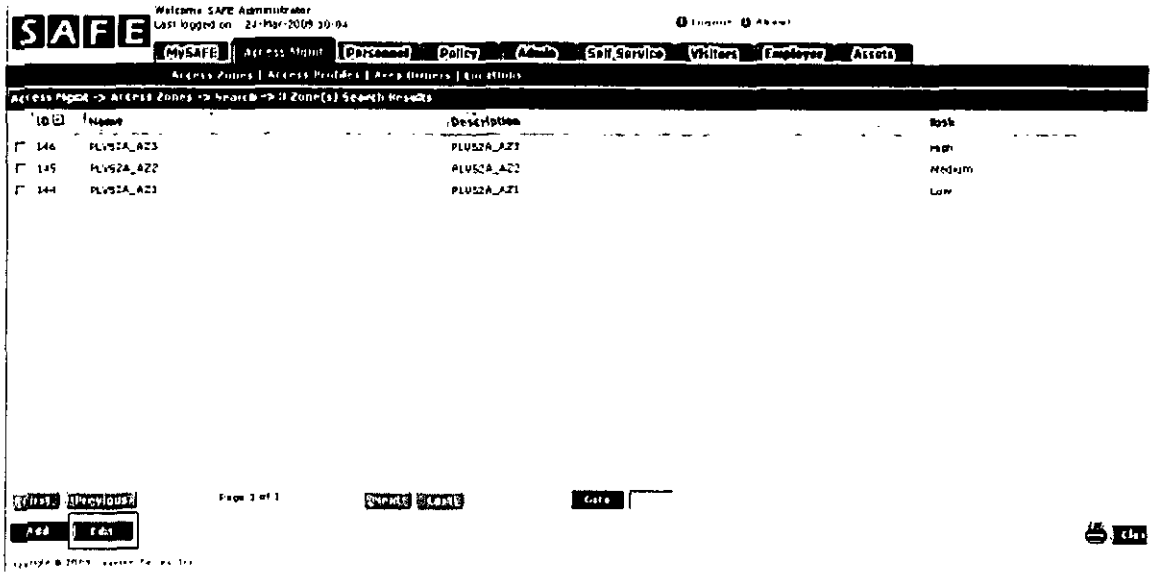
Modifying Access Zone

1. Select an Access Zone from the list you want to modify and click the *Edit* button.
2. The same window pops up as described in the previous section where you can edit the Access Zone details and adding or removing the Access Levels and Approvers
3. Click the *Save and Close* button to update the changes.



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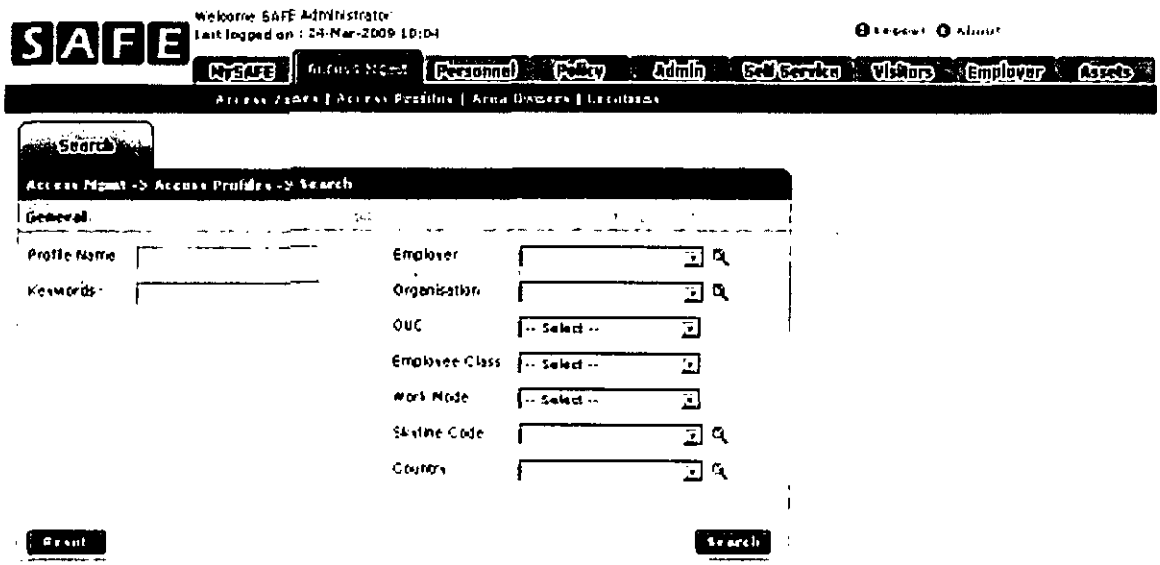
Access Profiles – Search

1. Access Profiles can be searched with various search parameters such as Profile Name, Keywords or Employer/Employee details.
2. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
3. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



Creating Access Profile

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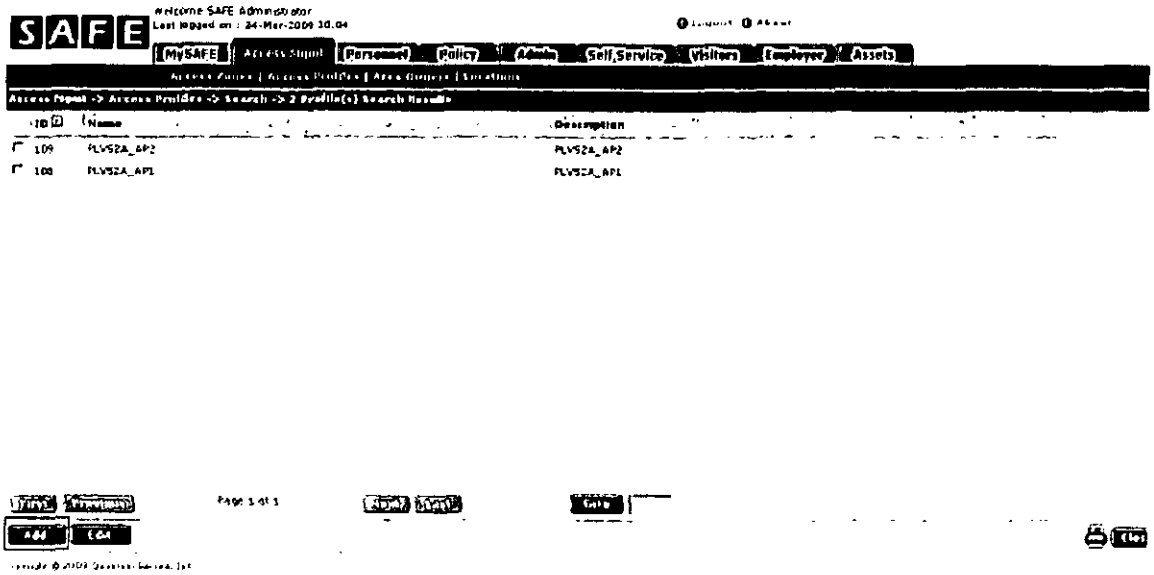
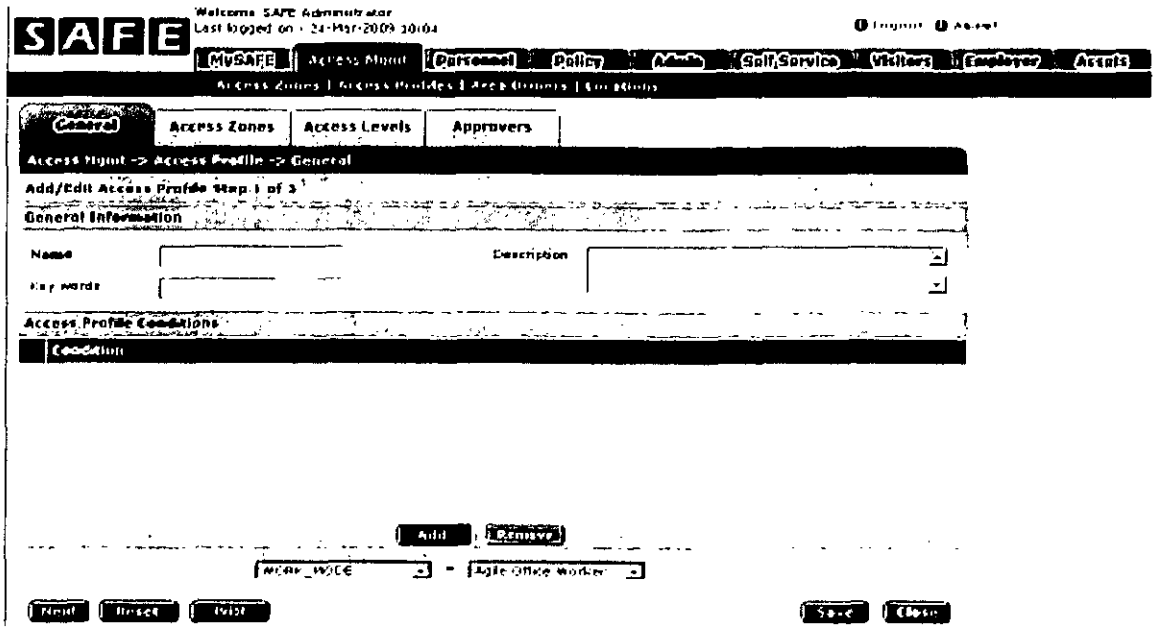
1. New Access Profile can be added to the list by clicking the *Add* button present in the Search Result.



2. *Access Profiles* > *General* screen will be displayed where you need to fill in the Access Profile Conditions.
3. You need to select the profile condition from the drop downs and click on *Add*; the Access Profile Condition will be added to the list.



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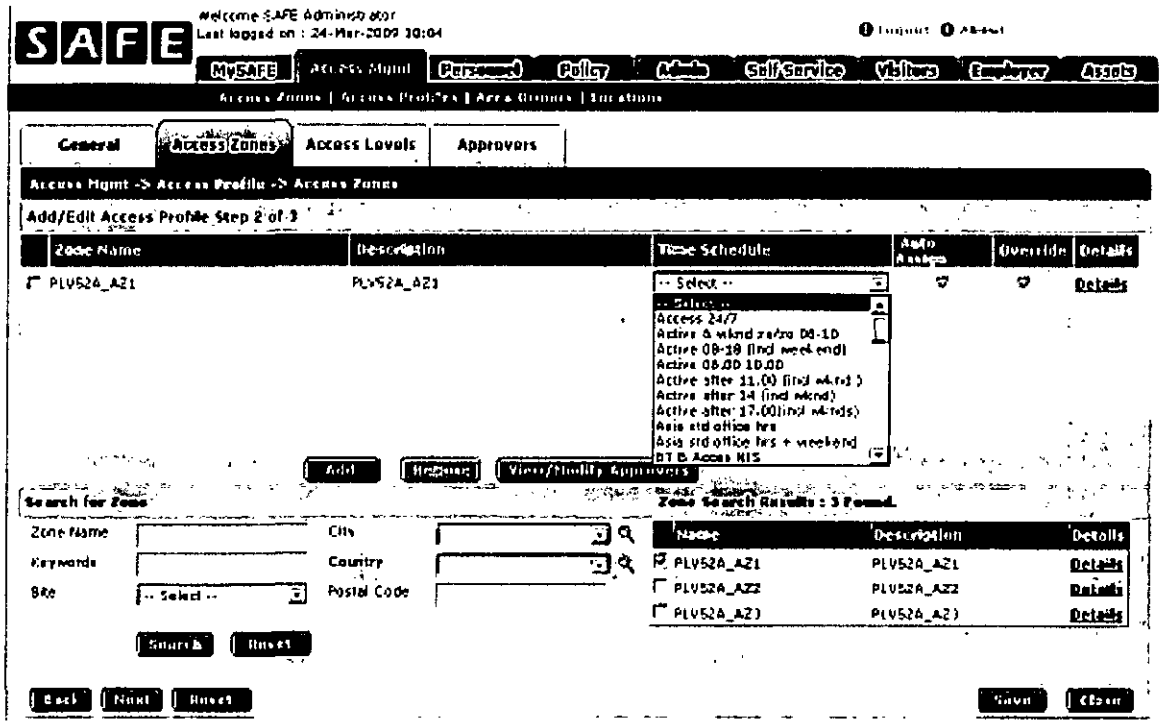
4. Click on the *Access Zones* tab to add Zones to the list.
5. The *Access Zones* tab displays three different sections like *Access Profile*, *Search for Zone* and *Zone Search Result*.
6. Under the *Search for Zone* section enter search criteria using the drop down options and click on *Search*, all the Zones that meet the search criteria will be displayed under *Zone Search Result* section.
7. Select a Zone from the *Search Result* section and click on *Add*, the selected record will be displayed under the *Access Profile* section.
8. Multiple Zones can be selected and added to the list.
9. Using the *Remove* button you can remove the Zones from the list.



10. Click on the *Access Levels* tab to add Access Levels.
11. The *Access Levels* tab displays three different sections like *Access Profile*, *Search for Access Level* and *Access Level Search Result*.
12. Under the *Search for Access Level* section enter search criteria using the drop down options and click on *Search*, all the Access Levels that meet the search criteria will be displayed under *Access Level Search Result* section.
13. Select an Access Level from the *Search Result* section and click on *Add*, the selected record

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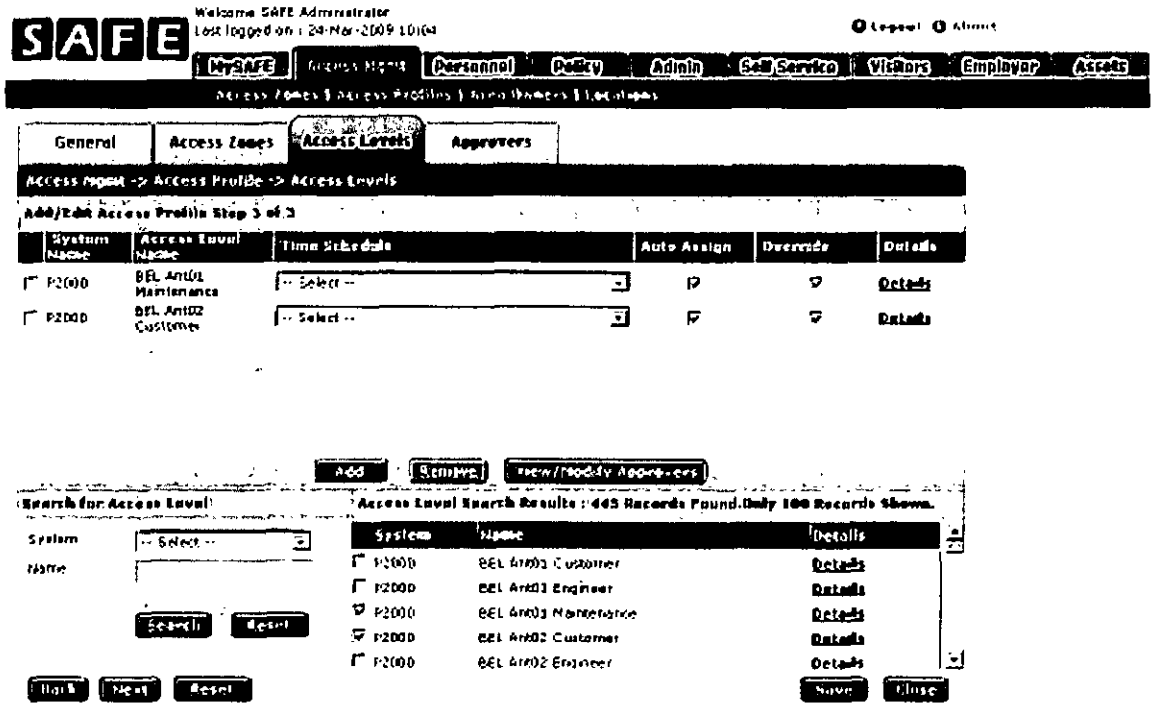
will be displayed under the *Access Profile* section.

14. Multiple Access Levels can be selected and added to the list.
15. Using the *Remove* button you can remove the Access Levels from the list.



16. Click on the *Approvers* tab to add Approvers to the Profile.
17. The *Approvers* tab displays three different sections like *List of Approvers*, *Search for Approver* and *Search Result*.
18. Under the *Search for Approver* section enter search criteria and click on *Search*, all the records that meet the search criteria will be displayed under *Search Result* section.
19. The fields under *Search for Approver* section changes as the user selects Person, User or User Group.
20. Select an Approver from the *Search Result* section and click on *Add*, the selected record will be displayed under the *List of Approvers* section as shown below.
21. Set the Approval Level using the drop down.
22. Multiple Approvers can be selected and added to the list.
23. Using the *Remove* button you can remove the Approvers from the list.

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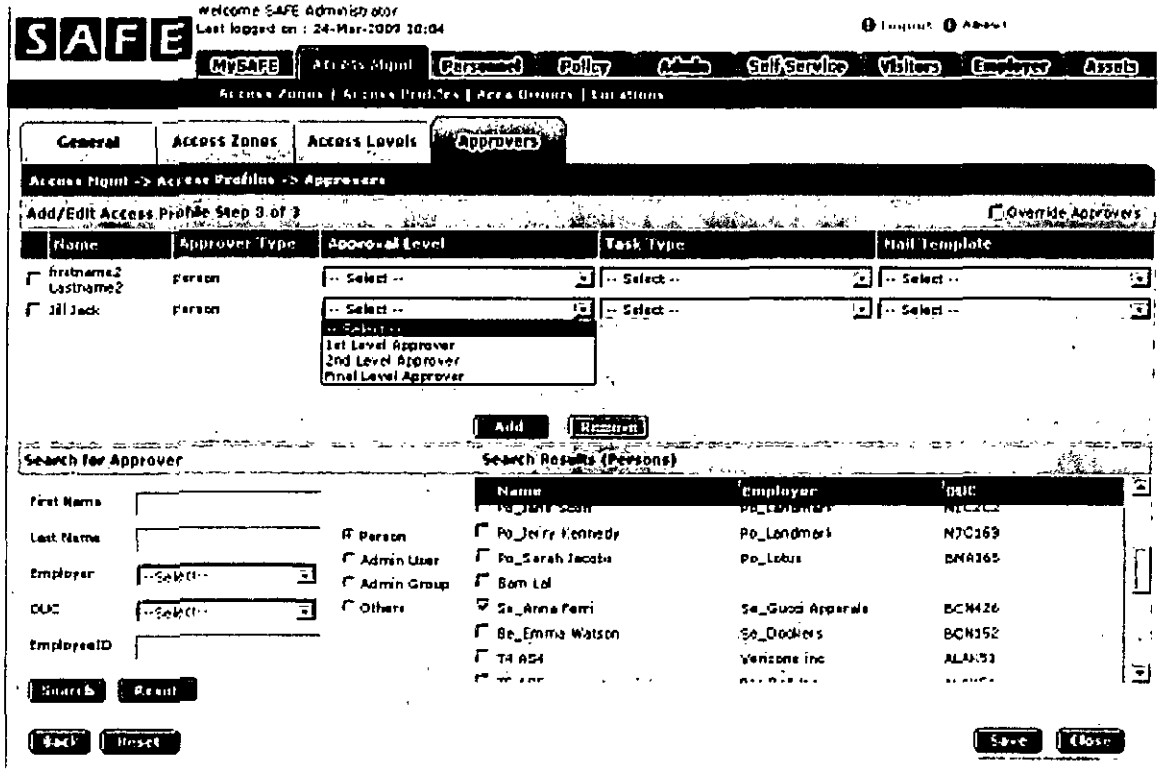

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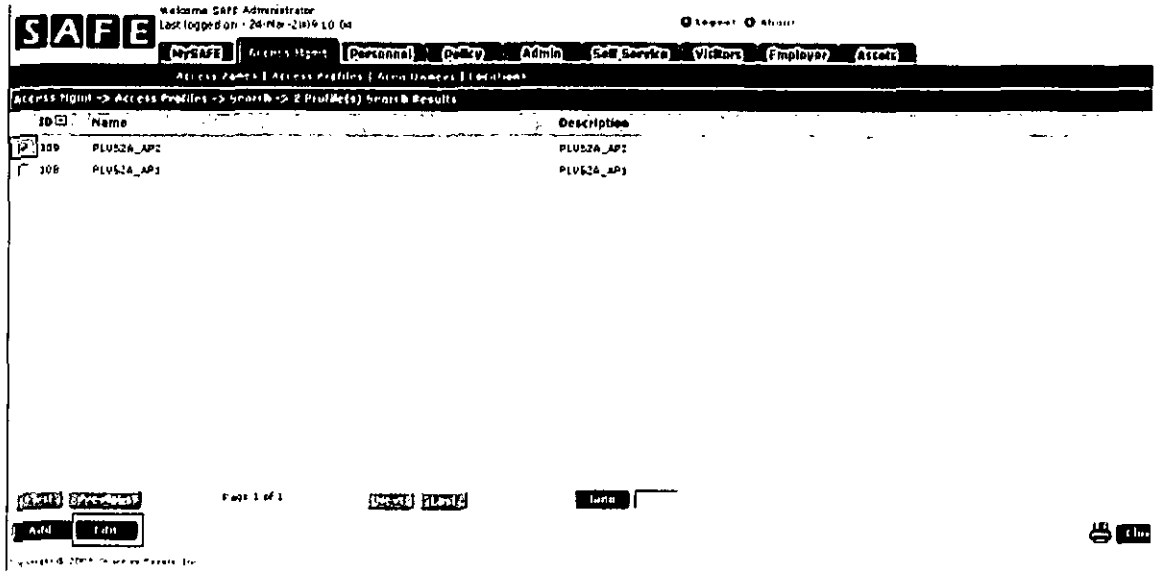
Modifying Access Profile

1. Select an Access Profile from the list whose details you want to modify and click the *Edit* button.
2. The same window pops up as described in the previous section where you can edit the Access Profile details and adding or removing the Access Zones and Access Levels.
3. Click the *Save and Close* button to update the changes.



Area Owners – Search

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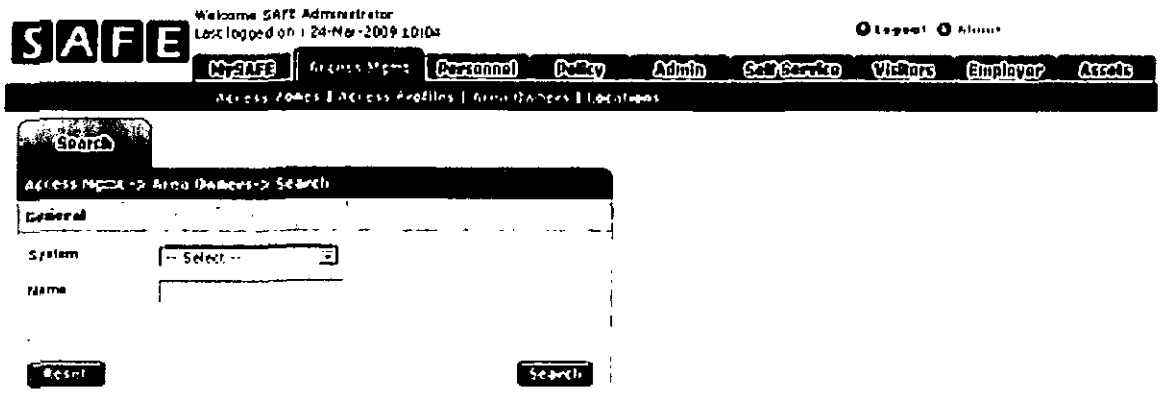
1. Area Owners can be searched by providing search parameters such as System name or by the Access Level name.
2. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
3. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



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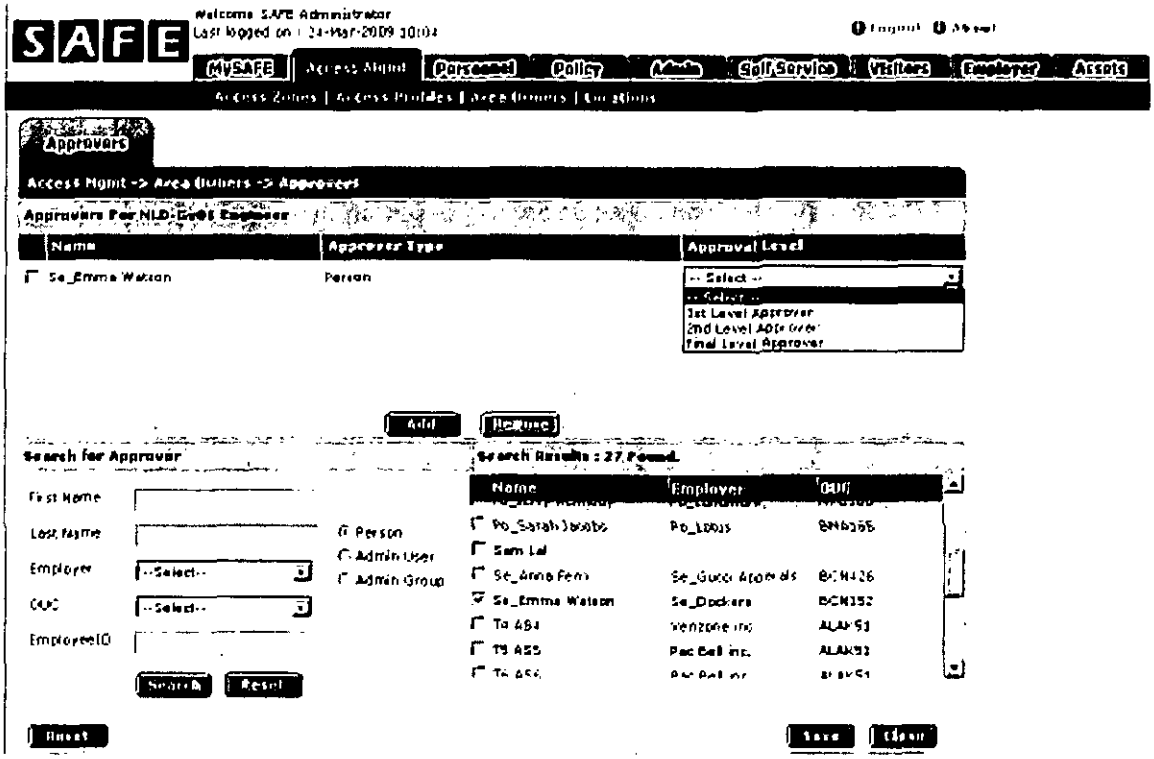
4. In the Area Owner Search Result screen, select an Access Level and click on *Assign*, you will be navigated to *Approvers* tab
5. In this tab you will be able to add and modify Approvers for the selected Access Levels.
6. Click on the *Save* button to save the changes.



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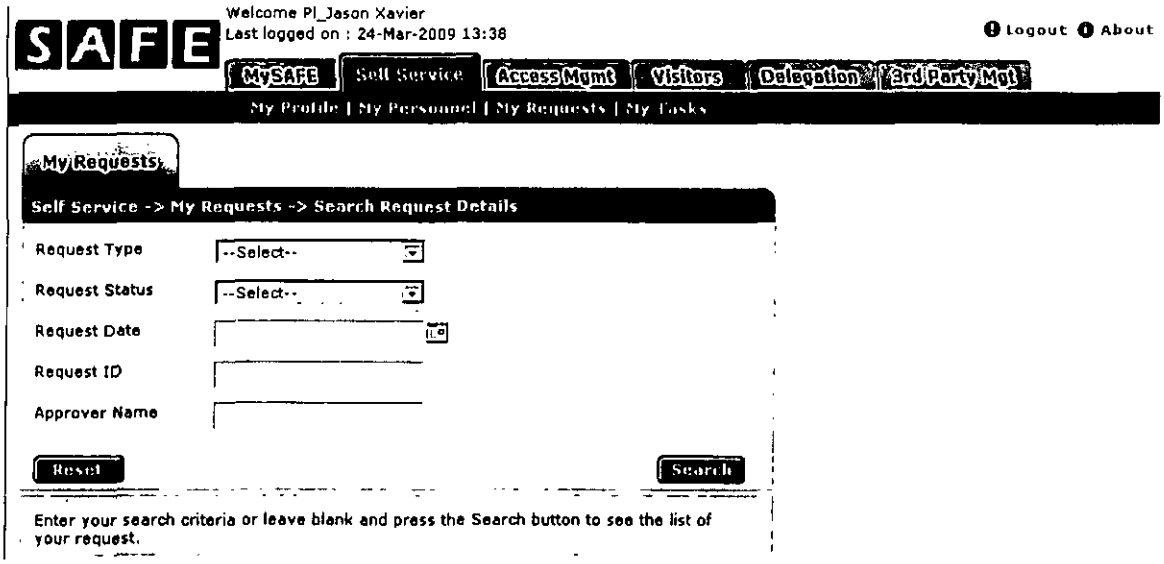
Self Service

Self Service – My Requests

1. Login to Self Service, by default Self Service > My Profile tab will be selected.
2. Navigate to My Requests tab, Search screen will be displayed.
3. Requests can be searched by providing search parameters such as Request Type, Date, Status ID etc
4. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
5. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



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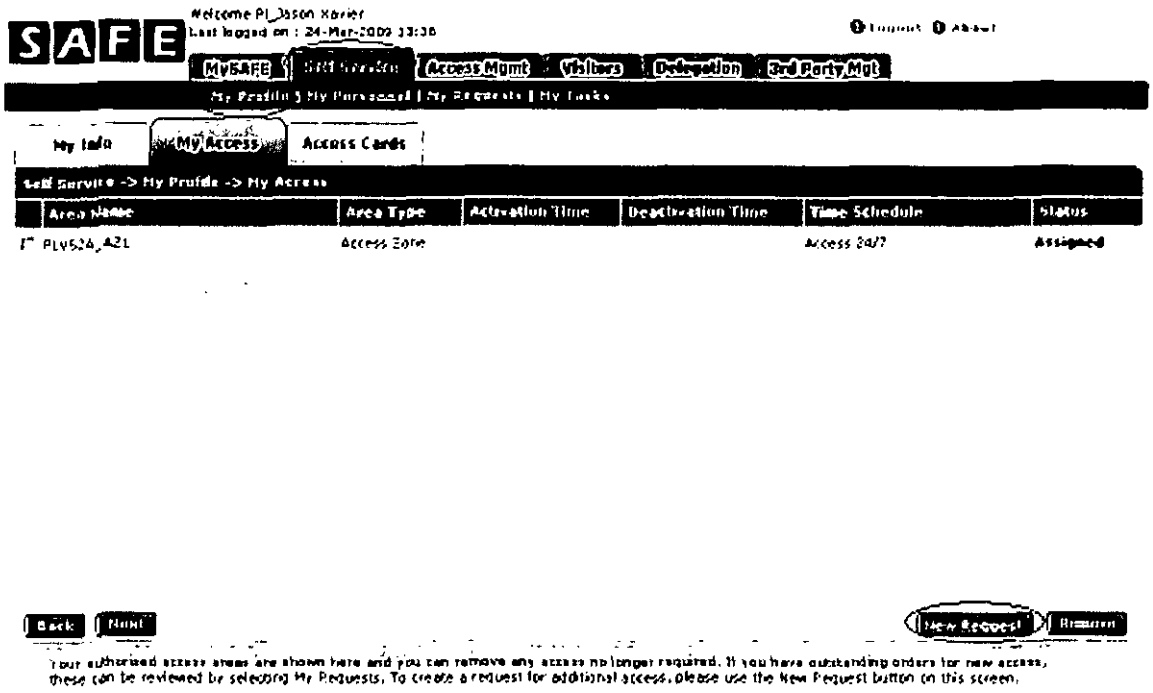
Creating Request

1. The Request will be created under *Self Service > My Profile > My Access* tab.



2. Click on *New Request*, you will be navigated to *Self Service > My Requests* tab.
3. In this screen you need to search for the Access and add it to the list and enter the reason under *Request Reason* tab

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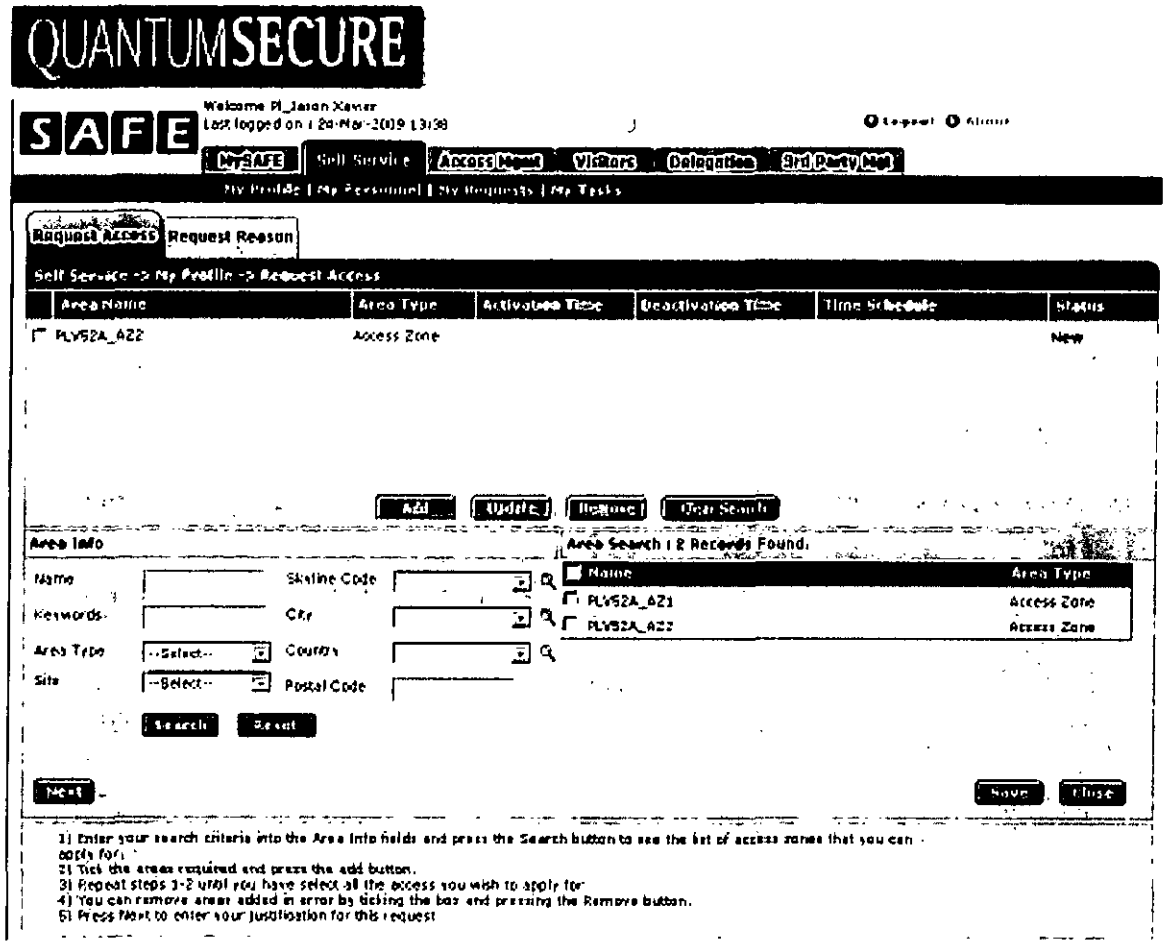
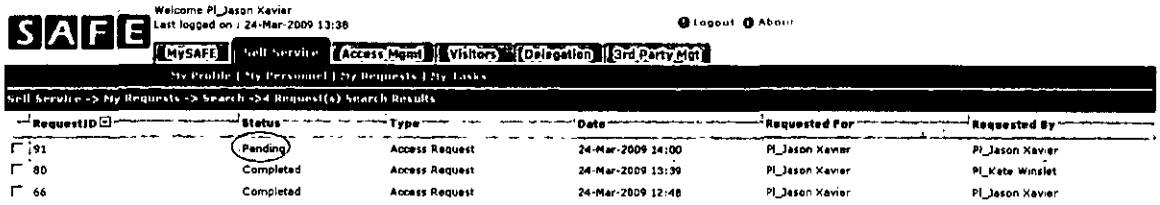


4. Click on *Save*, the request will be saved under *Self Service > My Requests* tab in the *Pending* state as shown below.
5. This request is sent for approval to the Area Owner depending upon the Access Levels chosen.
6. The request status changes to *Approved* only when the request is approved by the Area Owner.
7. The status changes to *Declined* if the Request is declined by the Area Owner.
8. Once the Approval cycle is completed the request status changes to *Completed*



Modifying Request

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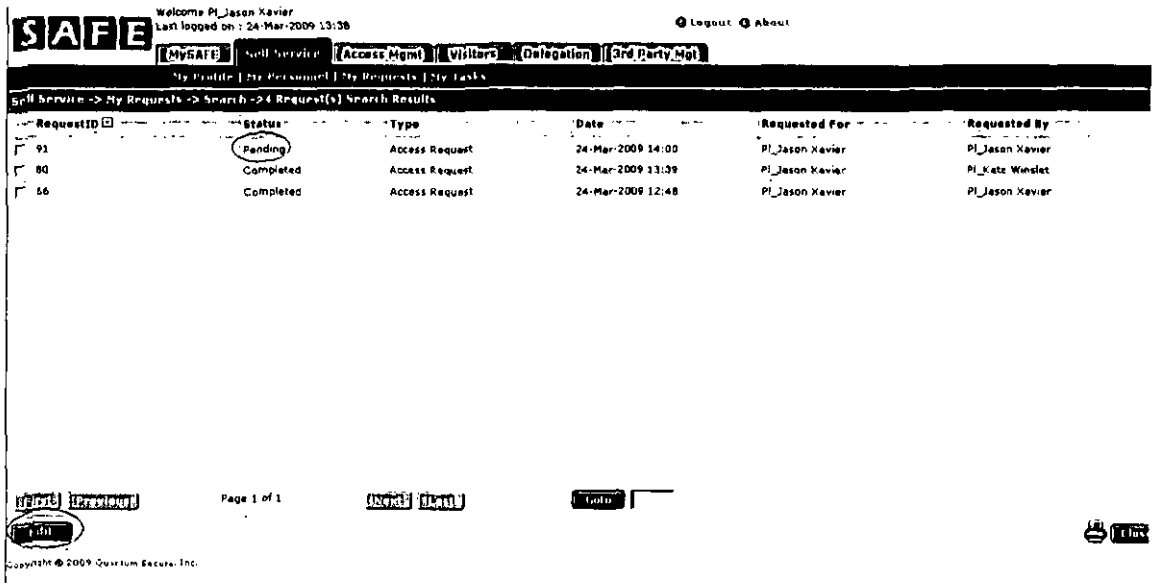
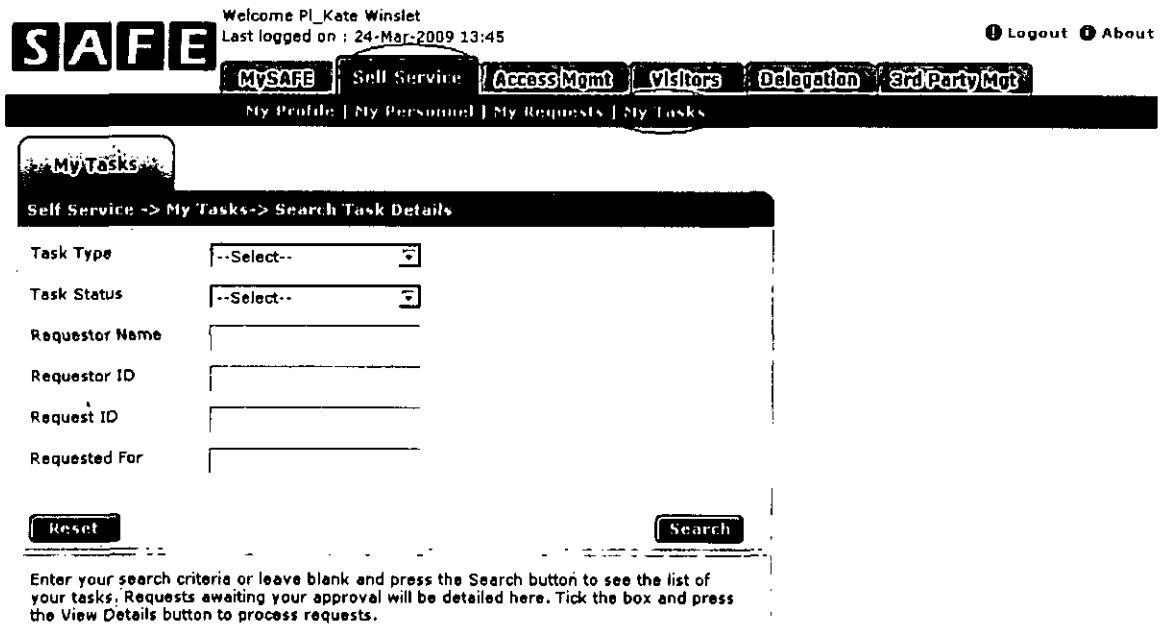
1. Only those requests whose status is *Pending* can be modified.
2. Select a Request whose details you want to modify and click the *Edit* button.
3. The same window pops up as described in the previous section where you can edit the Request details.
4. Click the *Save* button to update the changes.



Self Service – My Tasks

1. The request is sent for approval to the Area Owner depending upon the Access Level chosen.
2. The requests waiting for Approval will be displayed under *Self Service > My Tasks* tab
3. Requests can be searched by providing search parameters such as Request Type, Date, Status ID etc
4. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
5. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



6. Select a Request by checking the checkbox and click on *View Details*.

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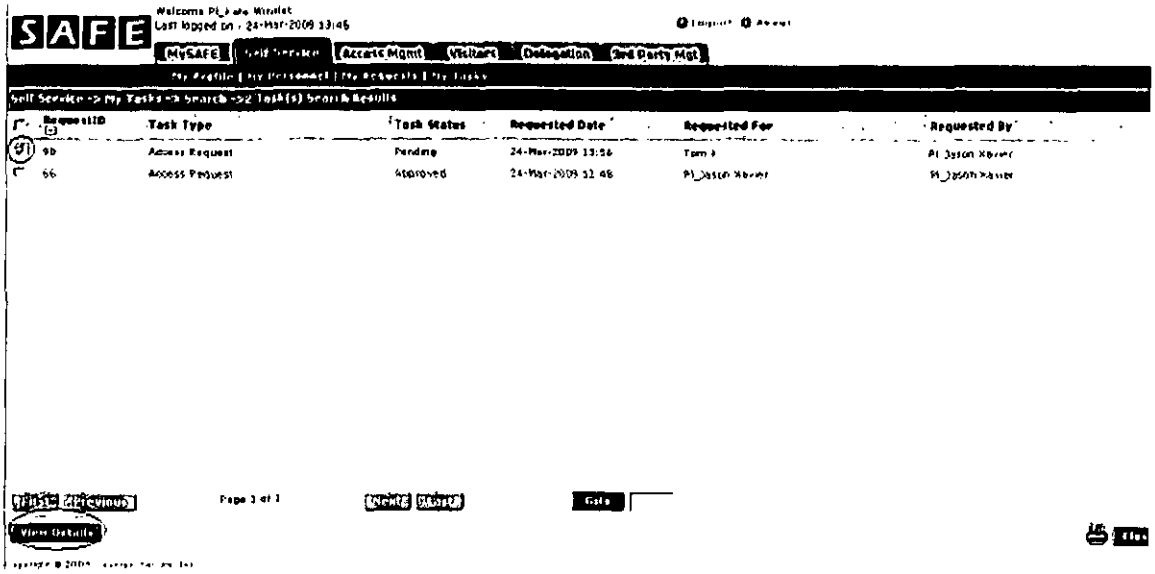
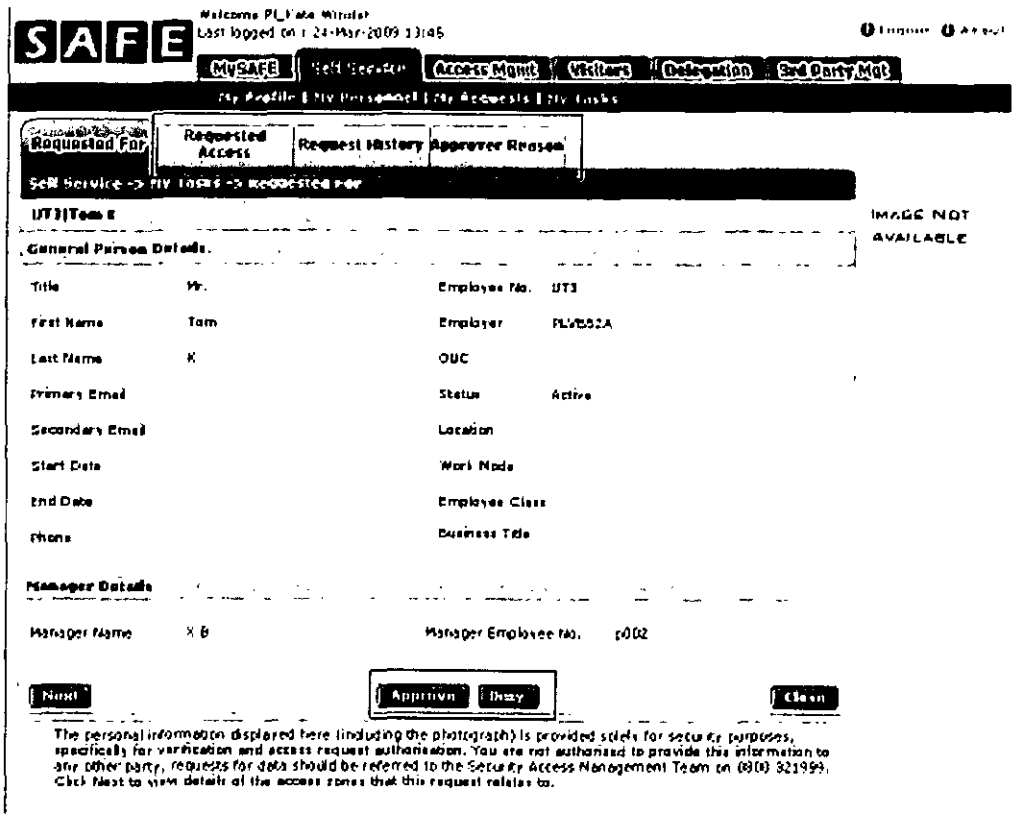


7. Under Requested Access tab, the requested Access Levels will be displayed.
8. Request History will be shown under *Request History* tab
9. Approver can write comments under *Approver Reason* tab



10. Click on *Approve* to approve the request.

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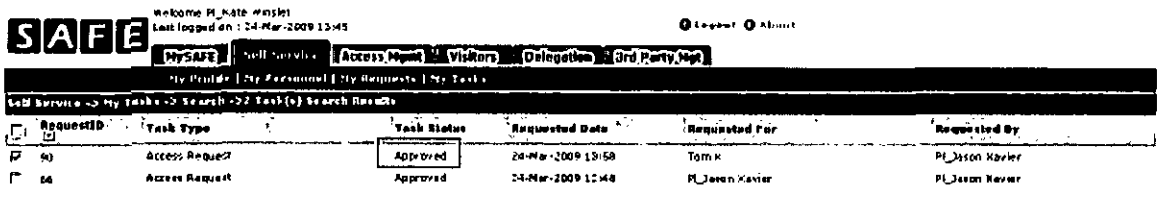
11. After the record is approved by the Primary owners, the request status changes to *Approved.*
12. The Personnel is now provisioned with the assigned Access Level.
13. Same steps mentioned above need to be followed to decline a request.



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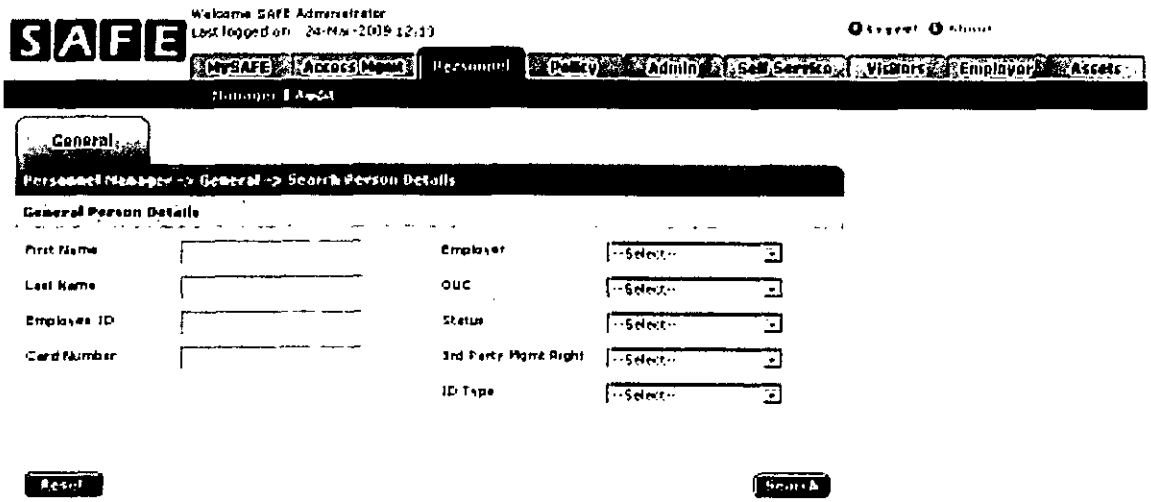
Personnel Manager

Searching for Persons

1. Person can be searched by providing search parameters such as Person's first/last name, Employee ID, Employer details etc
2. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
3. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



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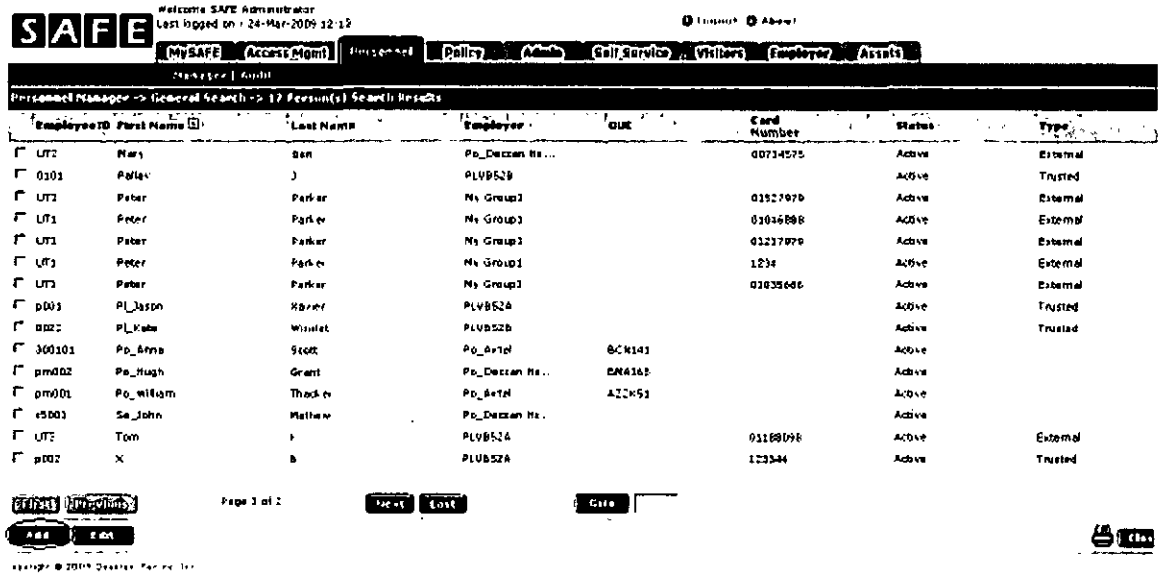
Creating Person

1. In the *Person Search Result* screen click on *Add* to add a new person record.



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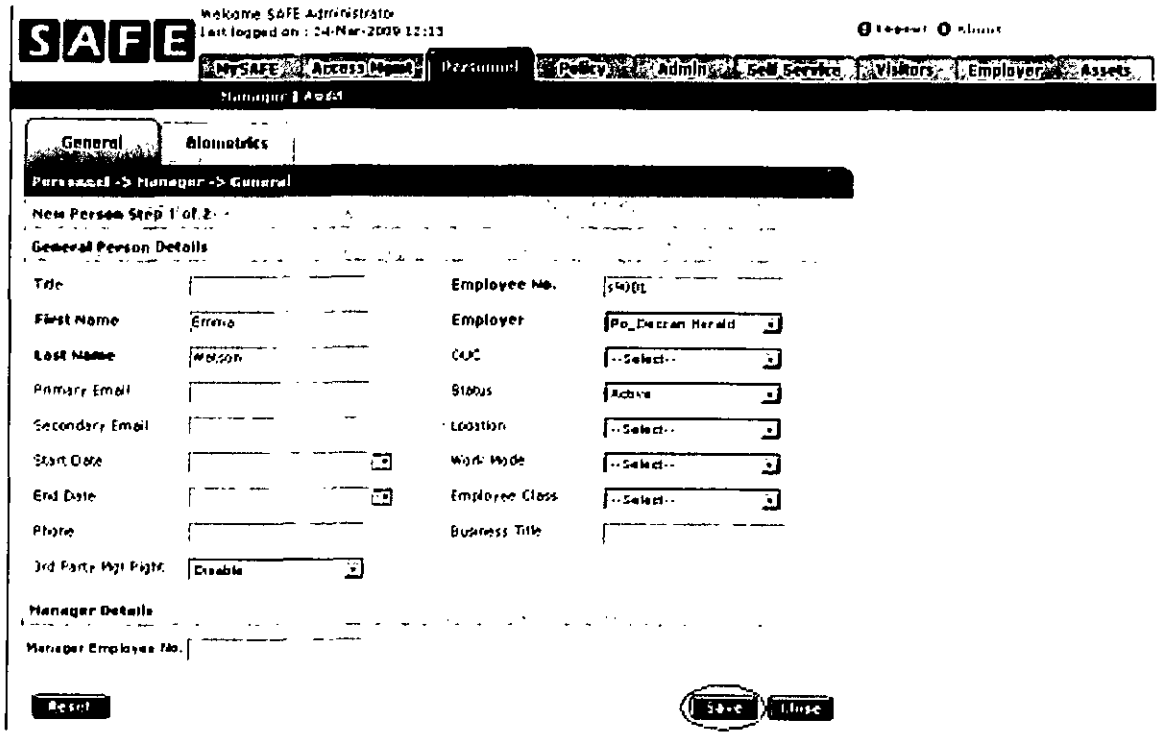
2. Under *General* tab, enter general details of the Personnel.
3. Make sure that all the fields that are starred should be filled up with appropriate values otherwise SAFE will warn the user and will not allow to proceed with the personnel creation.
4. Navigate to *Biometrics* tab if you need to include the photo or a signature of the person you are creating.
5. Click on *Save*, the Person will be added to the list.



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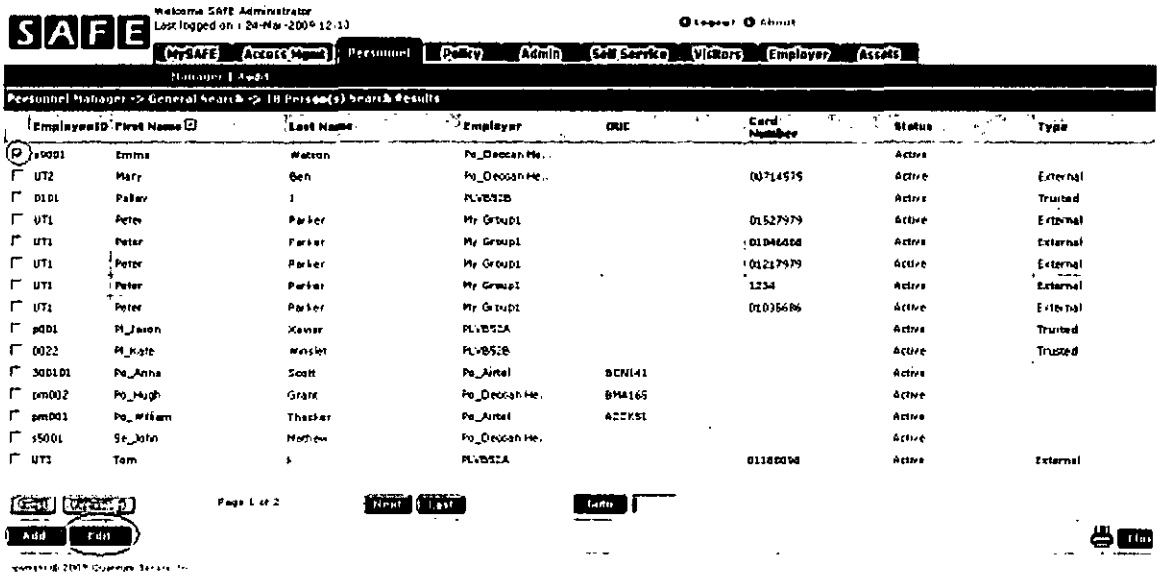
Modifying Person

1. To modify the Person details you created, you need to select the Person record and click on *Edit*.



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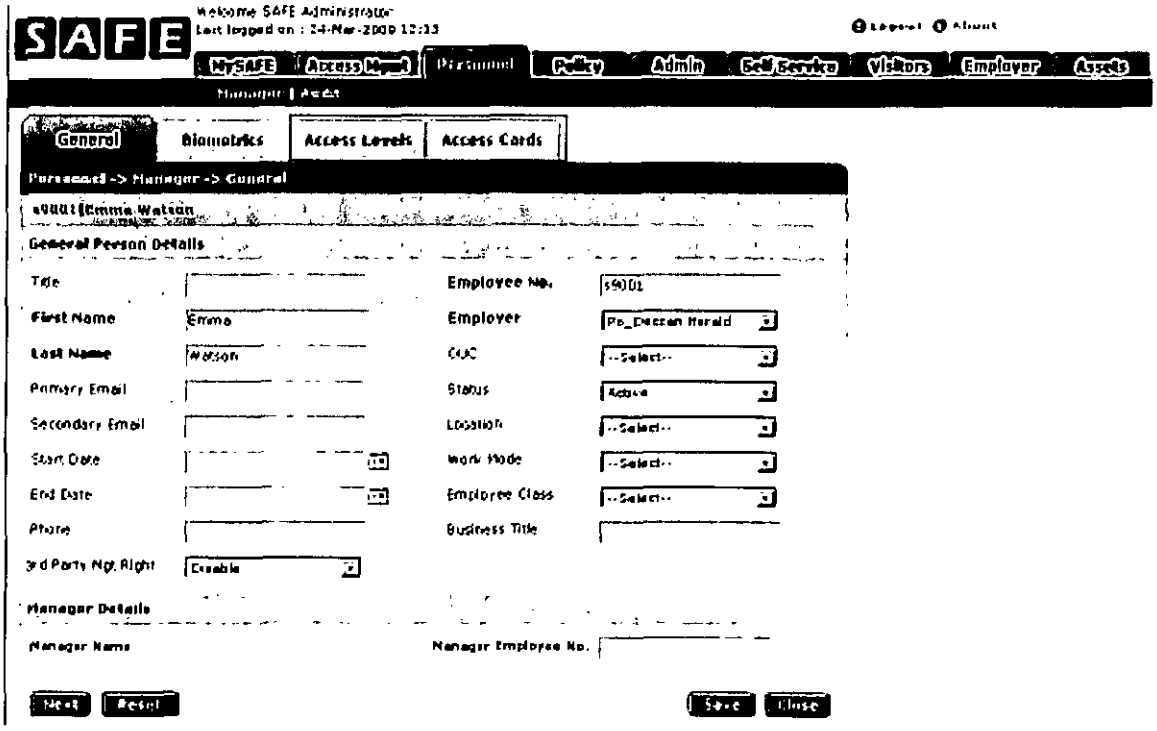
2. In the Edit Person Details screen, you can modify the general details of the Person.
3. Two more tabs *Access Levels* and *Access Cards* will be displayed. Through these tabs you will able to request for Access Levels and Cards. Please refer section 7.3.1 and 7.3.2 for more details.



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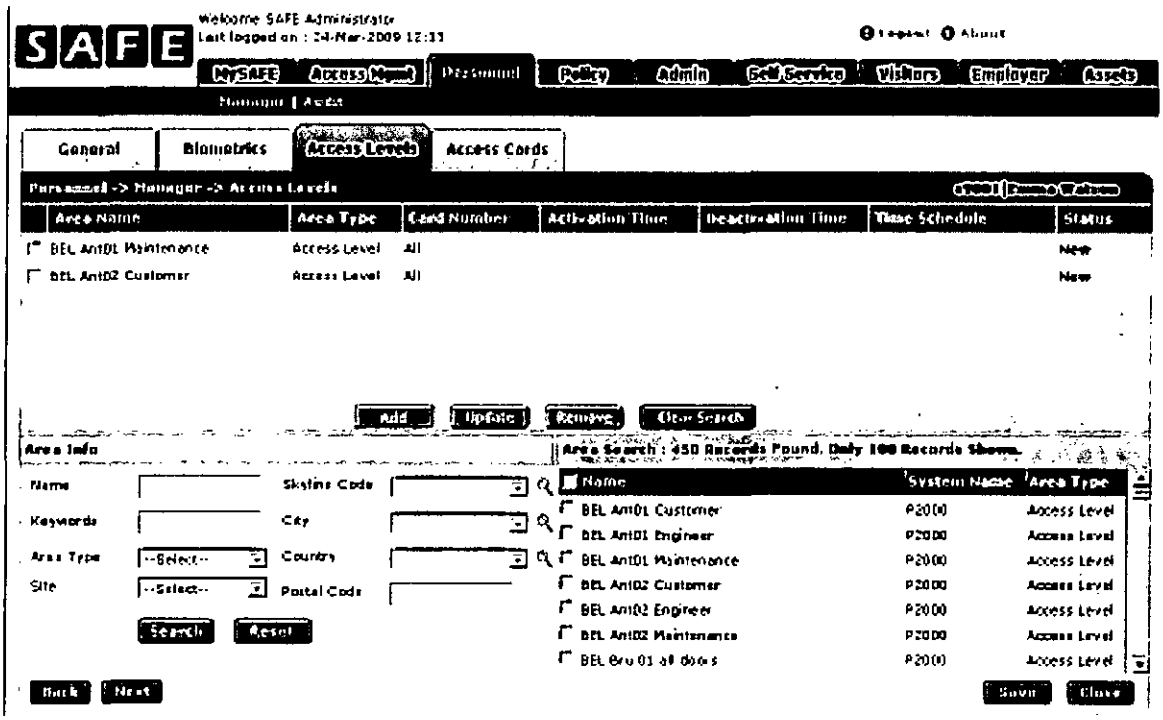
Assigning Access Levels to Person

1. To assign Access Levels to the Person you have selected, navigate to Access Levels tab where you can search for Access Levels and add them to the list.
2. Click on *Save*, the selected Access Level request will be auto approved and the Person is now provisioned with the assigned Access Levels.



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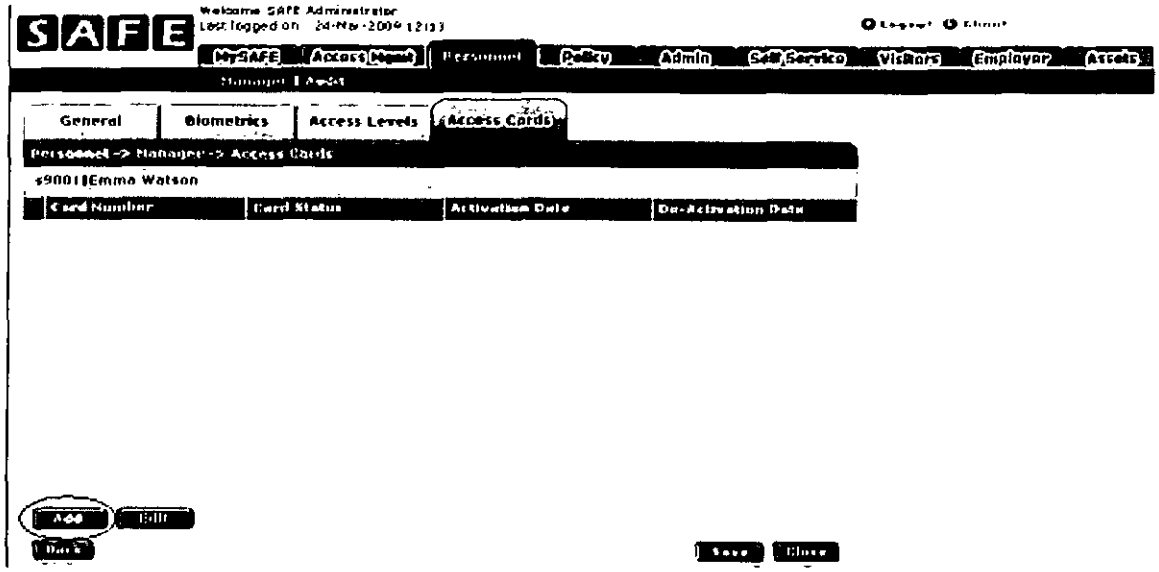
Assigning Access Cards to Person

1. To assign Access Cards to the Person you have selected, navigate to Access Cards tab.



2. Click on *Add* navigates to *Personnel > Manager > Access Cards* screen.
3. Enter required details and click on *Save*, the card will be assigned to the Person you have selected.

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SAFE

Welcome SAFE Administrator
Last logged on : 24-Mar-2009 12:13

Logout About

MySAFE | Access Mgmt | Personnel | Policy | Admin | Self Service | Visitors | Employee | Assets

Manager | Audit

Access Cards

Personnel Manager->SAFE System->Access Cards->Add Access Card Details

[illegible] | Emma Watson

IMAGE NOT AVAILABLE

Access Cards Details

Card Number		Badge Template	--Select--
Card Status	--Select--	Badge Purpose	--Select--
Activation Date		Facility Code	--Select--
De-Activation Date		Serial No	

Reset | Save | Close

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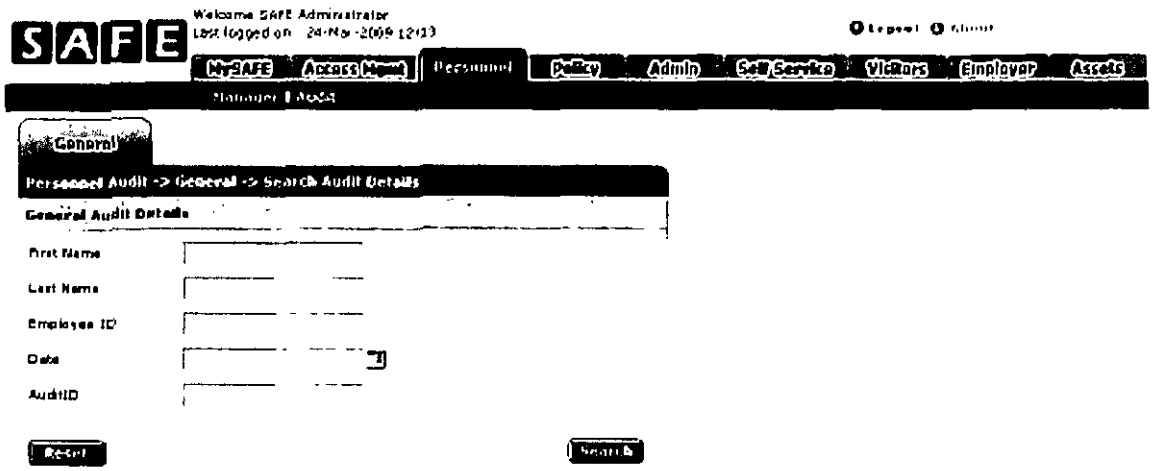
Personnel Audit

Search/View Audit

1. Audit details can be searched by providing Person details such as First/Last name, Employee ID etc.
2. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
3. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



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4. Under *Audit Search Result* screen, select a record and click on *View Details*, the *Audit Information* dialog pops up displaying the transaction details of the selected Person.

General | Objects | Object Changes | XML

Audit Details

Audit ID	154	Request ID	c92f175e-0077-4747-8b6b-bfd609c97185
System Orgin	SAFE	System	SAFE
Operation	ModifyRequest	Received Date	3/24/2009 3:09:25 PM

Person - Modify

PersonClearances - Add

QSID	**462**
ACTIVATIONDATE	
PERSONID	529
DEACTIVATIONDATE	
MSSCLEARID	BEL Ant01 Maintenance
TIMEZONE	
CLEARID	229
CARDID	
SYSTEMID	9

PersonClearances - Add

Request - Add

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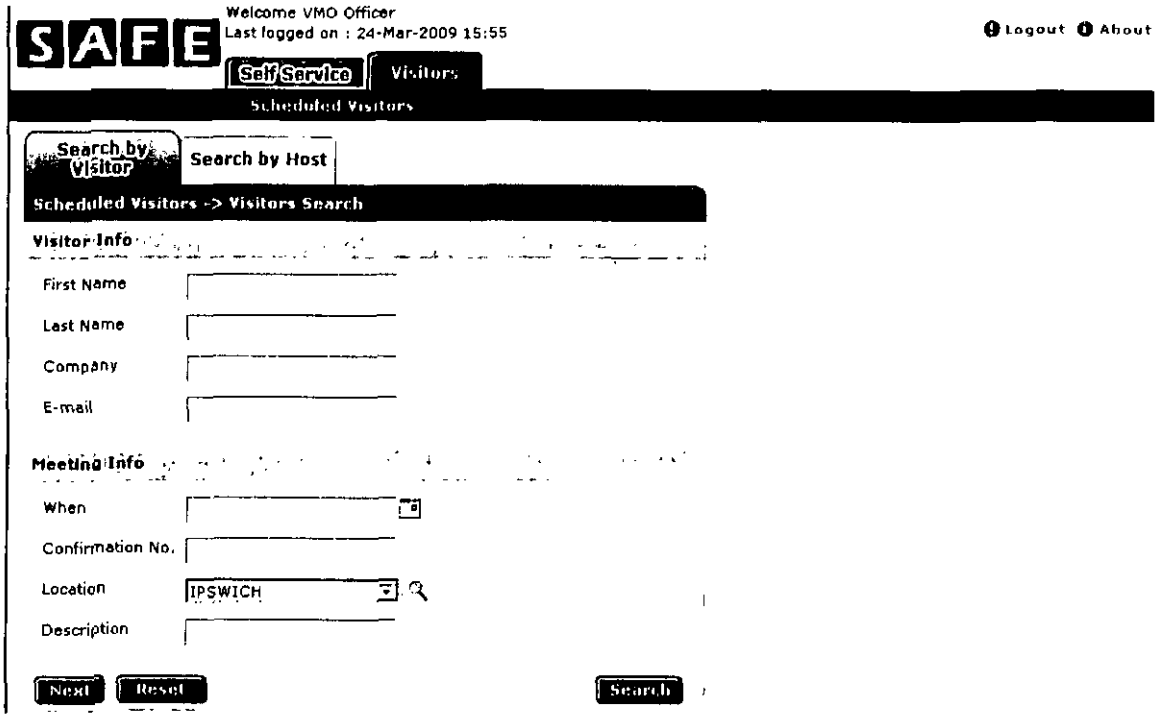
Visitors

Searching Visitors

1. Login as Visitor Management Officer (VMO) using the SAFE Web application, navigate to *Visitors* tab.
2. Scheduled Visitors can be searched either by providing visitor info or host info
3. Fill in any one of the search criteria and click on *Search*, based on the search criteria the *Search Result* screen will be shown.
4. Without filling any search criteria, click on *Search* all the records will be displayed *Search Result* screen.



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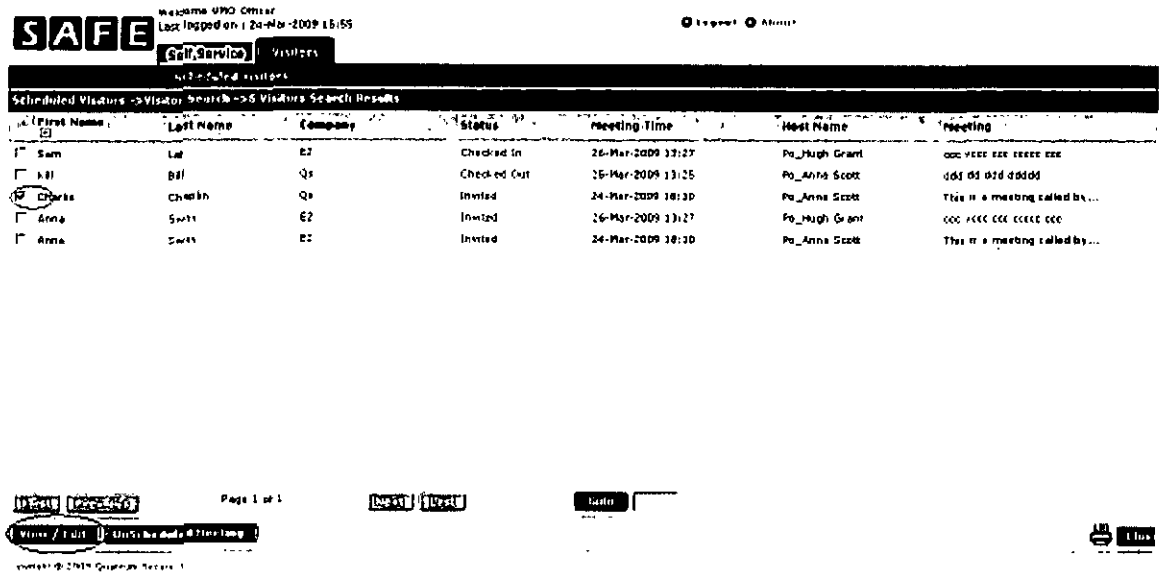
Check In Visitors

In the Visitors Search Result screen list of scheduled visitors will be displayed.

On arrival of an invited visitor, the VMO will click on View/Edit button to validate the meeting and host details, assigning an Escort and confirming the visitor identity.

1. Select a visitor whose status is *Invited* and click on *View/Edit* button



2. You will be navigated to *Meeting Details* screen displaying 4 tabs *Meeting, Visitor, Escort Sign In and Confirm.*
3. Under *Meeting* tab, validate the meeting info and host details
4. Under *Visitor* tab, VMO can make changes (if needed) to the Visitor details, additional information, Identification details and Vehicle info.
5. If Escort is needed, go to *Escort Sign* In tab and search for an Employee and set it as an Escort.
6. Under the Confirm tab, the VMO verifies the visitor's ID and confirms by checking the checkbox
7. VMO selects *Checked In* to change the Visitor status from *Invited* to *Checked In.* It can also set the resolution to either Access Permitted or Access Denied.
8. Saving the record completes the Visitor Check In process.

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SAFE

Welcome VMO Officer
Last logged on : 24-Mar-2009 15:55

Logout About

Self Service | Visitors

Scheduled Visitors

Meeting | Visitor | Escort Sign-In | Confirm

Meeting Details -> Confirm

56|Charlie Chaplin

Visitor Status Update

I Have Verified the Visitor's Details, Proof of Identification and Escort's Credentails

Visitor Status: Invited *

- --Select--
- Checked In
- Checked Out
- Invited
- Registered

Resolution: --Select--

Comments

Back | Reset | Save | Close

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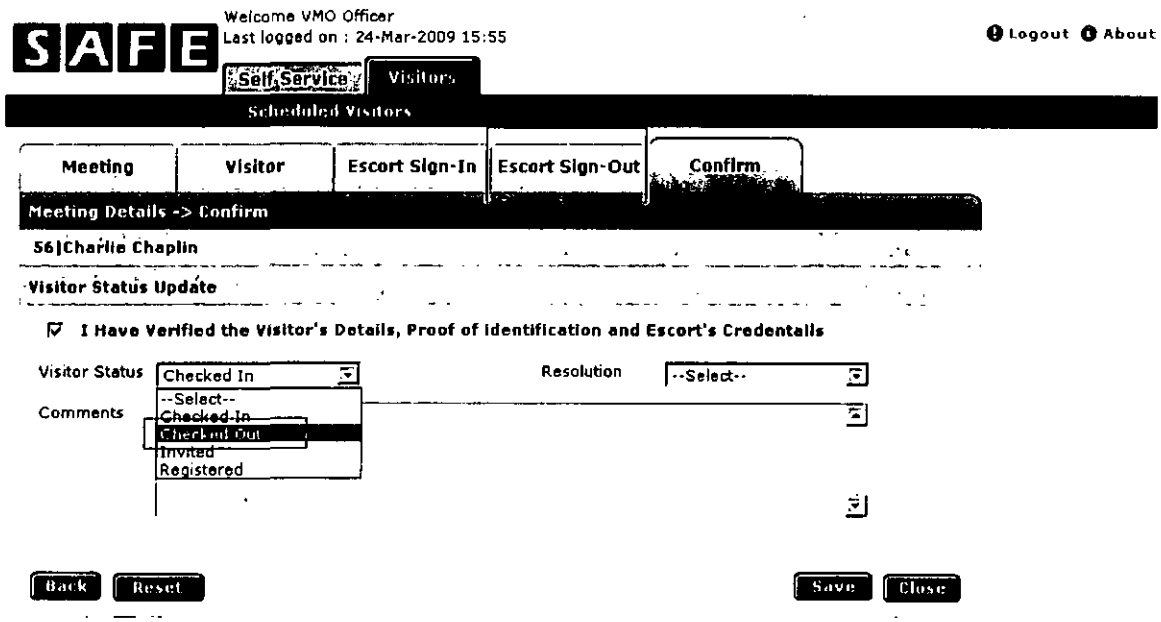
Check Out Visitors

1. Once the meeting is over, the visitor status should be changed from *Checked In* to *Checked Out*.
2. When a Checked In visitor reaches the VMO desk after the completion of its meeting, the VMO opens the records and the same screen pops up which has been described above.
3. An additional tab *Escort Sign- Out* is displayed (see the screen below) where the VMO can assign an escort for the visitor, if needed.
4. Under *Confirm* tab, the VMO verifies the visitor's ID and confirms by checking the checkbox and changes the Visitor status from *Checked In* to *Checked Out*
5. Saving the record completes the Visitor Check Out process.



Creating Unscheduled Visitors

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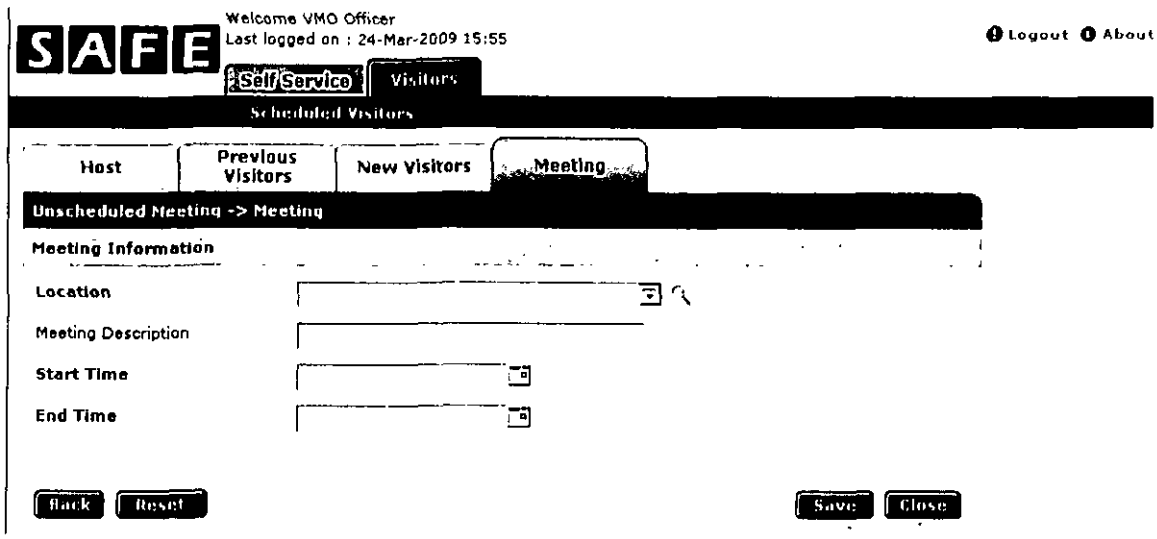
In a case, a visitor who is not invited or scheduled for any meeting arrives at the VMO desk, the VMO can set up a meeting for the visitor by setting a Host and other details for it. This can be done by clicking on *Unscheduled Meeting*.

1. Under *Visitors Search Result* screen, click on *Unscheduled Meeting*, it navigates to *Unscheduled Meeting* screen with 4 tabs Host, Pervious Visitors, New Visitors and Meeting.
2. The person who the visitor wants to meet can be searched and set as Host under the *Host* tab
3. Under the *Previous Visitors* tab, the VMO can search for the previous visitors who are needed to be invited for this meeting.
4. The details of the new, unscheduled visitors can be added under the *New Visitors* tab.
5. The meeting location, description, Start time and End time should be entered under the *Meeting* tab
6. Click the Save button to create the unscheduled meeting. From this point on, the check-in process behaves as explained earlier.



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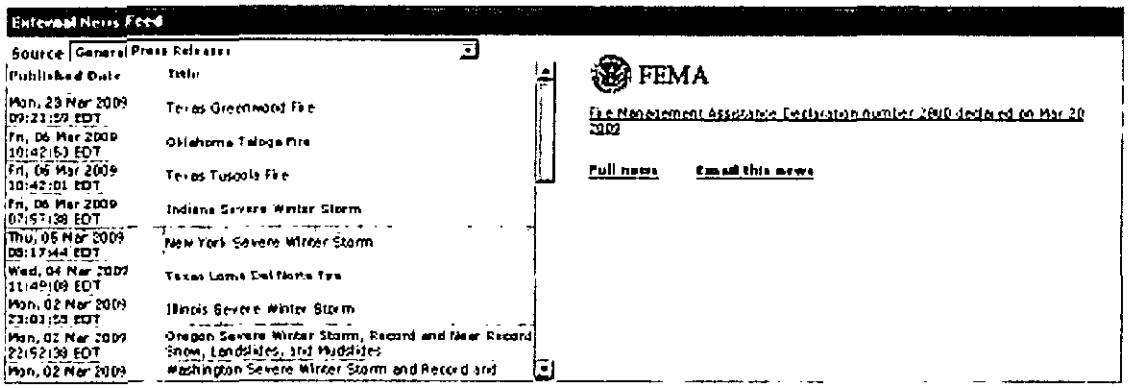
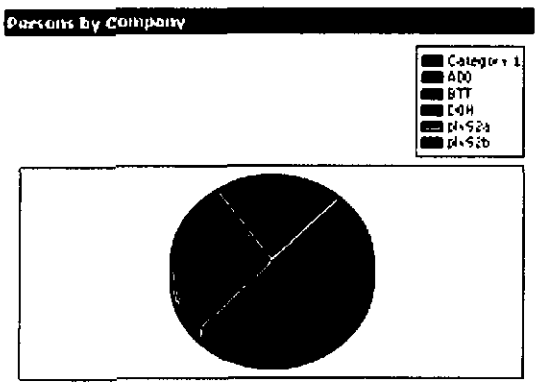
MYSAFE

mySAFE module in *SAFE* displays a complete easy – to – understand set of reports and news feeds without accessing other specific modules.

MyDashboard

1. The display of all the graphical presentation and reports in the content panel of *myDashboard* sub-tab is customized under *Personalize* tab.
2. This tab displays the Report and news data in the content pane.
3. The Source dropdown is given so that you can view the news data based on the selection you make under this dropdown.





Personalize

1. In the *Personalize* sub-tab you can choose to view the items to be displayed on the *myDashboard* content pane.

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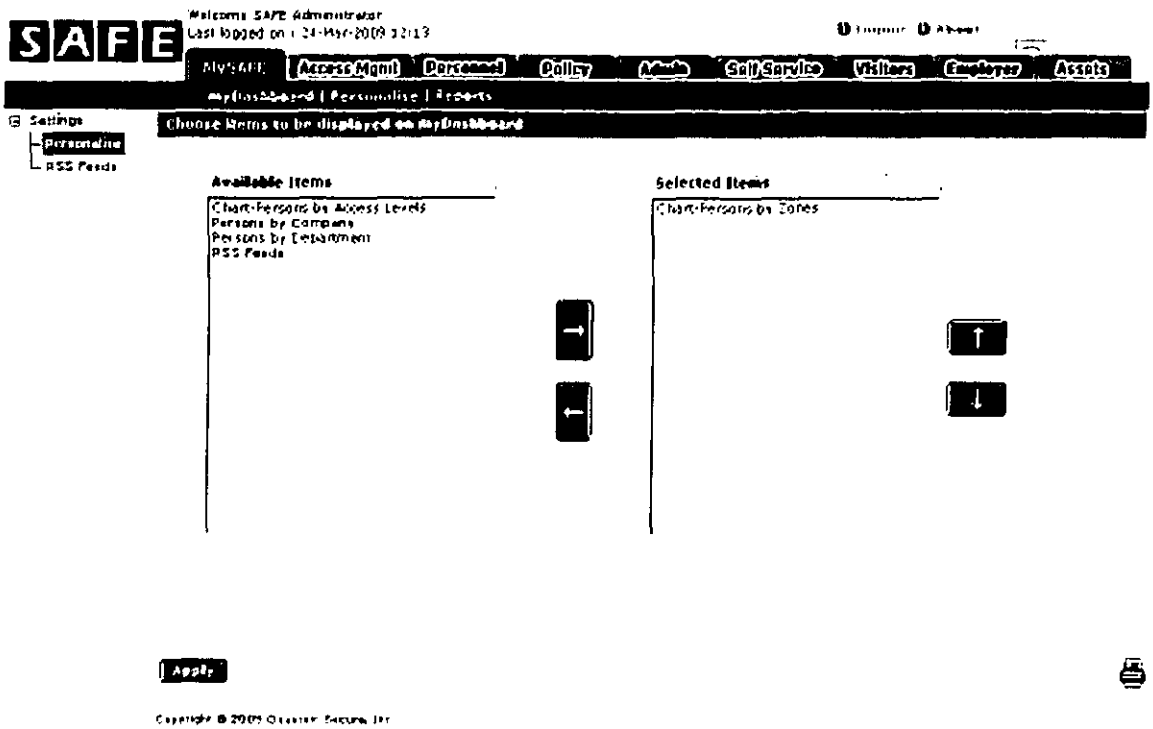
2. In the Left Navigation Pane you have *Settings* and under *Settings* two options are given, *Personalize* and *RSS Feeds.*
3. *Expand All* and *Collapse All* functionality is given to view the inner contents of the tree structure.
4. You can select items from the *Available Items* list and clicking on the arrow facing towards right, the selected item will be displayed under the Selected Items list.
5. The items that are under the *Selected Items* list, same will be displayed under the *myDashboard* tab.
6. To remove the items under the *Selected Items* list use the arrow facing left side.
7. After making the necessary changes click on the Apply to save the data and the same will be displayed under the *myDashboard* tab.



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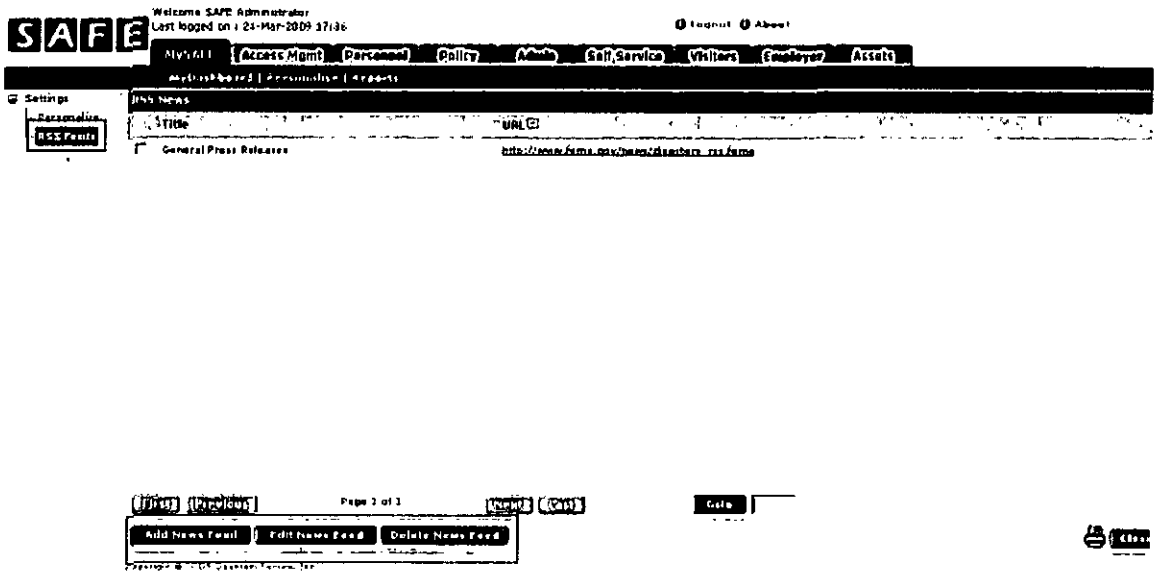
8. Click on the *RSS Feeds* from the left navigation pane, the list of News titles and the URLs will be displayed.
9. You can Add, Edit and Delete News Feeds in this screen.



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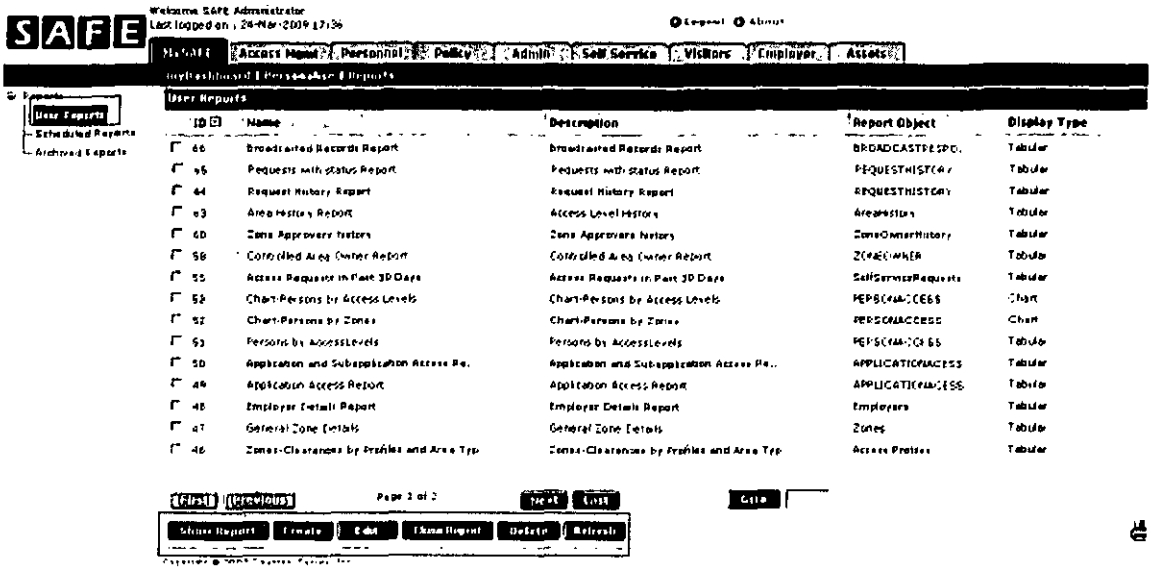
Reports

User Reports

Under Reports > User Reports, list of Reports will be displayed (if any)

You will be able to create, edit and delete a Report using the respective action buttons.



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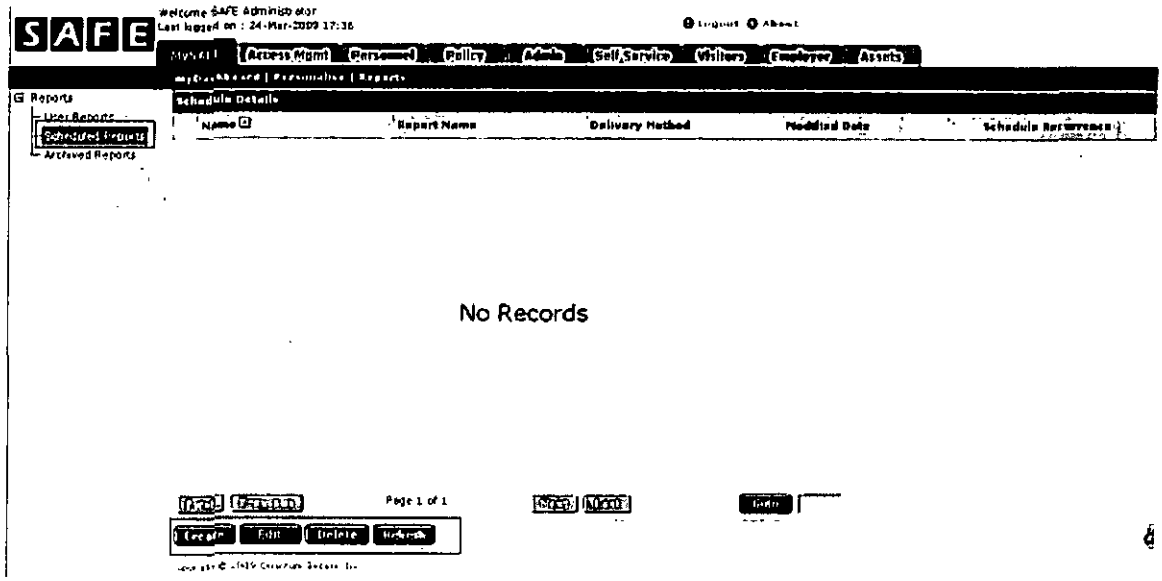
Scheduled Reports

Click on the *Schedule Reports* from the left navigation pane, the list of Reports will be displayed (if any) with their schedule details like Report Name, Delivery Method, Modified Date and Schedule Recurrence.

You will be able to create, edit and delete a Report using the respective action buttons.



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Using SAFE Policy Manager

***SAFE** Policy Manager* provides easy administration of custom built security policies designed by global security administrators. For example it automates several procedural and physical clearances definitions (for assigning clearances location A calls it a front door, and B calls it a perimeter door, calls it a main door...etc.) as well as corporate wide physical access provisioning management functions. *SAFE* will ensure that personnel changes (Employee hiring/firing, changes in jobs/clearances, movement of employees from one location to another, temporary visitation of an employee to a different location, etc) will be transformed into specific automated activities managed by respective access control systems without manual intervention thereby increasing responsiveness and enforcing security policies more effectively.

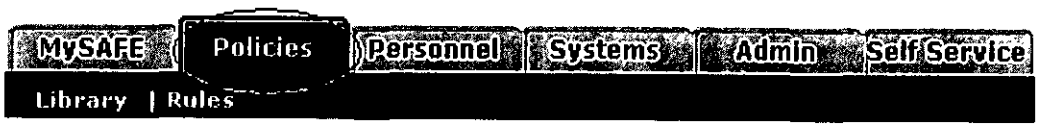

Figure 41 SAFE Application Tabs

Access to the Policy Manager screen:

- Clicking on the *Policies Manager* tab from the top navigation main pane consists of 2 sub-tabs *Library and Rules.*
- By default *Policies Library* sub-tab will be highlighted displaying the contents of the policies library.

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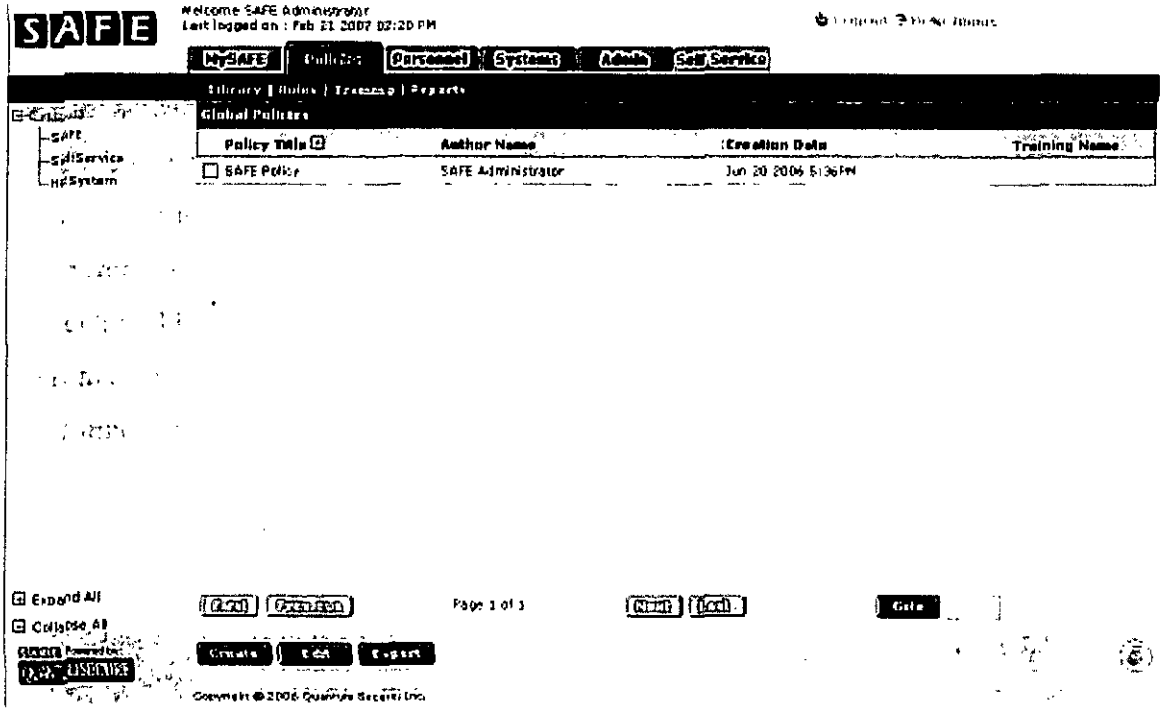

Figure 42 Policy Manager Screen

Access to the Policies Library screen:

- Click on the *Policies* tab from the top navigation main pane, by default *Library* sub-tab will be highlighted as shown in the above picture.
- The *Policies Library* screen displays the Summary of Policies such as Policy Number and the Title, Policy Creation Date, Author Name, Status and Version Number.
- List of *Systems* assigned to the user will be displayed in the left navigation pane.
- Based on the selection of Systems, the data will be displayed in the content pane.
- If you want to view data of all the Systems, click on the *Systems* header in the left navigation pane and the data of all the locations will be listed in the content pane.
- Clicking on the each column header will sort the data.
- *Expand All* and *Collapse All* functionality is given to view the inner contents of the tree structure.
- The *Navigation* buttons are provided to switch between the pages.

- In this screen you can create, edit or export a policy.

Create Policy Library

- You can create a new policy by clicking on the *Create* button.
- Click on the *Create* button Create dialog will show up with different tabs such as *Select, View/Edit, Sections, Time and Save.*
- In the *Create* dialog by default the *Select* tab will be highlighted as shown below.
- Enter a name in the *SAFE Policy Name* text box.
- Select the Import Policy document and import an existing Policy document formatted in MS Word or you can create a new policy document.
- The policy can be either Global or associated with specific set of Systems. Global Policies can be used to hold all the Policy Rules that applies globally to the organization. On selection of the *Global Policy* check box the Systems list will be disabled.
- By selecting the *Global Policy* check box the new policy will be assigned to all the Systems.
- You can instead associate a policy with specific system by selecting them Systems list and then adding to the 'Assigned Systems' list by clicking the arrow pointing towards your right hand side.
- You can select multiple Systems using *ctrl* key.
- Note that the Policy association that is whether the policy is Global or specific to the Systems cannot be changed after initial creation.
- Click on the *Next* button in the bottom bar will navigate you to the *View/Edit tab.*

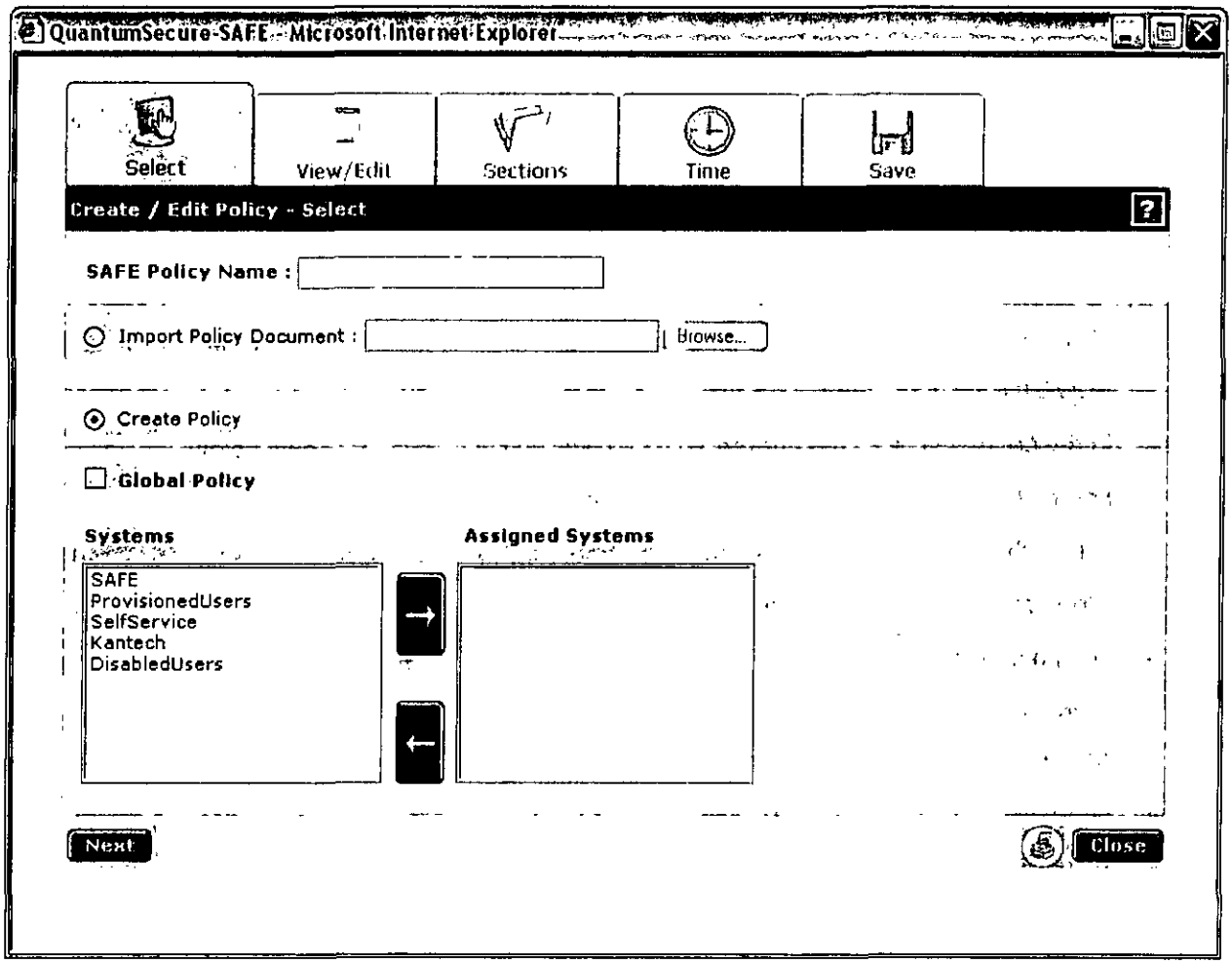

Figure 43 New Policy Details

- Under this *View/Edit* tab you can view the content of the imported or created document as shown below.
- Select the *Next* button in the bottom bar will navigate you to the *Sections* tab.

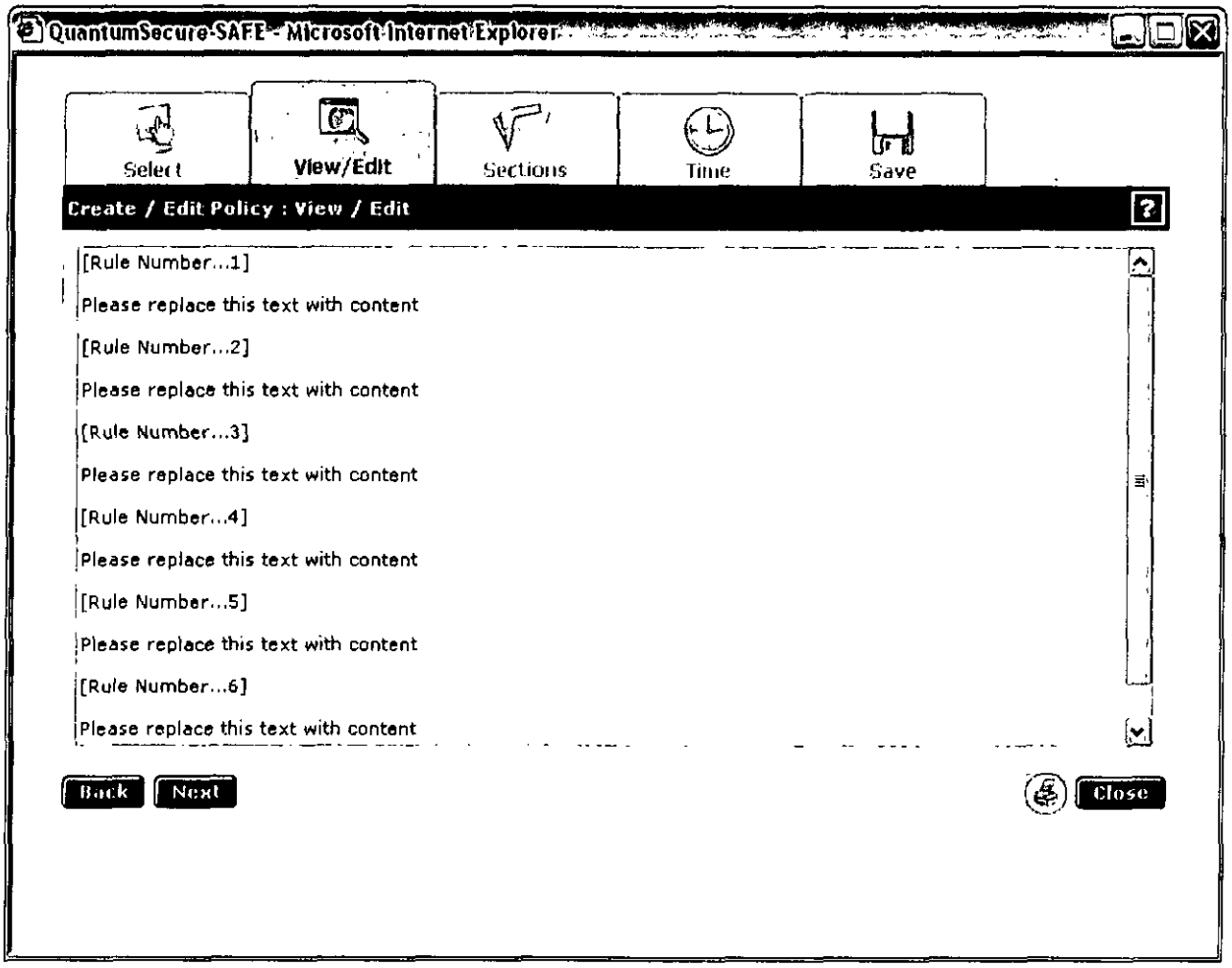

Figure 44 New Policy Details

- Under *Sections* tab, select the document type from the Select *Document Section Type* dropdown list.
- The text area under document section list box will display all the related data based on the selection.
- Select any of the data from the text area, the text area under Policy Section Text will display the contents of the selected data.
- *SAFE Policy Section Name* text area will display the same text as in the *Document Section Type*
- You can edit *SAFE Policy Section Name* field and click on *Apply* the changes will be saved.
- Click on the *Next* button in the bottom bar will navigate you to the *Time* tab.

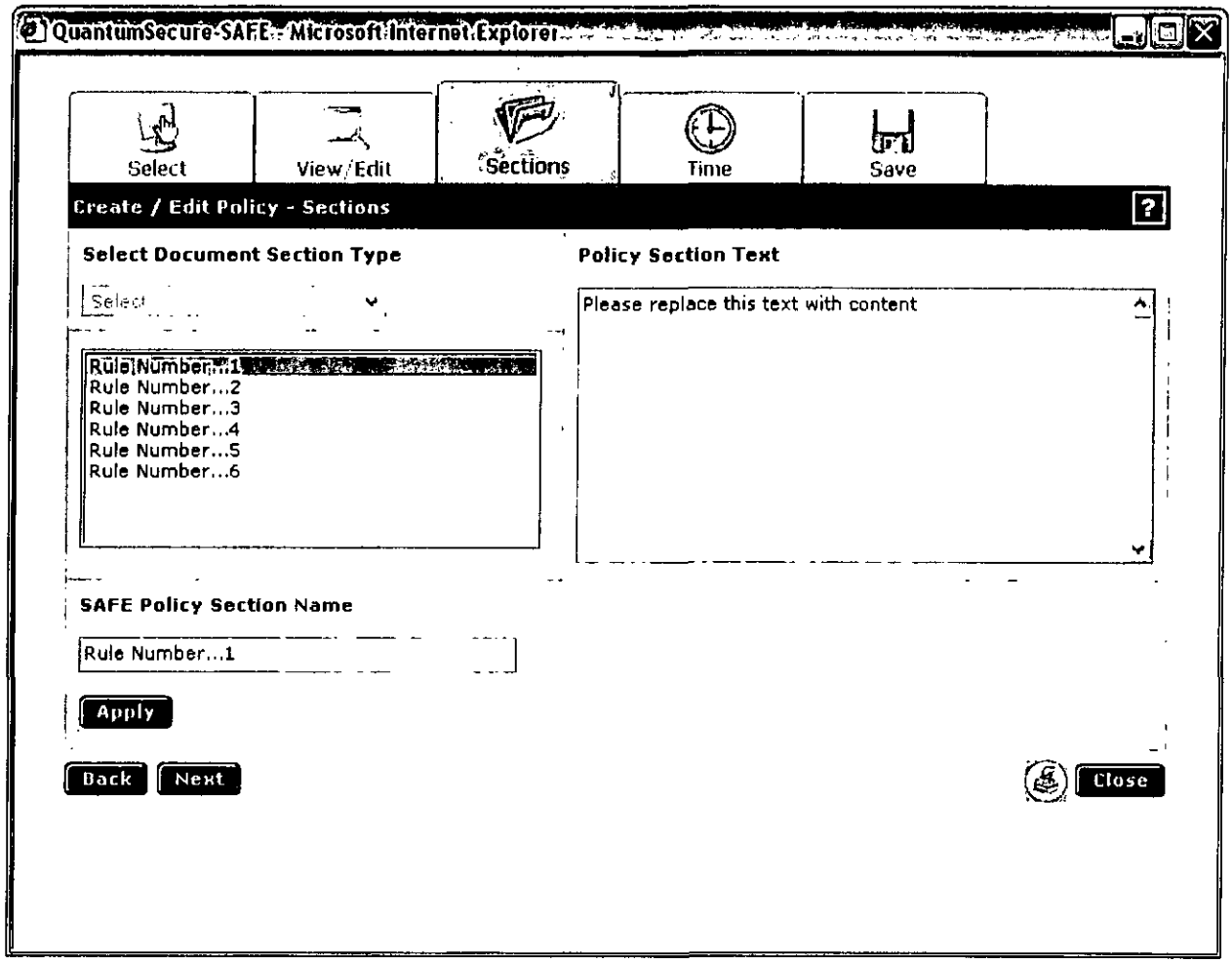

Figure 45 New Policy Details

- From the *Sections* tab click on the *Next*, you will be navigated to *Time* tab.
- Under *Time* tab select *Policy Effective From* and *Policy Effective To*.
- *Now* and *Effective From* are the two options given under *Policy Effective From*.
- *Never Expires* and *Expires On* are the two options given under *Policy Effective To*.
- By default option *Now* will be selected under *Policy Effective From* and option *Never Expires* will be selected under *Policy Effective To*.
- By default Time and Date fields will be disabled as shown below.
- When you select *Effective From* and *Expires On* radio buttons, the Time and Date fields get enabled.

- Click on the *Next* button on the bottom bar you will be navigated to the *Save* tab.

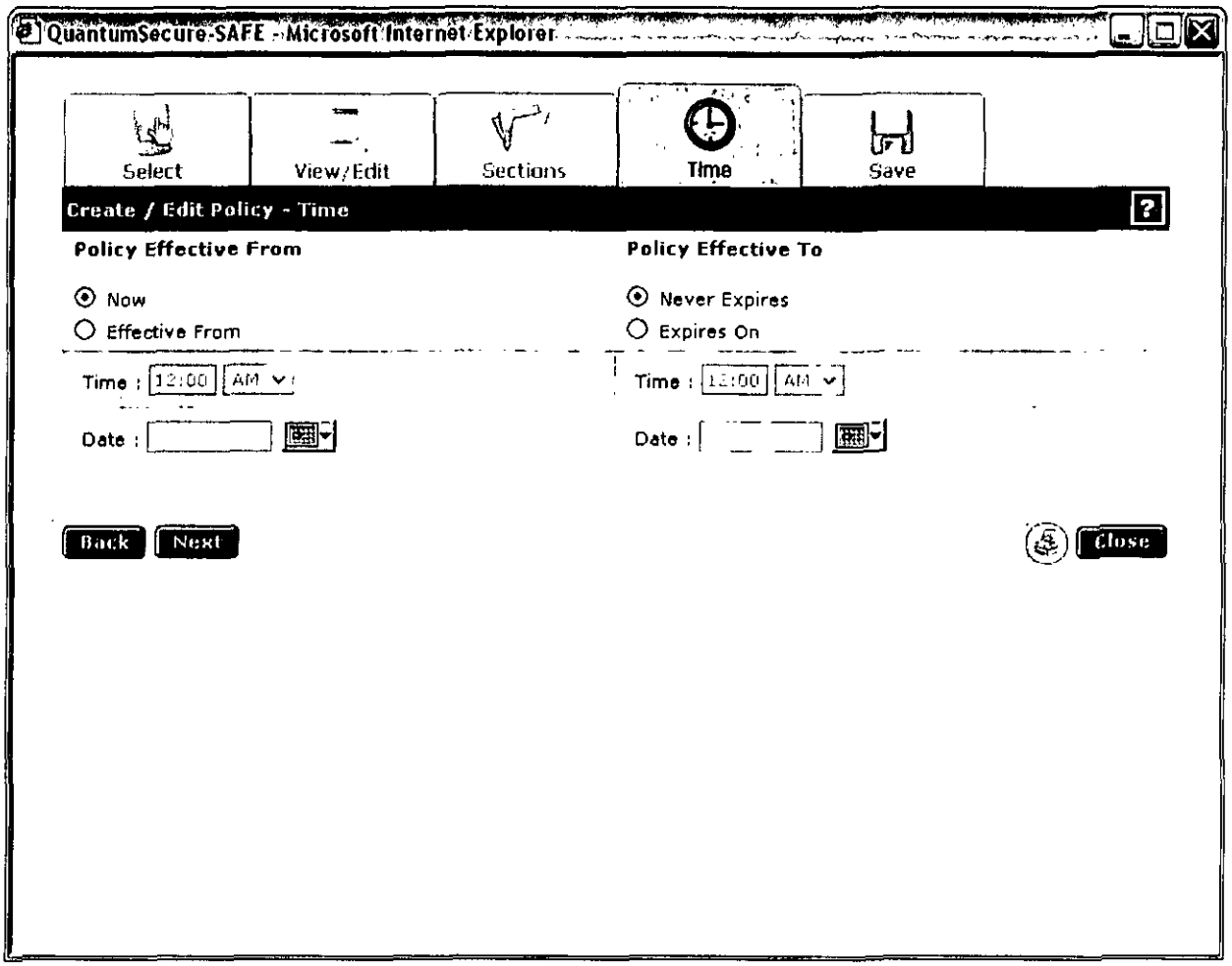

Figure 46 New Policy Details

- From the *Time* tab click on the *Next*, you will be navigated to the *Save* tab.
- The *Save* tab will display the *Policy Document Sections* and *SAFE Policy Sections* and the policy life span as shown below.
- Click on the *Save* button in the bottom bar the Policy Will be saved.

Edit Policy Library

The *Edit* dialog allows you to edit Policy Library information such as *Sections, Time* of Access for the selected Policy.

- Select a Policy by checking the check box respective to the policy which has to be edited from the Policies Library list.
- Click on the *Edit* button, the *Edit* dialog will open with *Select* tab being highlighted, the *SAFE Policy Name* will be the same as the *Policy title* as shown in the picture below.
- All the tabs will display the contents which were given when the policy was created.
- You can make changes in any of the tab and click on the *Save* will save the changes made.
- Note Policy association that is whether it is Global or specific to Systems cannot be altered.

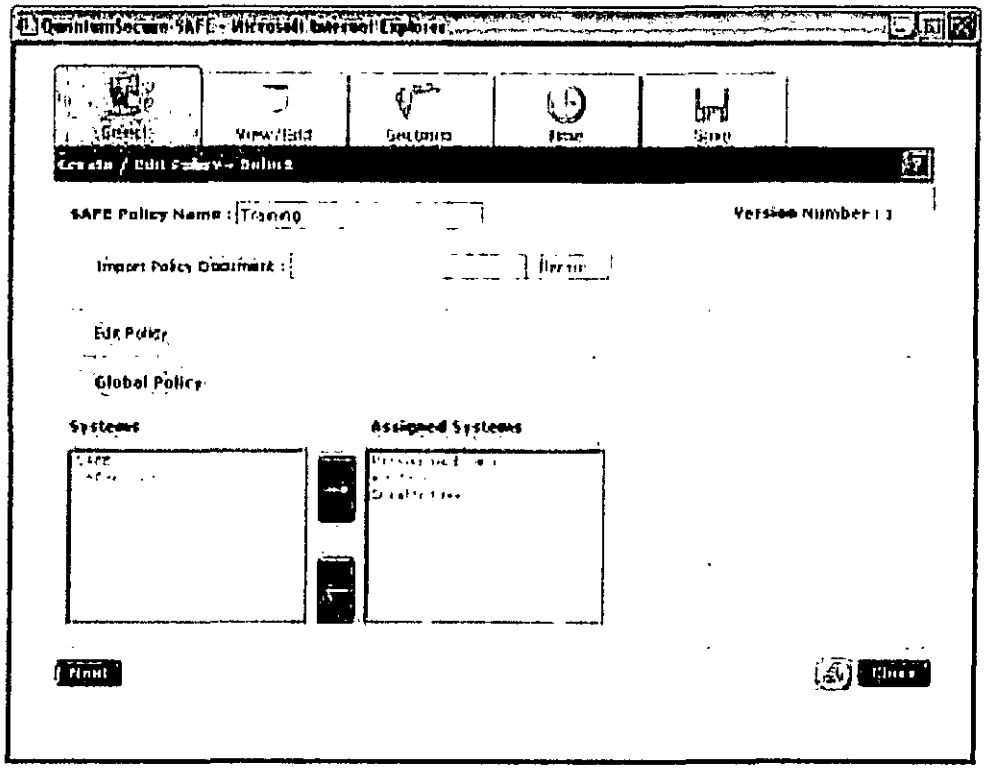

Figure 47 Existing Policy Details

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Export Policy Library

- Export operation is a way to get a report of all the Policy Libraries defined.
- Click on the *Export* button, the Export dialog will be displayed as shown below.
- You can export the report in different formats such WORD, Excel, CSV, XML and TEXT.

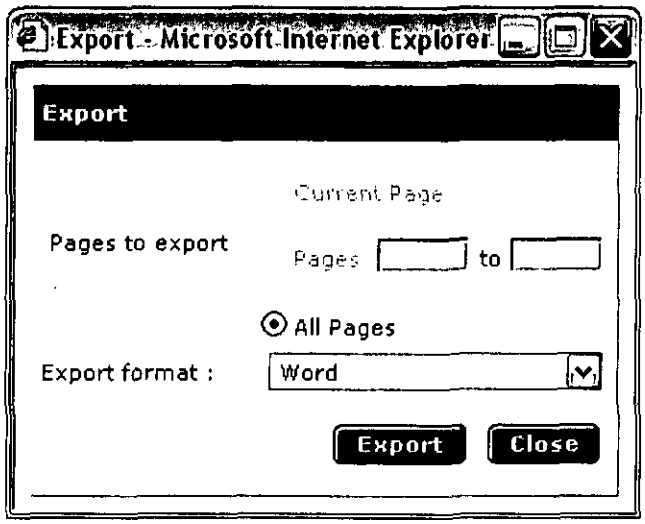

Figure 48 Exporting Policies Library

- The *Export* report is shown below.

Policy Title	Status	Creation Dt	Author Name	Version No	Policy No
After Hours Policy	Draft	Feb 13 2007 3:55PM	SAFE Administrator	1	5
Card Lost Policy	Draft	Feb 13 2007 3:54PM	SAFE Administrator	1	4
After Hours Policy	Draft	Feb 13 2007 3:55PM	SAFE Administrator	1	5
Clearance Policy	Draft	Feb 13 2007 3:50PM	SAFE Administrator	1	3
New Employee Policy	Draft	Feb 13 2007 3:58PM	SAFE Administrator	1	8
SAFE Policy	Draft	Jun 20 2006 5:36PM	SAFE Administrator	1	1
Contract Term Policy	Draft	Feb 13 2007 3:58PM	SAFE Administrator	1	7
Global Auditors Policy	Draft	Feb 13 2007 3:49PM	SAFE Administrator	1	2

Figure 49 Policies Library Report

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Using SAFE Policy Rules to Enforce Security Policies

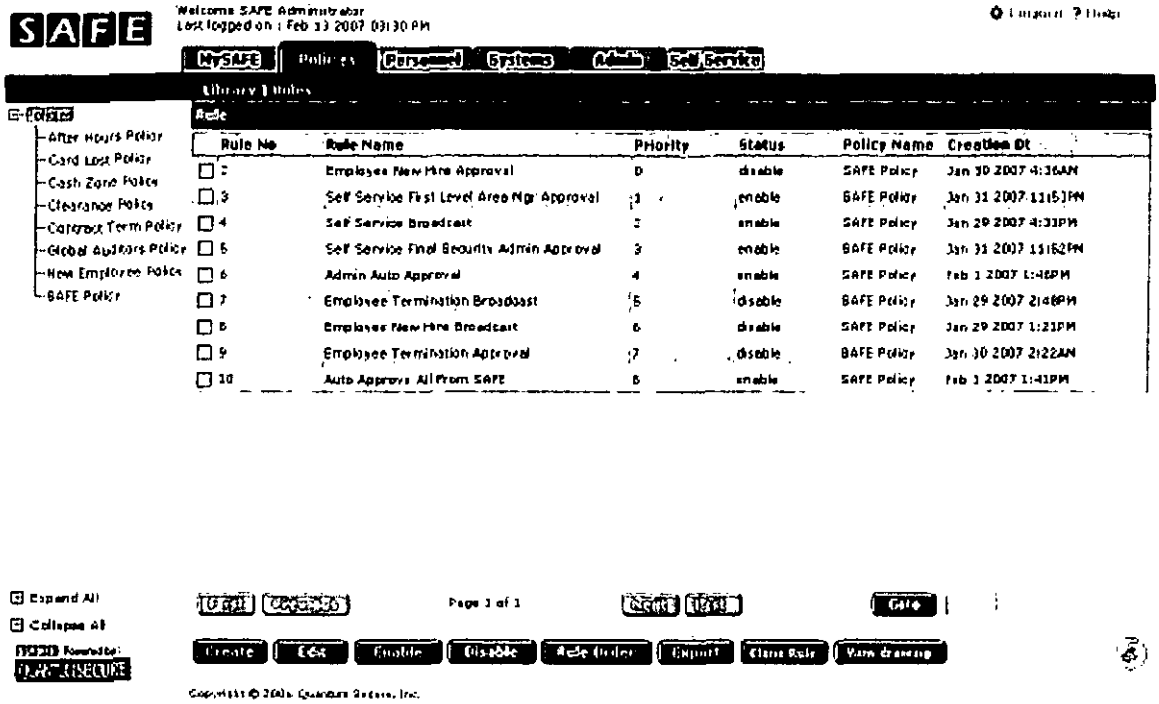

Figure 50 List of Policies Rules

Access to the *Policies Rules* screen:

- Select *Policies* tab from the top navigation main pane and select *Rules* sub-tab.
- The sub-tab *Rules* will be highlighted showing the list of Rules which has been created.
- List of Policies also be shown in the left navigation pane.
- Click on the Policy in the left navigation pane, the list of Rules created under that particular policy will be displayed in the content pane.
- If you want to view data of all the Systems, click on the *Policies* header in the left navigation pane, list of all the *Policies* will be displayed in the content pane.
- Clicking on the each column header will sort the data.
- *Expand All* and *Collapse All* functionality is given to view the inner contents of the tree structure.
- Below the content pane the *Navigation* buttons are provided to switch between the pages.

Following are the list of actions that can be performed in the Policies Rules screen:

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- **Create**
- **Edit**
- **Enable**
- **Disable**
- **Rule Order**
- **Export**
- **Clone Rule**
- **View Drawing**

SAFE Rule Basics

- Rules are written from the left to right
- Rules are written and read from left to right – generally as seen from the direction of the arrows.
- This also represents the flow of the data message.
- The Live Objects/shapes on the diagram successively apply the conditions and actions as the message 'flows' through. Like a flowchart.
- Some shapes can be placed multiple times – like parallel actions. Others are restricted to one instance or other interconnection restrictions.
- All shape behaviors and properties are defined when the shape is created – new shapes can be added by trained professional services personnel
- Shapes when dropped and connected on the diagram are cognizant of the prior connected shapes and query data values etc. from SAFE accordingly
- The Action shapes appear as the endpoint of the rule path.

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Create a Rule

In SAFE, the Security Policies are enforced through Rules. SAFE provides a Microsoft Visio based front end to diagrammatically create Policy Rules and deploy them. Creating Rules are very similar to drawing of flow charts. SAFE provides basic shapes for creating Security Rules using SAFE Stencil. Each Shape is interconnected using 'connectors'. Each Rule is identified by a unique name and is associated with one Policy Library. Policy Rule creation is covered in detail in section 6.1 of this document. The rule creation process is briefly mentioned below.

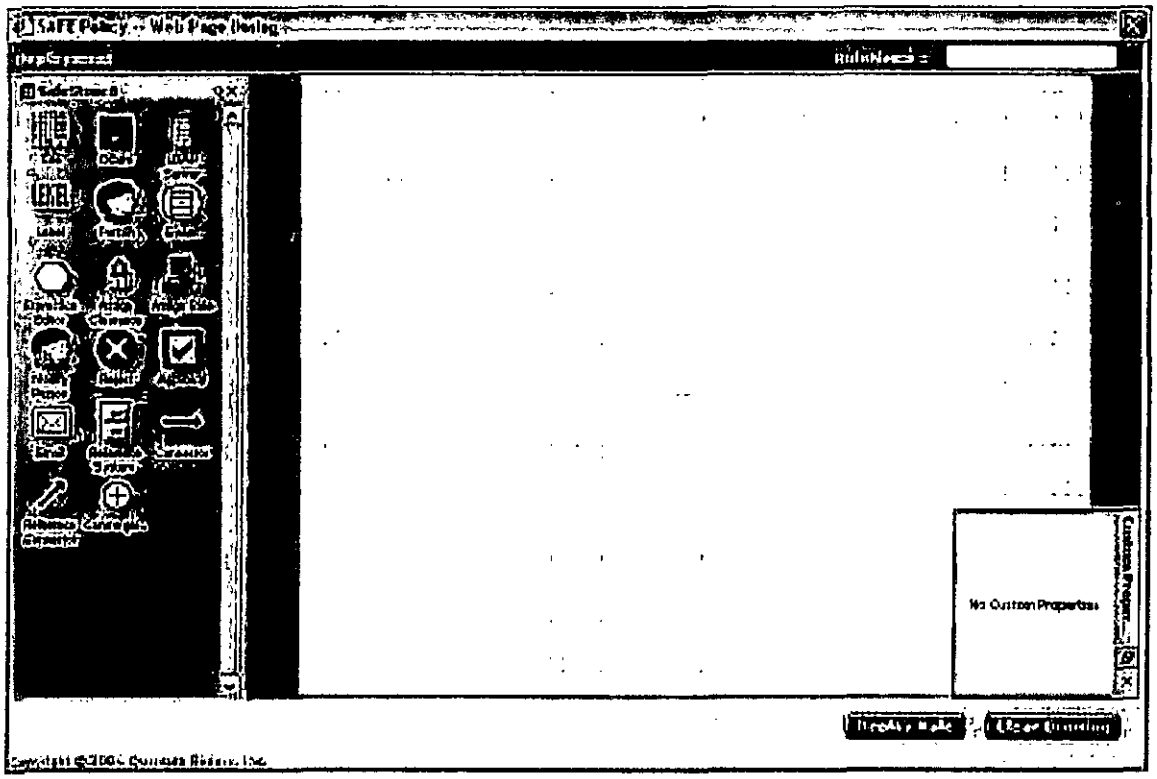

Figure 51 Creating a Rule

- Enter a name in the *Rule Name* filed, select and drag and drop the required shapes on to the design area and also the shapes can be copied and pasted on to the design area.
- Now the shapes need to be connected using the Connector present in the SAFE Stencil bar.
- When you select a shape in design area, the properties related to that particular shape will be

displayed in the *Custom Properties* window in the bottom right.

- As per the requirement the property values can be edited.
- Click on the *Deploy Rule* button will save the Rule successfully and an alert message will be displayed saying the same.
- Click on the *Clear Drawing* will clear the design area without saving the data.

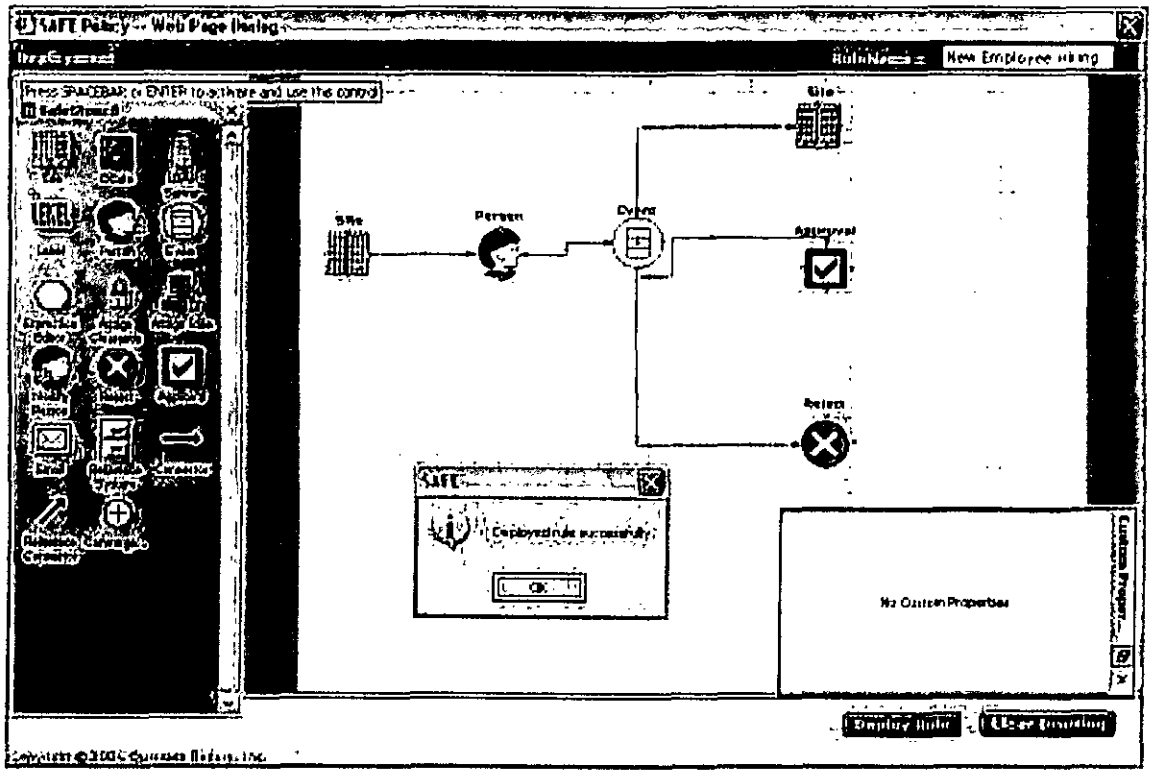

Figure 52 Deploying a Rule

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Edit a Rule

- A Deployed Rule can be edited at any point and redeployed.
- Select an existing Rule by checking the check box and click on the Edit, the following screen will be displayed with the respective data.
- Make the necessary changes and click on the *Update Rule* will update the changes.

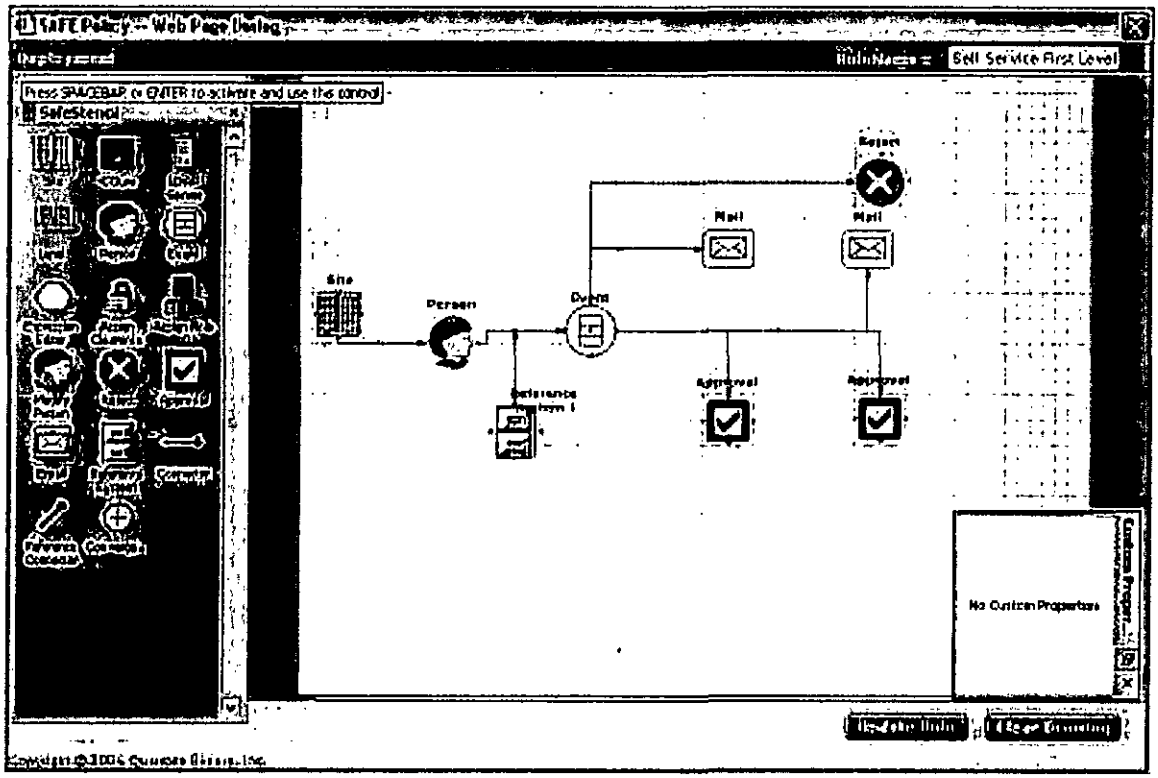

Figure 53 Editing an existing Rule

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Enable / Disable a Rule

- When you create *a Rule*, the *Rule* status will be *'Enabled'* by default. Enabled Rules will enforce the Security Policy on the data. A Rule can be disabled at any point of time and also can be re-enabled at a later stage.
- The status of each *Rule* will be displayed under the *Status* column.
- Select a *Rule* from the list and click on the **Disable** button, the selected *Rule* will be disabled
- Select a *Rule* which is disabled and click on the **Enable** button, the selected *Rule* will get enabled.

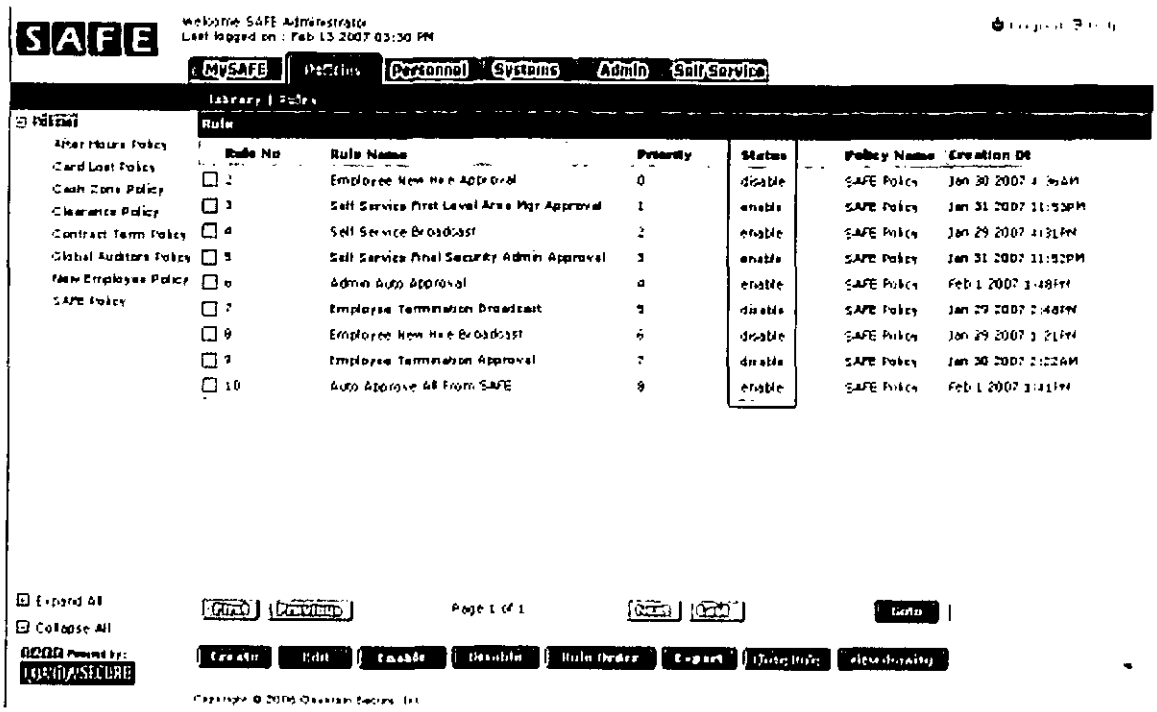

Figure 54 Statuses of the Rules

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Rule Order

- Rules are deployed and are execute by Microsoft BizTalk in a sequence. The order of execution is determined by the 'Priority'. The priority is set per Policy Library.
- Click on the *Rule Order*, the *Execution Of Rules* dialog will be displayed.
- This dialog contains the list of all the Rules which was created under the selected Policy.
- If you want to move a particular Rule upwards then select the *Rule* and click on the arrow pointing upwards ↑
- If you want to move a particular Rule downwards then select the *Rule* and click on the arrow pointing downwards ↓
- After making the changes click on the OK, the changes you made will be saved and will be displayed under the Rules list.

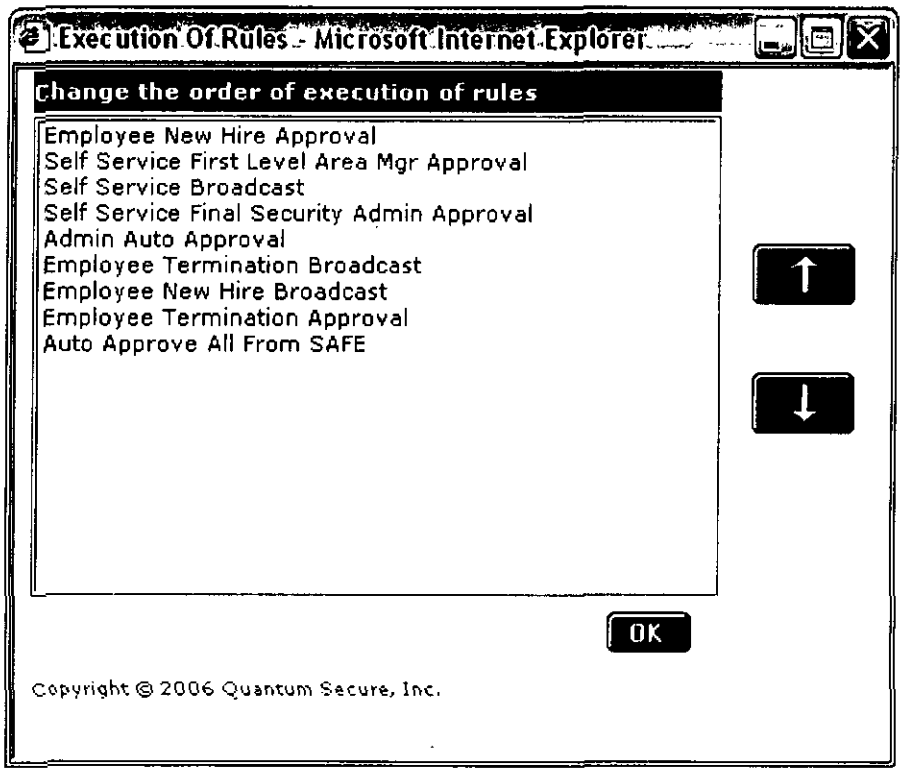

Figure 55 Creating a Rule Order

6.2.6 Export Rule

- The Export functionality can be used to get a report of all the Rules defined.
- Click on the *Export* button, the Export dialog will be displayed as shown in the above picture.
- You can export the report in different formats such WORD, Excel, CSV, XML and TEXT.

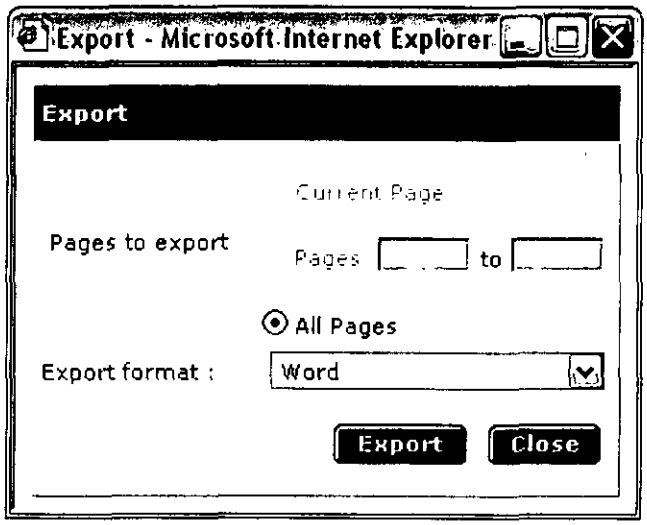

Figure 56 Exporting a Rule

- The *Export* report is shown below.

Rule No	Rule Name	Priority	Status	Policy Name	Creation Dt
2	Employee New Hire Approval	0	disable	SAFE Policy	Jan 30 2007 4:36AM
3	Self Service First Level Area Mgr Approval	1	enable	SAFE Policy	Jan 31 2007 11:53PM
4	Self Service Broadcast	2	enable	SAFE Policy	Jan 29 2007 4:31PM
5	Self Service Final Security Admin Approval	3	enable	SAFE Policy	Jan 31 2007 11:52PM
6	Admin Auto Approval	4	enable	SAFE Policy	Feb 1 2007 1:48PM
7	Employee Termination Broadcast	5	disable	SAFE Policy	Jan 29 2007 2:48PM
8	Employee New Hire Broadcast	6	disable	SAFE Policy	Jan 29 2007 1:21PM
9	Employee Termination Approval	7	disable	SAFE Policy	Jan 30 2007 2:22AM
10	Auto Approve All From SAFE	8	enable	SAFE Policy	Feb 1 2007 1:41PM

Figure 57 Policies Rules Report

6.2.7 Clone Rule

As the name suggest 'Clone Rule' button can be used to create a copy of an existing Rule. Such copies will help in rapidly defining Rules are needed in those scenarios where two or more rules have very similar Security Policy Condition and Actions.

Select a rule and click the 'Clone Rule' button. This will bring up the Visio Rule Designer with the exact content of the selected Rule. Make any necessary changes to the Rule, give it a new name, and then deploy the Rule.

6.2.8 View Drawing

Select a *Rule Name* from the content pane and click on the *View Drawing* option, the Rule will be displayed where you can view the diagram and shape properties. No editing can be done in this mode.

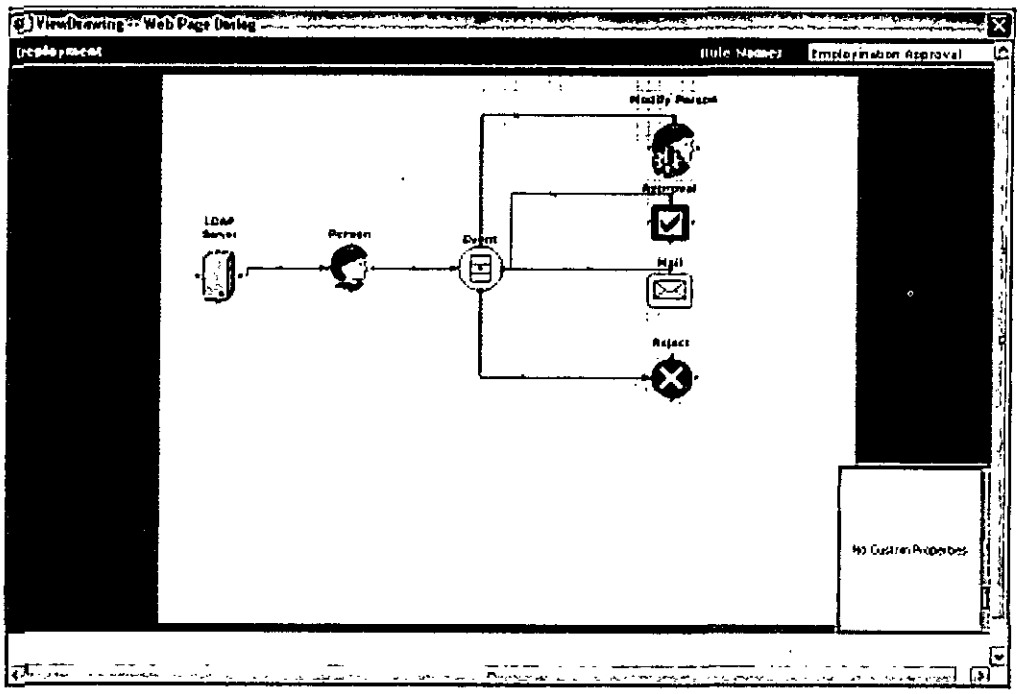

Figure 58 View the diagram of the selected Rule

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SAFE Security Live Objects

The SAFE Security Live Objects are entities that can be tied together to construct a SAFE Rule to enforce a specific Security Policy. Live object represent a source of data, a condition in a rule or a specific action. Live objects are connected together using 'connector' to form a rule. Live Objects are also known as Shapes. The following section lists all the live objects currently supported in SAFE with description.

Live Objects Reference

Name	**Site**
Type	Condition and Action
Description	In the Condition section of the Rule, a Site shape represents System or Application that sends data to SAFE (a source of data). Typically these systems are HR System, PACS, Databases, etc. In the Action section, it represents a 'Broadcast' action that is a target System or Application to which SAFE will send the data.
Properties	
Name	**Description**
System Name	A System or Application that sends or receives data from SAFE. Each such system is identified by a name and is defined and configured through SAFE System Configuration utility. A special mnemonic 'Any' represents a generic Rule condition for any of the configured system. Another pneumonic 'All' represent a generic 'Broadcast' Rule Action for all of the configured systems. Pick one from the list that appears in the dropdown box.

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Name	**CCure**
Type	Condition and Action
Description	This object is a special case of Site objects. It represent only those Physical Access Control System that use Software House's software CCURE for Physical Access
Properties	
Name	**Description**
System Name	Name of the configured CCure System. Pick one from the list that appears in the dropdown box.

Name	**LDAP Server**
Type	Condition and Action
Description	This object is a special case of Site objects. It represents only those Systems that use Light-weight Directory Access Protocol (LDAP) such as Microsoft Active Directory etc for data access.
Properties	
Name	**Description**
System Name	Name of the configured LDAP based System. Pick one from the list that appears in the dropdown box.

Name	LENEL **Lenel**
Type	Condition and Action
Description	This object is a special case of Site objects. It represent only those Physical Access Control System that use Lenel's OnGuard software for Physical Access
Properties	

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Name	Description
System Name	Name of the configured Lenel System. Pick one from the list that appears in the dropdown box.

Name	**Person**
Type	Condition
Description	This object represents Personnel data in the incoming message. This data can be employee details from LDAP systems, Cardholder details from PACS etc. Some properties of this object are standard and will appear irrespective of the System selected in the Site object that it is connected to. Others are dynamic and determined by the System selected in the 'Site' object that it is connected to. Person properties for a System are configured using SAFE System Configuration Tool. Also note that all properties of the Person Object can be referenced in other objects and are available either in dropdown boxes or can be specified as Person-PropertyName.
Properties (Few Standard properties are listed below)	
Name	**Description**
First Name	First name of the person
Middle Name	Middle name of the person
Last Name	Last name of the person
Person Type	Type of person in case system has different way of categorizing person records say Full-Time and Contractors etc
City	Location of the person
Email	Person's email address
Request Type	...
RequestStatus	Shows whether the request is in pending,approved,withdrawn or declined state.

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RequestorID	Shows the ID of the requestor
RequestorType	Select here whether the requestor is a SAFE User or a Person.
Level	Shows the level of approval i.e first,second,final,etc.
ApproverID	Displays the ID of the approver to whom the request is assigned.
ApproverType	Shows whether the approver is a SAFE User or another Person.
RequestedClearance	Shows the access levels requested by the requestor.
MessageID	...

Name	**Event**
Type	Condition
Description	Event Shape allows us to further refine the Rule condition by specifying the Operation Type and Source Application
Properties	
Name	**Description**
Operation	Represents the type of Operation in the incoming message. It can be AddRequest, Modifyrequest or DeleteRequest. Pick one from the list that appears in the dropdown box.
Source Application	This is the name of the System or Application that generated the data. Note that this can be same or different as the System Name in the Site Object. For. E.g. in case of Self Service Application, the app generate message for system CorpLenel. In this case System Name for Site object is CorpLenel and the Source Application for Event Object could be Self Service. But in case were the actual data has come from the end system itself say LDAP, both of these values will be same.

Name	**Expression Editor**

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Type	Condition
Description	This object can be used to represent complex Rule conditions that involve operators other than equality. Generally in all other condition objects, say Person, if a property value is specified then the condition will be checked for 'equality'. However say we need to create a Rule condition that if Person Organizational Level is greater than certain value, we would give special Access Levels. In such instance we will need to use Expression Editor object.
Properties	
Name	**Description**
Object Name	Name of the object that would appear on the left hand side (LHS) of the expression
Object Property	Property of the object that would appear on the LHS of the expression
Predicate	The operator that needs to be applied in this expression. This can be one of the following standard predicates: Equal, Greater Than. Greater Than Equal, Less Than, Less Than Equal, Not Equal To, Is Present, Contains, Does Not Contain
Value	A constant value of an Any other Object Property that would appear on the right hand side (RHS) of the expression

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Name	**Convergence**
Type	Condition
Description	This shape is to merge two or more parallel condition paths in a Rule. It does not have any properties. Once the parallel paths are merged, more conditions objects can be further connected to the Convergence shape to represent common condition for those parallel paths.
Properties	
Name	**Description**
-	-

Name	**Connector**
Type	Connector
Description	This object can be used to connect two objects other in a Rule definition. It has no properties.
Properties	
Name	**Description**
-	-

Name	**Assign Clearance**
Type	Action
Description	This is an Action type of object and all action objects can appear only as the end point of the Rule Definitions. A Rule however can have multiple endpoints thus support multiple Action objects. Assign Clearance Action object grants or revokes a physical Clearance or Access Level to a Person.
Properties	
Name	**Description**

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Grant Clearance	The name of the clearance that is to be granted to the Person. Pick one from the list that appears in the dropdown box.
Revoke Clearance	The name of the clearance that is to be revoked from the Person. Pick one from the list that appears in the dropdown box.
Activation Date	While granting, specify what should be the date when the clearance will actually be activate in the PACS. It should be used only if the PAC system supports it.
Deactivation Data	While granting, specify what should be the date when the clearance will be deactivate automatically by PACS. It should be used only if the PAC system supports it.

Name	**Assign Role**
Type	Action
Description	This Action object can be used to grant or revoke a Physical Access Role from a Person. In SAFE, Roles can be created to map clearance across multiple PACS. Role based Physical Access provides more flexibility in scenarios with multiple PACS systems.
Properties	
Name	**Description**
Grant Role	The name of the Role that is to be granted to the Person. Pick one from the list that appears in the dropdown box.
Revoke Role	The name of the Role that is to be revoked from the Person. Pick one from the list that appears in the dropdown box.

Name	**Modify Person**
Type	Action
Description	This object can be used to modify one or more properties of the Person Object. Such as initializing a Property with some predefined values, setting a property say manager name based lookup to an external data

	source (using Reference shape that is covered later) etc. Like Person object, the properties of the modify Person objects is dynamic. However unlike Person Object the Modify Person will have Person Properties defined for all the systems irrespective of what is specified in the System Name property of the Site object.
Properties	
Name	**Description**
First Name	First name of the person
Middle Name	Middle name of the person
Last Name	Last name of the person
Person Type	Type of person in case system has different way of categorizing person records say Full-Time and Contractors etc
City	Location of the person
Email	Person's email address
...	

Name	**Reject**
Type	Action
Description	Under certain Rule Condition, there might be a case when the incoming Person Data should not be saved in SAFE. In such case, a 'Reject' action object has to be used to indicate to SAFE not to save the Person data. One common scenario where this shape is used is when an Approval workflow has to be started for a Self Service Data change request. And the Data should not be updated in SAFE till it is approved by an Approver.
Properties	
Name	**Description**
Reject Changes	Set this value to True

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Name	**Approval**
Type	Action
Description	This shape is used to control an Approval Work Flow. Sometime a data change received from a System has to go through single or multi-level approvals before it can be save in SAFE. One such application is SAFE Self Service.
Properties	
Name	**Description**
Requestor	The person or SAFE user who has raised this request. This field can be left blank in most cases. Use it only when the Policy Rule is being used to create Request rather SAFE Self Service Application. That is in cases where data if from the External System and has to go through an approval cycle. Pick one from the list that appears in the dropdown box.
Approver	A person or SAFE user or SAFE User Group who will be approving this request. Pick one from the list that appears in the dropdown box.
Request ID	When the Source Application is Self Service, set this value to Person-Request ID. In other cases leave it blank.
Approver Level	A request can be sent for multiple levels of approvers. If this Rule is for the sending the request to the last approver, choose FinalLevel. Else choose FirstLevel, SecondLevel, ThirdLevel etc base on the Rule.
Request Status	Choose status as 'Pending' if the approver has to take some action. Choose 'Approved' if the request has gone through the approval cycle and it's now completed. Choose 'Decline' if the request has to be declined based on some condition. Choose 'Withdrawn' if based on some condition request has to be withdrawn.
Requestor Type	Requestor can either be a Person/employee or a SAFE Application user. Depending on what is choose in the Requestor property, set this property value.
Approver Type	Approver can either be a Person/employee or a SAFE Application user. Depending on what is choose in the Requestor property, set this property value.

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Name	**Email**
Type	Action
Description	This action object can be used to send emails.
Properties	
Name	**Description**
To	Email address to whom the mail should be sent. Multiple email address can be separated by comma.
CC	Email address to who the mail should be copied to.
Subject	Subject of the mail.
Body	Email Body.
Mail Template	SAFE support definition and use of mail templates. Mail templates can be created use SAFE Web Administrative console. Such templates are listed in a dropdown box for this property and can be selected.

Name	**Reference System**
Type	Data source
Description	This is a special type of object that allows external data sources such as database tables & view to be referred for building Rule Condition or using in Rule Action objects. This object can appear between any two objects and preferably close to the shape that requires the external data. Reference Systems that are available to Rule are defined by the SAFE Administrators and are identified by a System Name and object Name. Each lookup table can have one or more column of data which appears as property of this object. The Lookup (in other words query/search) to the table can be done base on one ore more property values. One row of data that satisfies the criteria will be returned and is available for use in subsequent objects. Each instance of this object will be named as 'Reference System n' where n represents a unique integer that starts with 1. All properties of the Reference system Object can then be referred in other objects by selecting from the dropdown boxes

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	or manually specifying as 'Reference System 1.City'.
Properties	
Name	**Description**
Reference System Name	This is the name of the Reference System. For e.g. it can be used to group and give a name to all Reference System Objects (views or tables) from the same Database.
Reference System Object	Name of the Lookup object that is available under the selected Reference System. Choose one from the dropdown box.
(Dynamic List of lookup columns)	All column names those are defined for the selected lookup object is available as properties. Based on the lookup condition, values can be specified for these properties. For e.g. If under a Reference System Name SAFE, a Reference System Object is available called LDAPUsers and you would like to get the details of the manager of the incoming person using the manager email available as Person property, you have to specify the property values as follows: Reference System Name : SAFE Reference System Object : LDAPUsers Email: Person-ManagerEmail The in other shapes if you would like to refer to Managers details, you can use the notation 'Reference System1.LastName' assuming the object name is Refernce System1

Name	**Reference Connector**
Type	Connector
Description	This is a special connector that connects a Reference System Object to the normal connector. One end of the connector (with the pointed arrow) should be connected to the mid point Connector object. The other end has to be connected a Reference System object. This object has no properties.

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Properties	
Name	**Description**
-	-

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Working with SAFE Live Objects

Rule 1

New Self Service Approval Request for Lenel System from Employees must be sent to SAFE Administrator (an Employee not SAFE Application User) for Final Level approval.

Rule Name:

Self Service Manager First Level Approval

Textual Representation of the Rule:

If (Condition)

(SiteObject.System Name = Lenel) and (PersonObject.RequestStatus = Pending) and (EventObject.Source Application = SelfService)

Then (Action)

ApprovalObject.Approver = SAFEAdmin

ApprovalObject.Request ID= Person-RequestID

ApprovalObject.Level = FinalLevel

ApprovalObject.Status =Pending

EmailObject.To = safeadm@mydomain.com

EmailObject.Subject = Self Service Approval Request

EmailObject.Body = Please approve a new request by logging on to SAFE Web Site.

Steps to create this Rule:

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- Enter a name in the *Rule Name* field as 'Self Service Manager First Level Approval'
- Select the shape *Site* from the SAFE Stencil on the left hand side and drag-drop the shape on to the design area.
- When you select a shape in the design area, the properties related to that particular shape should be selected in the *Custom Properties* window in the bottom right.
- Select the dropped shape in the design area and in the *Custom Properties* window select the System Name property. From the dropdown box select 'Lenel'.

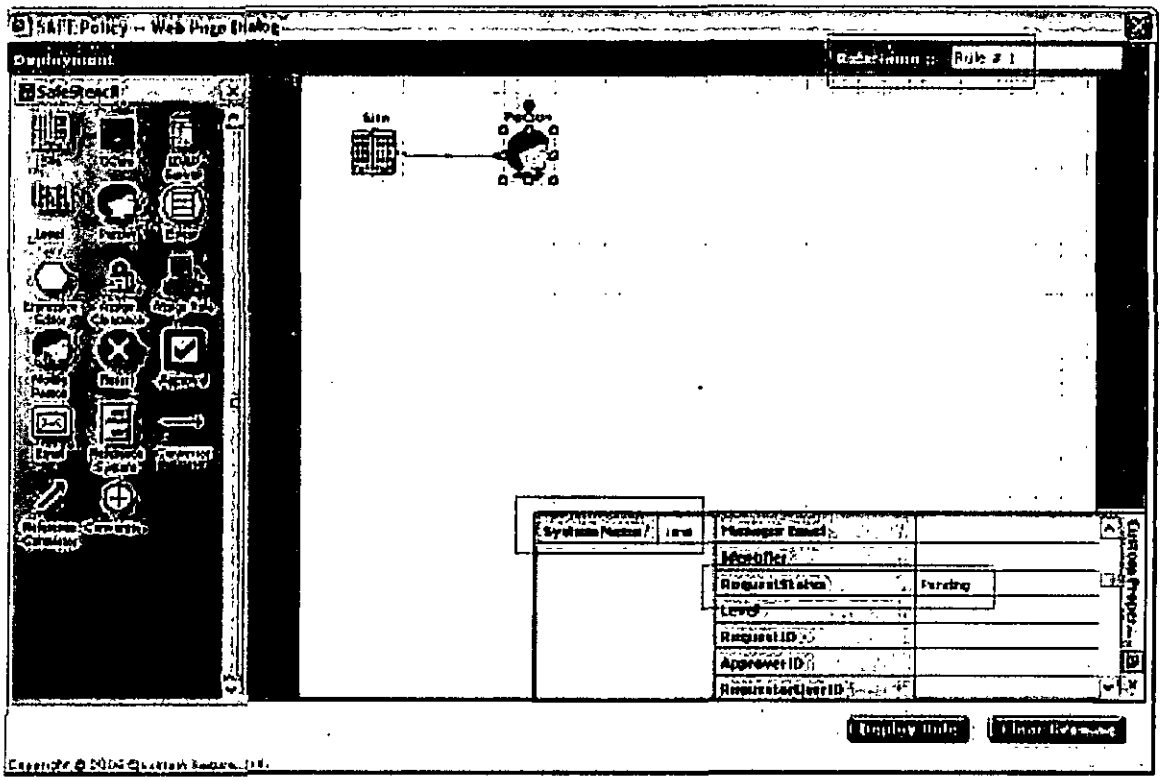

Figure 59 Creating a Rule

- Drag-drop *Person* from the Stencil to design area.
- Now these two shapes need to be connected using the *Connector* present in the SAFE Stencil bar. So drag-drop the Connector shape from Stencil to design area and connect the one end (without the arrow point) to Site and the other end to Person object.
- Select the Person Object in the design area and scroll down the property list in the *Custom Properties* window and select 'RequestSatus'. Type 'Pending' as the value.

- Now select the shape *Event,* drag and drop it next to the Shape *Person* in the design area and connect it using the connector and in the *Custom Properties* section select Source Application as *SelfService* as shown in the screen below.

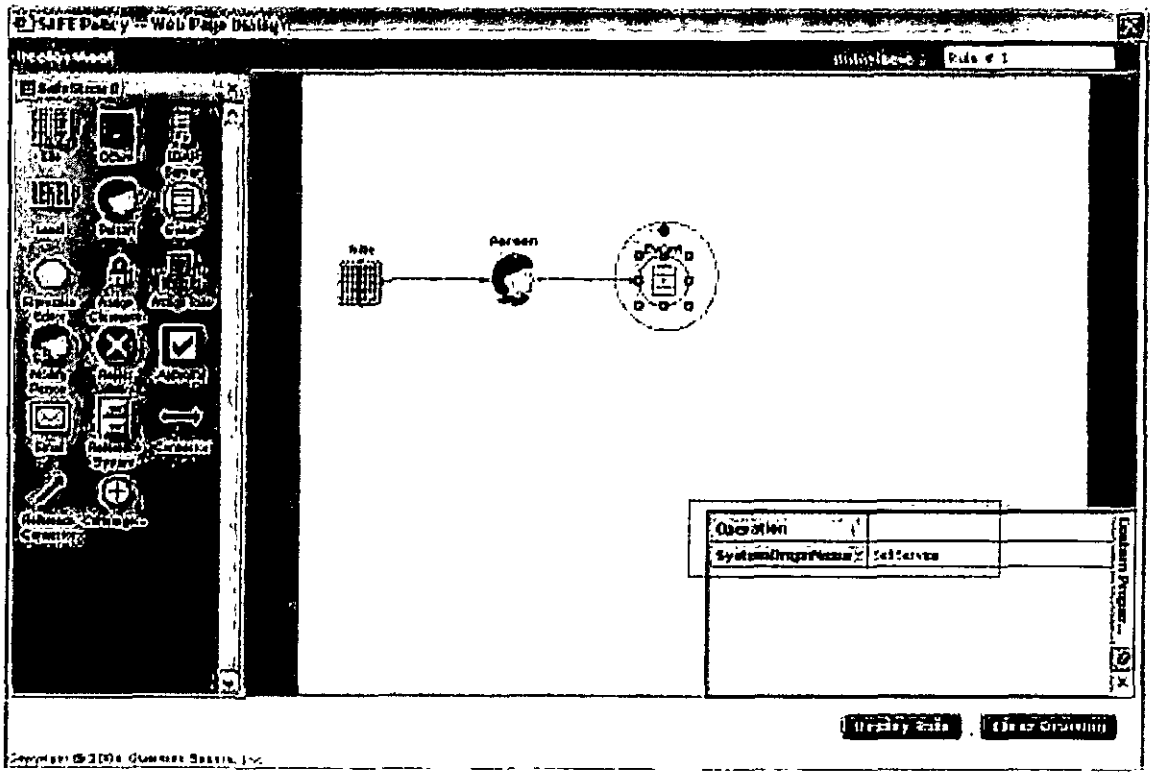

Figure 60 Creating a Rule

- Select the Shape *Approval,* drag and drop it into the design area and connect it with the Shape *Event* using the *Connector*.
- Specify the properties as of Approver Object as shown in the picture below.

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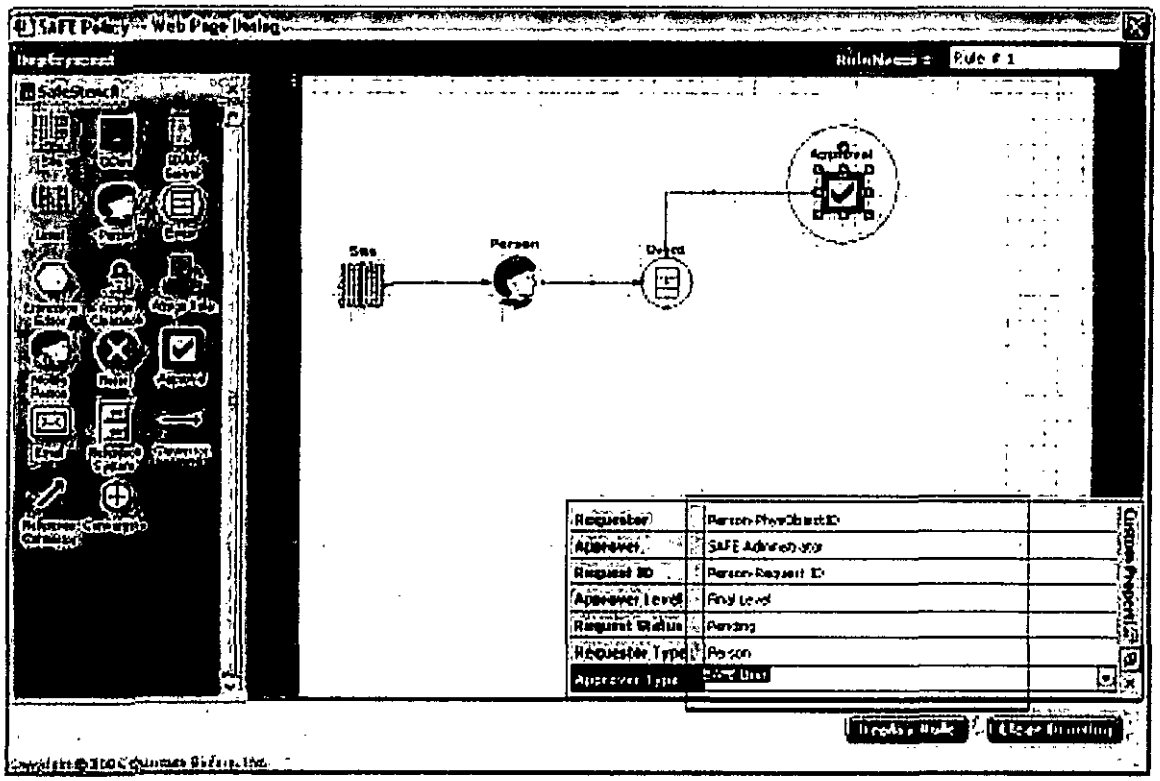

Figure 61 Creating a Rule

- Select the Shape *Email,* drag and drop it into the design area and connect it with the Shape *Event* using the *Connector* as shown in the screen below.

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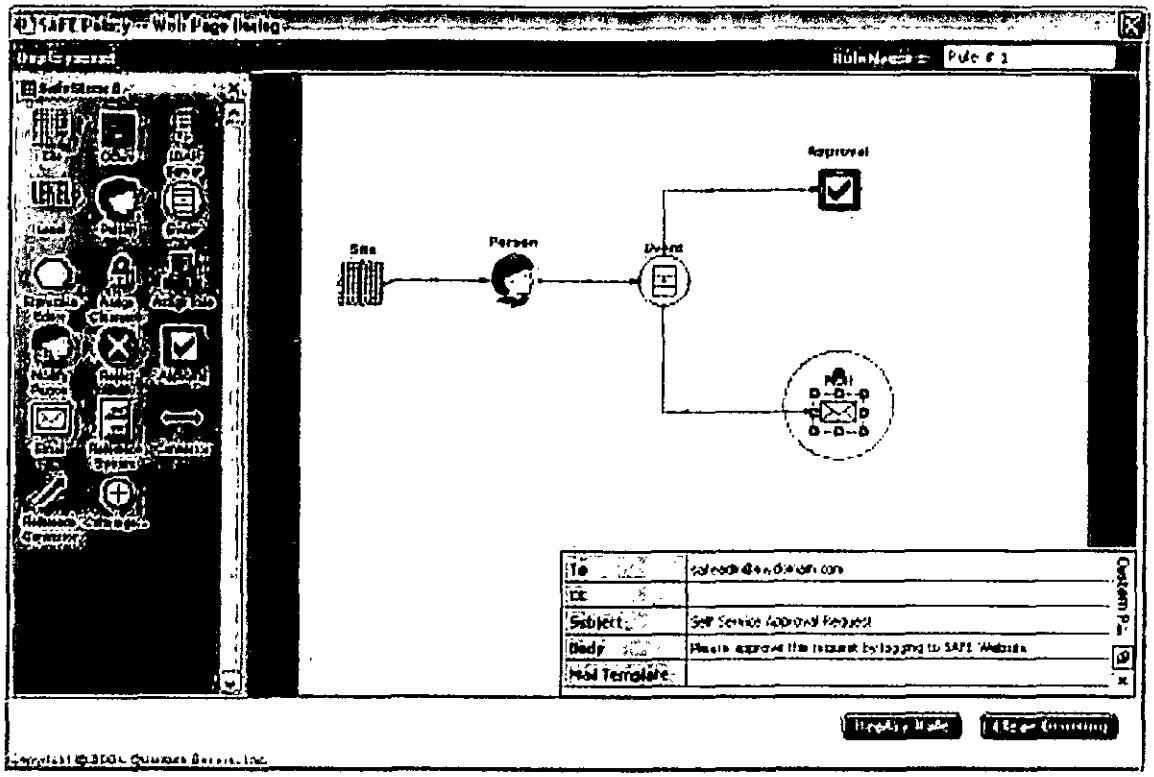

Figure 62 Deploying a Rule

- Click on the *Deploy Rule* button will save the Rule successfully and deploy to BizTalk. An alert message will be displayed saying the same.

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Objectives

- At the conclusion of this module, the student will be able to:
  - Describe RiskShield
  - Describe a typical situation workflow
  - Start RiskShield
  - Use the situation summary page, including:
    - Working with a situation
    - Filter
    - Searching by time period
    - Search
    - Situation Alert bar
    - Summary
    - Show Video
    - Audit Trail

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Objectives

- Open the Situation Detail Page.
- Use the Situation Detail Page, including:
  - Editing, assigning, and completing a situation.
  - Situation Action Plan
  - Directory
  - Video Zoom
  - Audio
  - Markers
  - Audit Trail

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RiskShield Introduction

- A tool to help organizations automate their existing situation management methods.
- Allows security personnel to:
  - Receive alerts when a set of alarms or observations indicates a situation has occurred that requires a response
  - Assign responsibilities when responding to a situation
  - Guide security personnel through the organization's standard procedures for dealing with a particular situation type
  - Guide personnel responding to the situation to "check off" or otherwise record their actions in response to the situation
  - Keep an audit trail of "who did what" in the event that after action analysis is required

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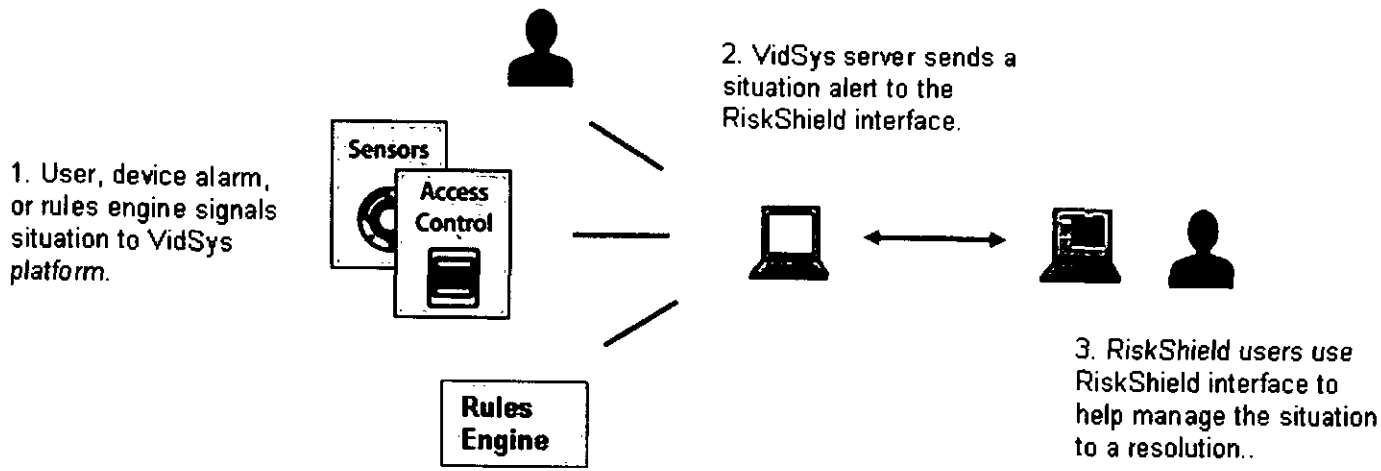
RiskShield Introduction

- In addition to helping organize the response to an event, RiskShield also helps personnel to access resources like cameras, alarms, and door operations to help the security staff react to events in real time.



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Definition of Situation

- Defined differently for each organization, but have certain characteristics in common regardless of an organization's specific configuration:
  - Trigger - either automated or manual
    - Informs RiskShield users that an event has occurred, and sets the response to that event in motion
  - Assignment - Each situation, or each set of actions in a situation, is assigned to a user or users for resolution.
    - This assignment enables the assignee to access whatever standard procedure an organization uses to react to that situation.
  - Response- When a RiskShield user is assigned to a situation, the interface presents a list of actions that guides them through the response, and gives them a way to acknowledge when a step is completed.

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Situation Workflow

1. A critical situation (fire, chemical spill, etc.) occurs at the facility.
2. Sensors (and possibly other devices) send alarms to the VidSys PSIM platform.

   Note: Situations can also be triggered manually in the RiskShield interface. This is particularly useful when a situation is observed or called in, rather than automatically detected by the system.
3. User-defined rules recognize that a situation has occurred and automatically create a new situation in the RiskShield User Interface, or the Situation Manager manually creates a new situation.
   A. When a situation is created, the Situation Manager may either immediately assign it to an Operator, or may leave it pending for another manager to assign. This depends on the associated risk of the situation and how large the Situation Manager's staff is.
   B. Once assigned, the Situation Alert Bar will provide both a visual and audible alert to notify personnel monitoring situations that a new situation has been created.

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Situation Workflow

4. Operators assigned to working with VidShield will notice the situation alert and click on the Situation Alert Bar to launch RiskShield.
5. If not already done, the operator will assign the situation to someone.
6. The Operator assigned to the situation will double-click on the situation listed in the situation summary screen to review specific details of the situation.
7. The Operator will review, verify, report, and if possible, resolve the situation by:
   - Completing Action Plan
   - Adding Audit Trail Notes as the situation develops
   - Configuring the video and maps associated with the situation to both monitor ongoing situation events and help emergency personnel that respond.
   - Verifying the situation
   - Closing the situation when permissible.

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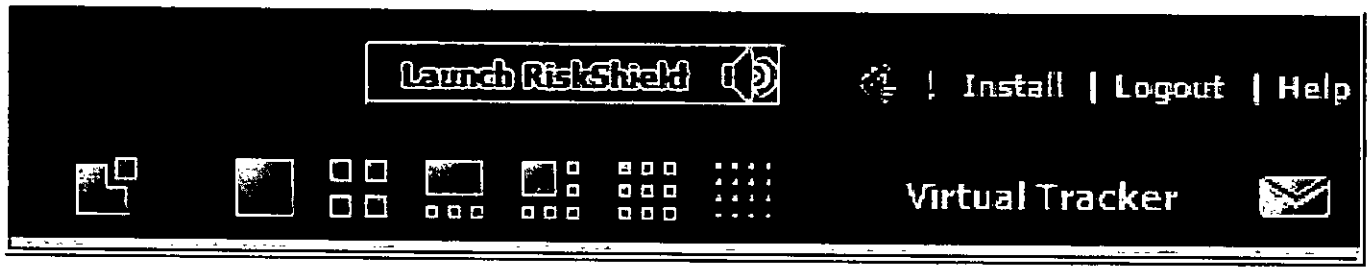
Starting RiskShield

- Click the Situation Bar at the top of the VidShield display.



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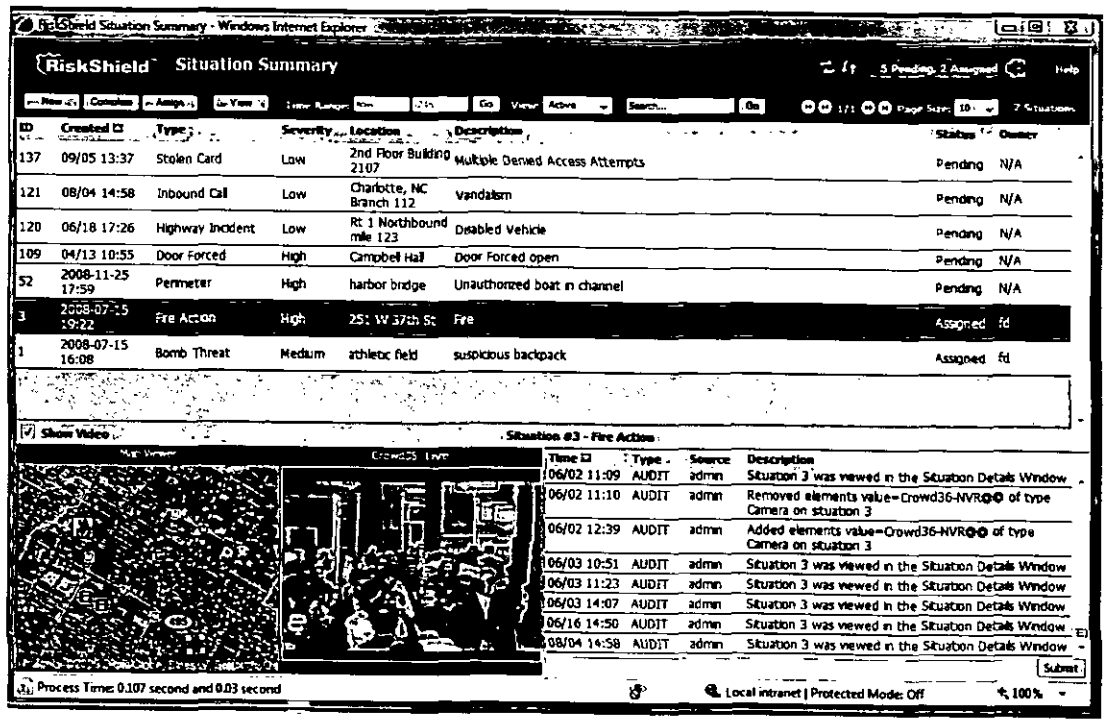
Situation Summary Page

- See all current situations at one time, in one place.



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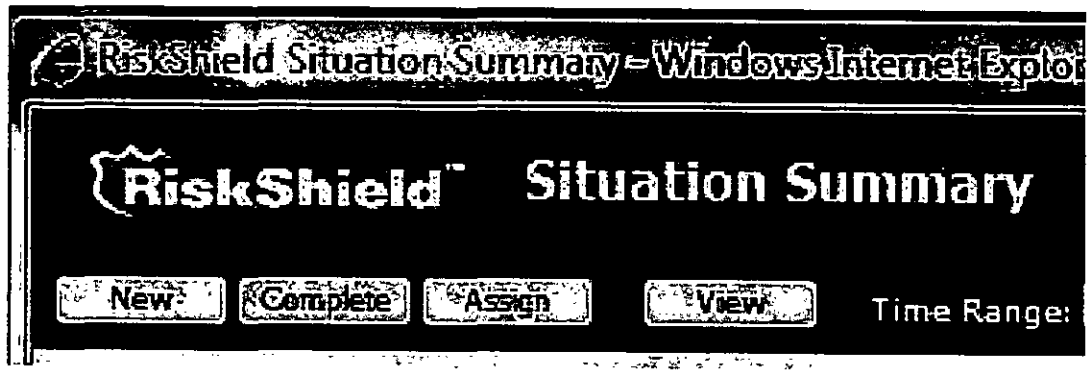
Working with a Situation

- Create a new situation.
- Assign an owner to a situation.
- Mark a situation as complete.



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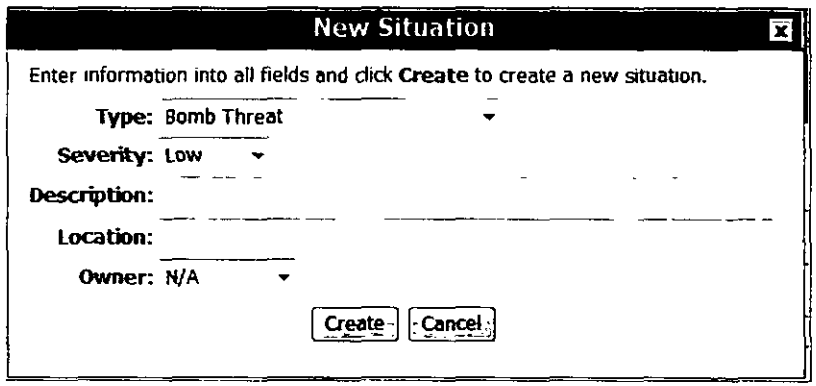
New Situation

- Click New.
- The New Situation box appears.



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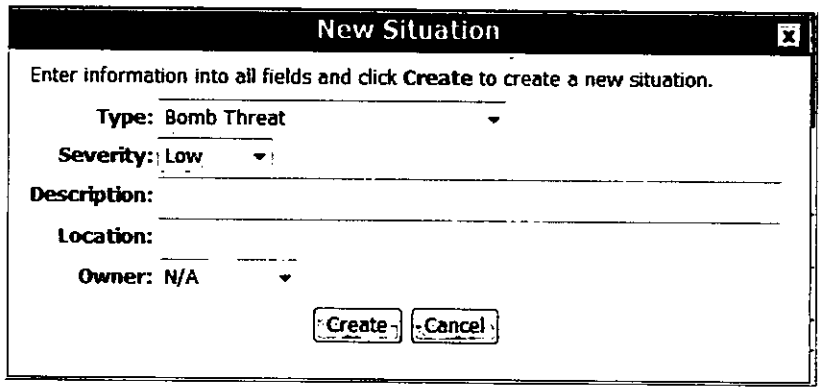
New Situation

- Click the down arrow key to choose the type and severity of the situation, preconfigured by the administrator.
- Type in a description of the situation, and its location.
- Assign an owner, if known.
  - If you don't specify an owner, RiskShield displays the alarm as unassigned.
- Click Create.



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New Situation

- If an owner was not assigned, the situation bar flashes, and an audible alarm goes off.
- Clicking the ID of the situation brings up the summary information in the lower right corner.
- When an owner is assigned, the alarm stops.

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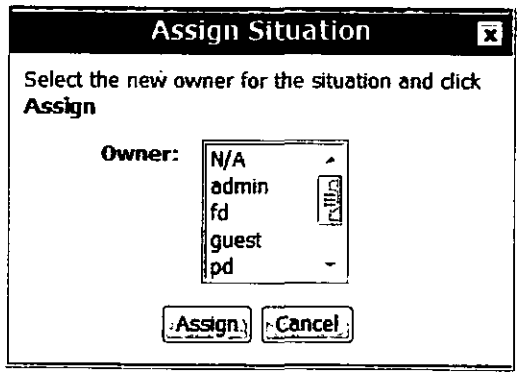
Assign a Situation

- To assign the situation later, click the ID of the situation, and click Assign.
- This also allows the owner of the situation to be changed.



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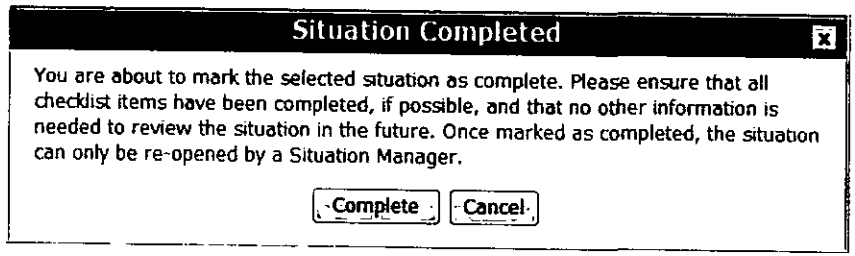
Completing a Situation

- Once a situation has been handled, it can be marked as completed by choosing the ID of the situation and clicking Complete.



Note: Once a situation is marked as complete, only a Situation Manger can reopen it.

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Exercise

- Create a new situation with a Type of Speeding.
- Give the new situation a description and location.
- Assign the situation to Admin.
- Mark the situation as complete.

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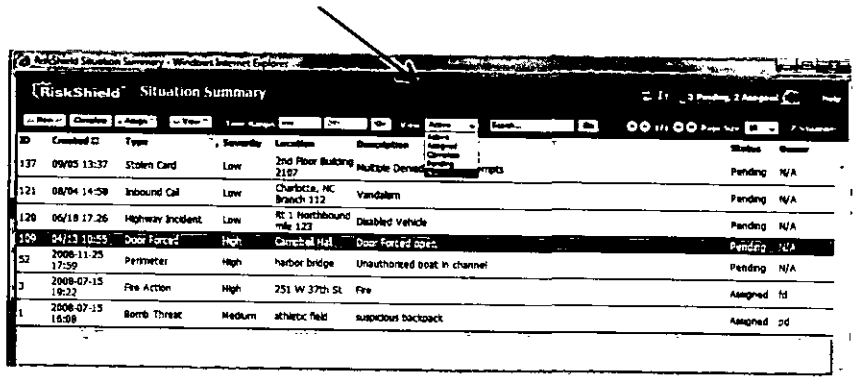
Filter

- Filter situation based on status:
  - Active – pending or assigned
  - Assigned – only situations that have a person assigned
  - Complete – closed
  - Pending – in general, situations that have been created, but not assigned
  - All – any situation



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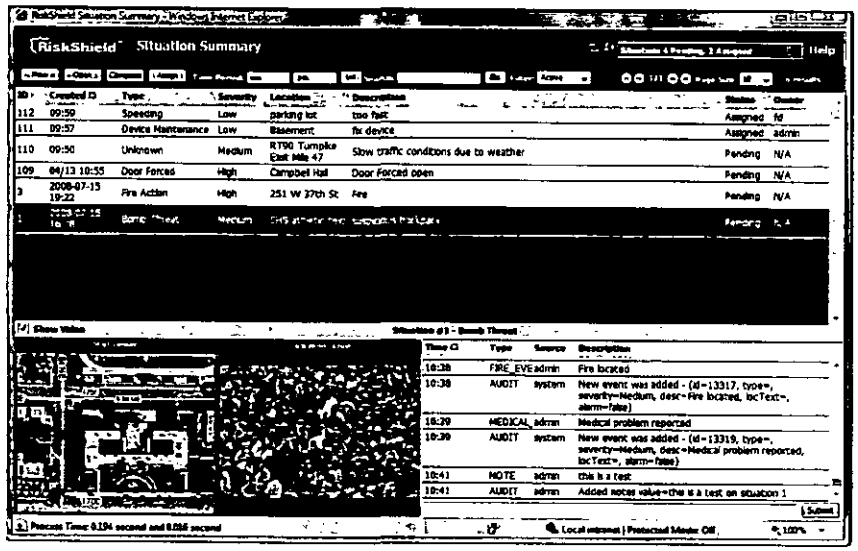
Time Period

- Display a situation by time.
- Options include day (d), hour (h), minute (m), and now (current time).
- Combine with filtered events to get more specific.



Note: Applies to "All" or "Completed" situations, not open or pending.

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Exercise

- Filter situations in a variety of ways, and watch the changes on the situation list.
- Locate the event that was added in the previous exercise.
- Bring back all situations.

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Search

- Search for a current situation list by word or phrase.
- Clear the search term, and hit Go again to return to the entire list.

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Exercise

- Search for all “unknown” situations.
- Bring back the entire list.

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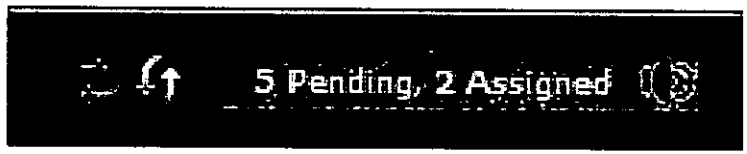
Situation Alert Bar

- Lists number of New and Active situations.
- New situations are listed as pending, and requires a Supervisor to assign the task to an Operator.
- Active situations require an operator to act.



Note: For smaller operations, people can act as Supervisor and Operator, and assign situations to themselves.

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Page Navigation

- The page navigation tool lets you select how many situations you'd like to display in the Situation Summary window, and provides controls that allow you to navigate through the situation summary list.
- Use the far left and far right buttons to move to the first and last pages of the list
- Use the inside left and right buttons to scroll through the list one page at a time
- Use the pull-down menu to select the number of entries to display on each page

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Summary

- Summary information of each event:
  - ID – unique number to identify situation
  - Created – date and time situation was created
  - Type – Administrator defined value for category
  - Severity – Low, Medium, High
  - Location
  - Description
  - Status – Pending, Open, Complete, Assigned
  - Owner – assigned operator

ID	Created	Type	Severity	Location	Description	Status	Owner
137	09/05 13:37	Stolen Card	Low	2nd Floor Building 2107	Multiple Denied Access Attempts	Pending	N/A
121	08/04 14:58	Inbound Call	Low	Charlotte, NC Branch 112	Vandalism	Pending	N/A
120	06/18 17:26	Highway Incident	Low	Rt 1 Northbound mile 123	Disabled Vehicle	Pending	N/A
109	04/13 10:55	Door Forced	High	Campbell Hall	Door Forced open	Pending	N/A
52	2008-11-25 17:59	Perimeter	High	harbor bridge	Unauthorized boat in channel	Pending	N/A
3	2008-07-15 19:22	Fire Action	High	251 W 37th St	Fire	Assigned	fd
1	2008-07-15 16:08	Bomb Threat	Medium	athletic field	suspicious backpack	Assigned	pd

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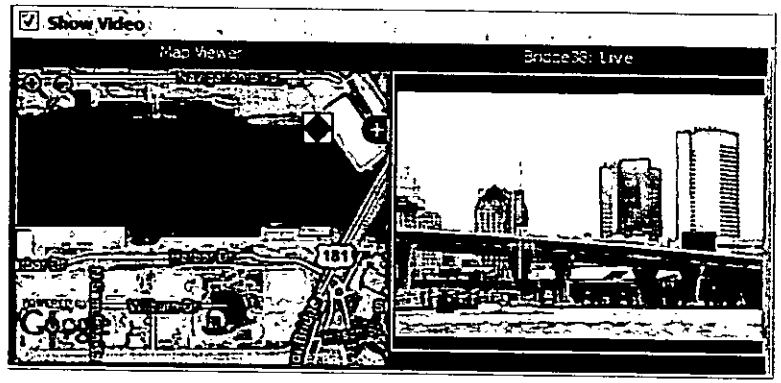
Show Video

- When an operator is assigned a situation, it is often desirable to use available cameras to monitor the situation in real-time as that operator works to coordinate emergency personnel.
- To preview a situation, select the situation from the summary list, and check Show Video.



Note: By default, the video shown corresponds to the first two videos the user added to the situation on the Situation Details page.

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Audit Trail

- Lists an audit trail of all changes made to a situation, notes written by the operator, and events resulting from alarms from external devices.

Situation #52 - Perimeter

Time	Type	Source	Description
05/22 16:41	AUDIT	admin	Checkbox 2 was unchecked with desc If false alarm: close situation for situation 52
06/10 11:33	AUDIT	admin	Situation 52 was viewed in the Situation Details Window
06/30 08:03	AUDIT	admin	Situation 52 was viewed in the Situation Details Window
07/01 08:55	AUDIT	admin	Situation 52 was viewed in the Situation Details Window
07/14 14:09	AUDIT	admin	Situation 52 was viewed in the Situation Details Window
07/14 14:09	AUDIT	admin	Removed elements value=Lenel building 7.door2 of type ControlledDevice on situation 52
07/14 14:10	AUDIT	admin	Added elements value=Lenel building 7.door2 of type ControlledDevice on situation 52
07/22 13:25	AUDIT	admin	Situation 52 was viewed in the Situation Details Window
08/14 11:09	AUDIT	admin	Situation 52 was viewed in the Situation Details Window

Submit

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Audit Trail - Description

- Operator logging.
- Record Audit Trail notes while reviewing, verifying, reporting, or resolving situations.
- Helps an operator and anyone else monitoring a situation to know what is happening for any given situation.
- It also can help a situation manager to mark a situation complete (if detailed Audit Trail notes indicate that a situation is resolved) or reopen a situation (if something in the Audit Trail notes indicates that something was initially overlooked or unresolved).
- Critical to situations that require emergency response or pose a threat to personal safety or normal operation.

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System Audit Trail

- Tracks both system events and user activity in the system audit trail.
- Audit records will be generated for:
  - Previewing a situation
  - Opening the situation detail page
  - Viewing a situation in the situation detail page
  - Changing any situation property
  - Adding any situation directory elements
  - Performing any action on a situation Action Plan
  - Adding or modifying a situation marker
  - Adding new events to a situation record
  - Viewing a situation in the preview pane

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System Audit Trail

- Checklist - Action Plan item has been checked (marked as completed) or unchecked (marked as incomplete).
- Marker - Situation marker has been added to a situation map view on the situation details page.
- Element - Element is added to the situation directory.
- State - Situation property has changed.

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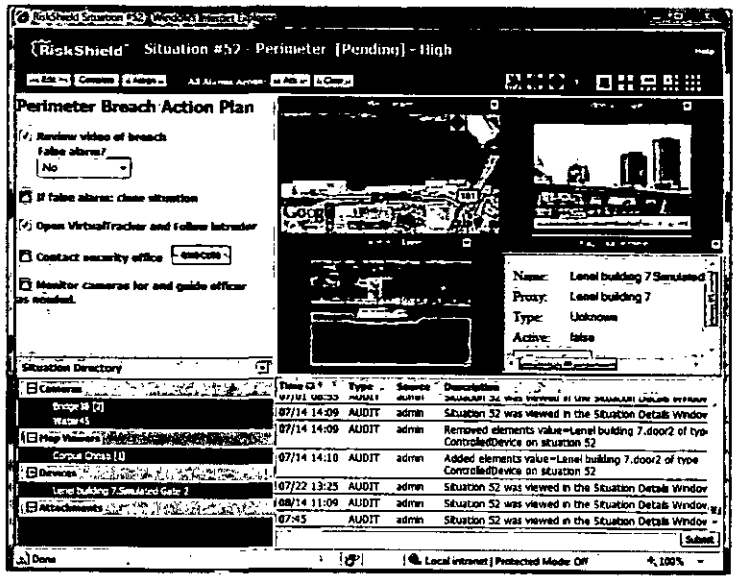
Situation Detail Page

- This window has four significant areas:
  - The upper left pane lists actions that must be taken to resolve the situation.
  - The upper right pane offers an area to display cameras that might be useful in monitoring the situation.
  - The lower left pane is a directory of devices.
  - The lower right pane is the audit trail for this event.



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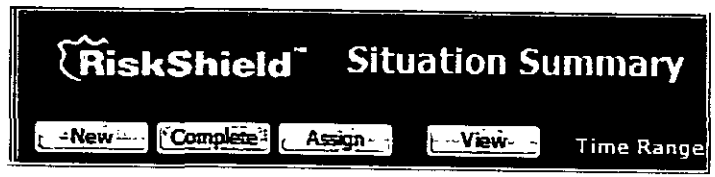
Opening the Situation Detail Page

- Click the ID of the situation you want to learn more about, and click View.
- Or double click the ID number.



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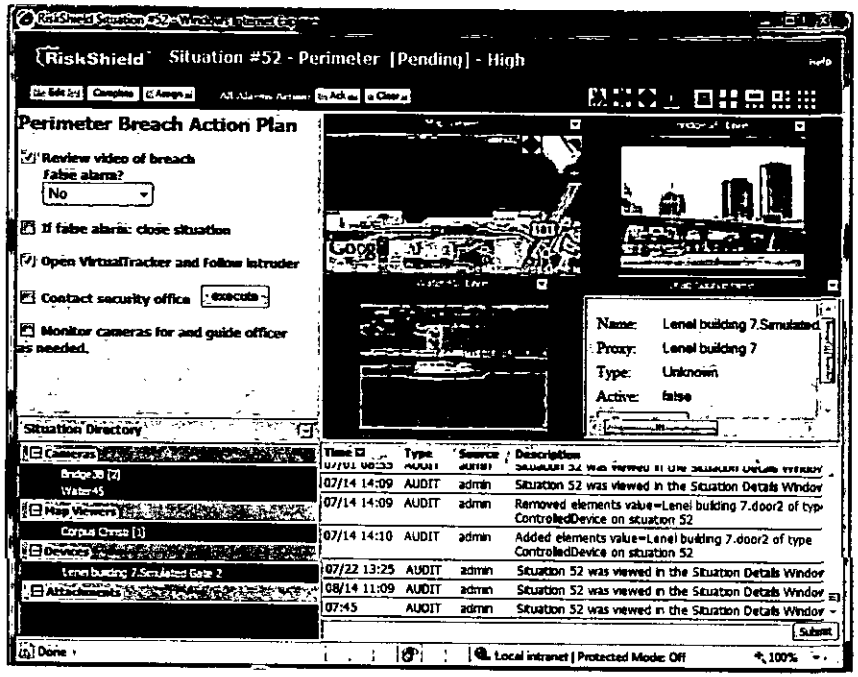
Situation Detail Page

- See all information about a particular situation on one page.



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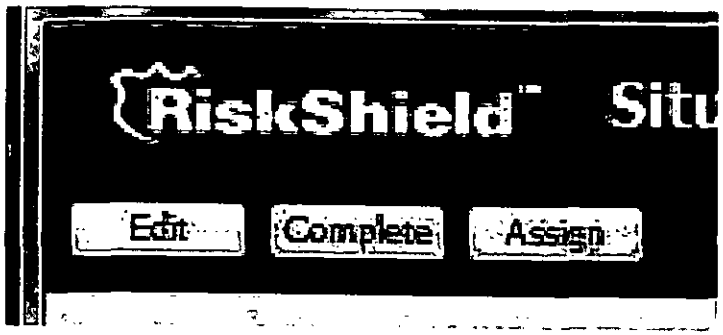
Working with a Situation

- Edit a situation.
- Assign, or reassign, a situation.
- Mark a situation as complete.



Note: Once a situation is marked as complete, only a Situation Manager can reopen it.

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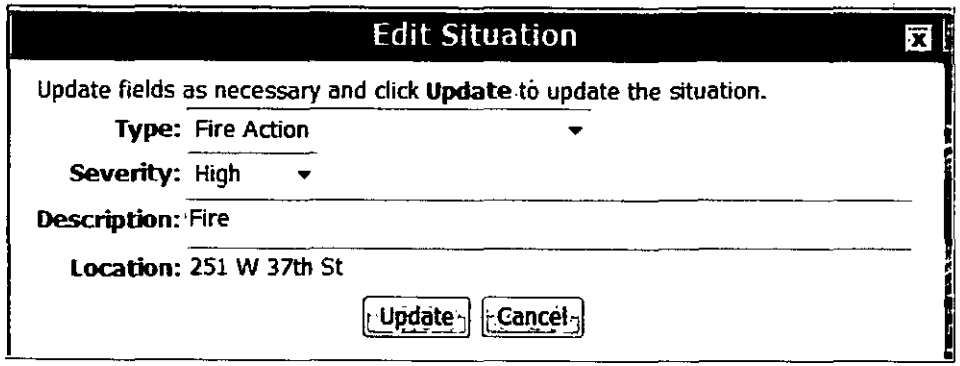
Edit a Situation

- Click on the Edit button.
- Click the down arrow key to choose the type and severity of the situation, preconfigured by the administrator.
- Type in a description of the situation, and its location.
- Click Update.



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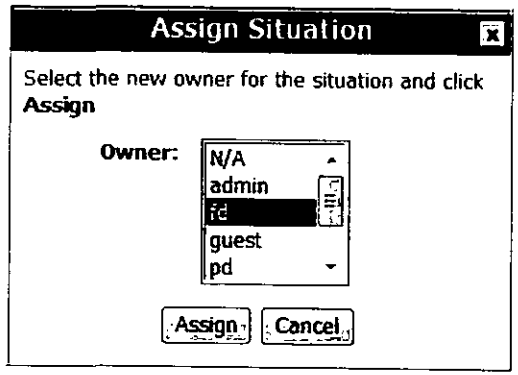
Assign a Situation

- If the situation is not assigned, click Assign and choose an owner.
- The owner of the situation can also be changed with these steps.



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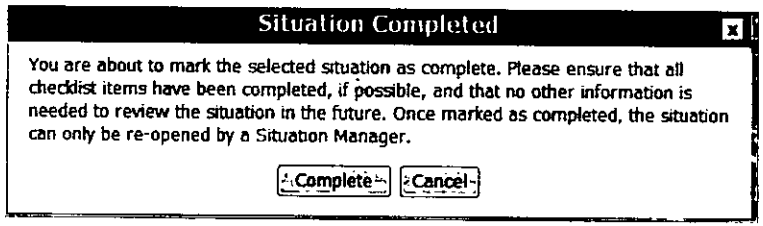
Mark a Situation as Complete

- When all required actions have been completed, click Complete.
  - The Situation Summary Window defaults to displaying Active situations, so the situation disappears from this screen.
  - To review the situation, change the Filter to Complete, and click on the line that describes the completed situation.
- An audit trail displays in the lower right corner of the screen listing actions taken in RiskShield to resolve the situation.



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Exercise

- Open a situation.
- Edit the situation type.
- Assign the situation to the Administrator.
- Mark the situation as complete.

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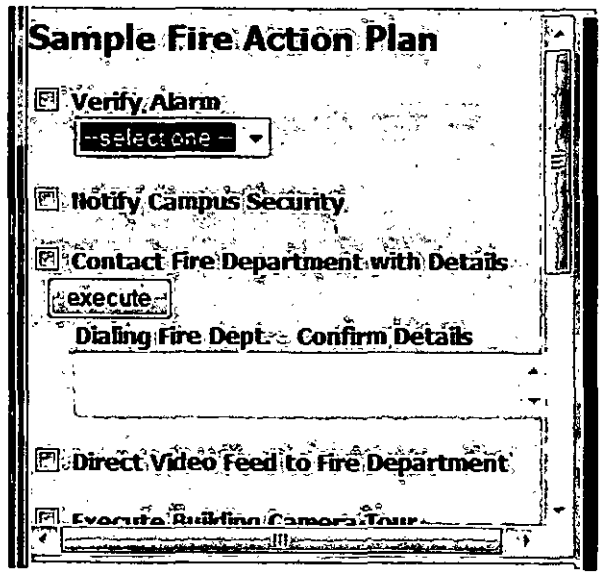
Situation Action Plan

- A pre-determined set of tasks to help the operator manage a situation.
- Custom-built response template that captures the best practices in an organization for dealing with a particular situation type.
- Specifics vary from organization-to-organization, but the general principles remain the same.



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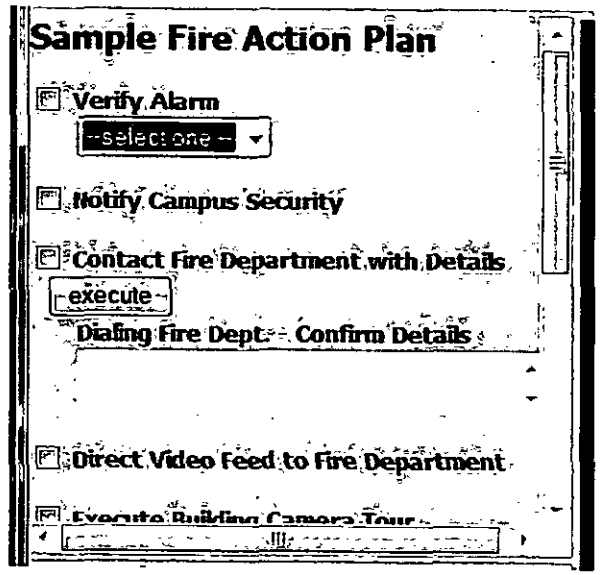
Situation Action Plan

- User groups and permissions determine what a RiskShield user is allowed to see and do.
  - If you are unable to perform a particular action in RiskShield, it may be because you don't have the needed permissions.
- Depending on the Action Plan, the Operator assigned to the situation will make choices from drop down menus, enter text, or execute an administrator created instruction.



Note: The audit trail records the time that each task is checked off. This may be important in later analysis of the situation.

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Permissions

- RiskShield uses three new types of permissions:
  - Manage All - Provides the user with supervisor privileges.
    - This permission enables the user to view and make changes to any situation, and to assign situations to other users.
  - View All - Allows the user to view any situation.
    - It does not allow the user to make changes to any situation.
  - Manage Assigned - Enables the user to view and make changes to any situation assigned to that user.

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Exercise

- Open the Bomb Threat situation.
- Look through the Action Plan choices.
- Fill in the categories of the Action Plan.
- Mark the situation as complete.

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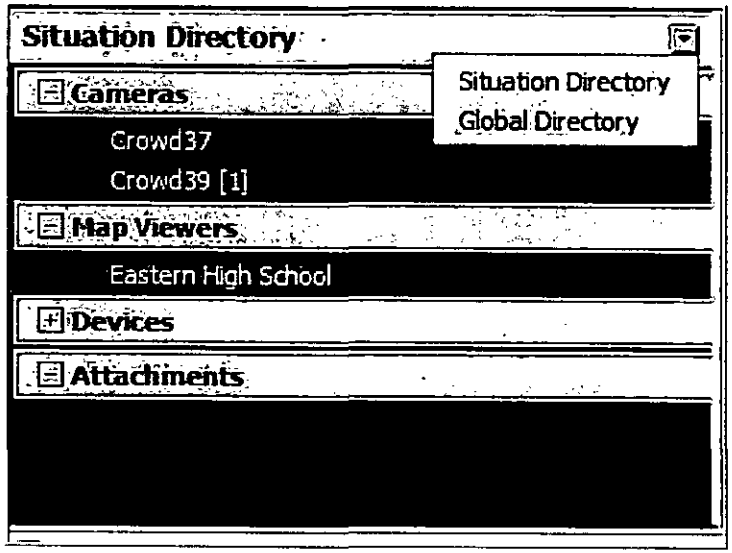
Directory

- Shows the available map and camera views for a particular situation.
- Click the drop down to choose Situation or Global directory.



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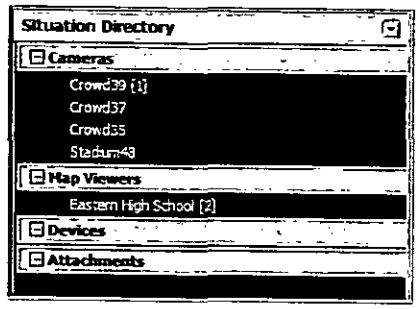
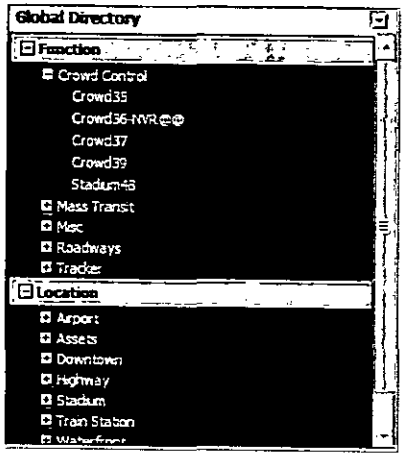
Directory

- Allows cameras, devices and maps to be added to the situation manually.





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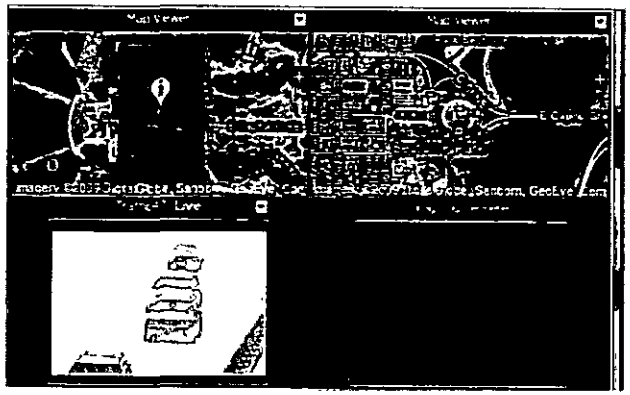
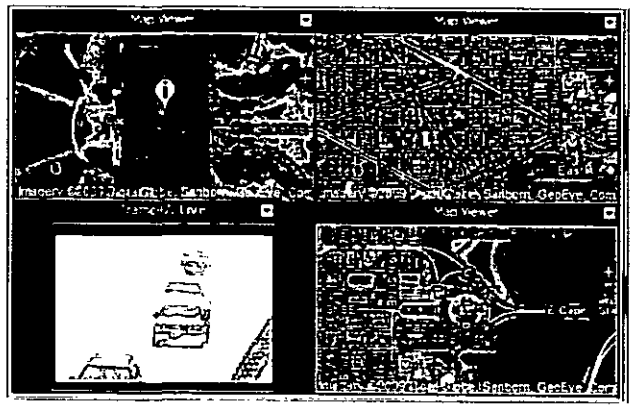
Directory and Content Panel

- Drag the camera or map from the directory into the content viewer on the situation detail page.
- These will stay with the situation until they're removed.





Note: As of RiskShield v5.2, drag and drop elements from the VidShield directory to the RiskShield directory before using them in RiskShield.

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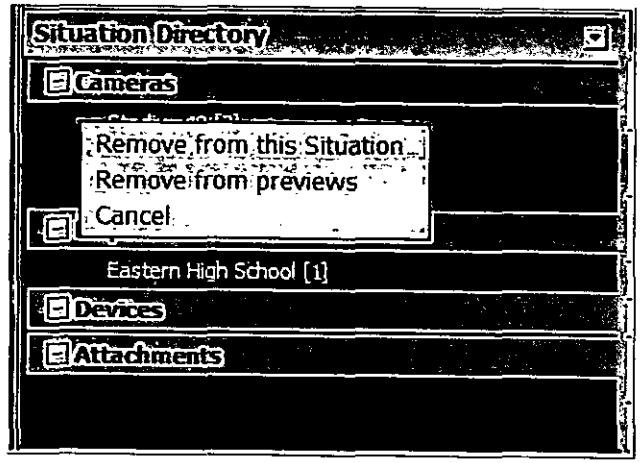
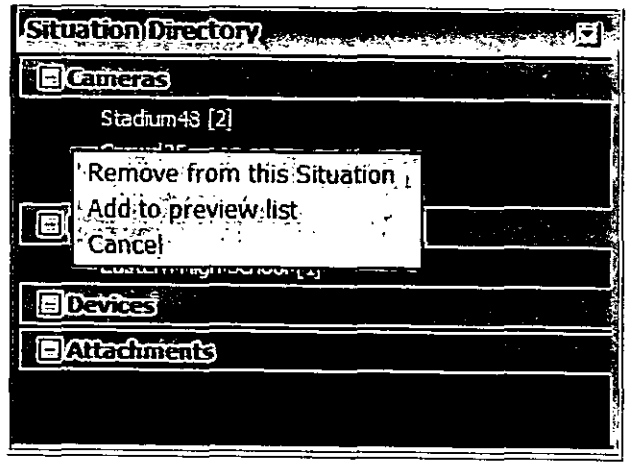
Directory

- Right click on the element in the directory tree.
  - Select Remove from this situation to remove the element from the window.
  - Select Remove from previews or Add to Preview list to remove or add from the Summary Page.





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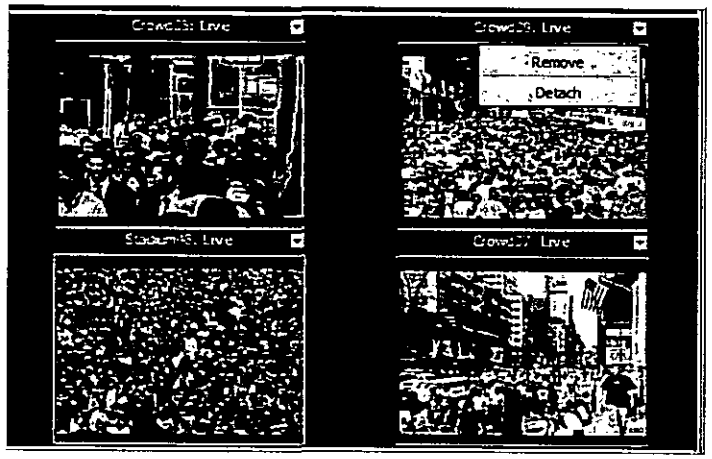
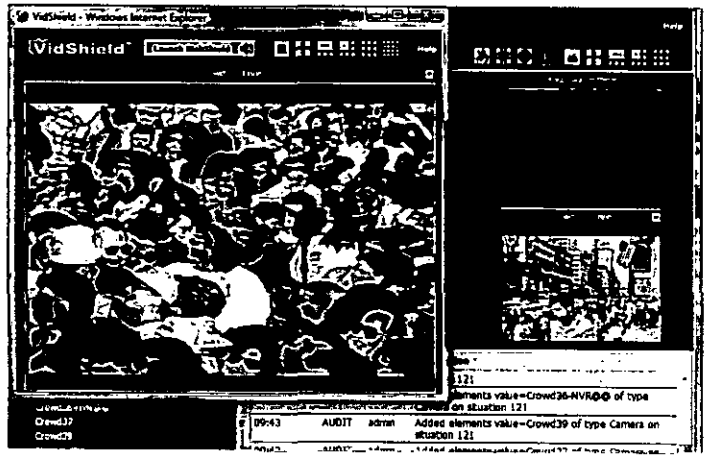
Free Floating window

- To detach a video or map from the Situation Detail page and display it in a free-floating window, click the icon on the upper right corner of the video or map, and select Detach.
  - The element displays in its own window.





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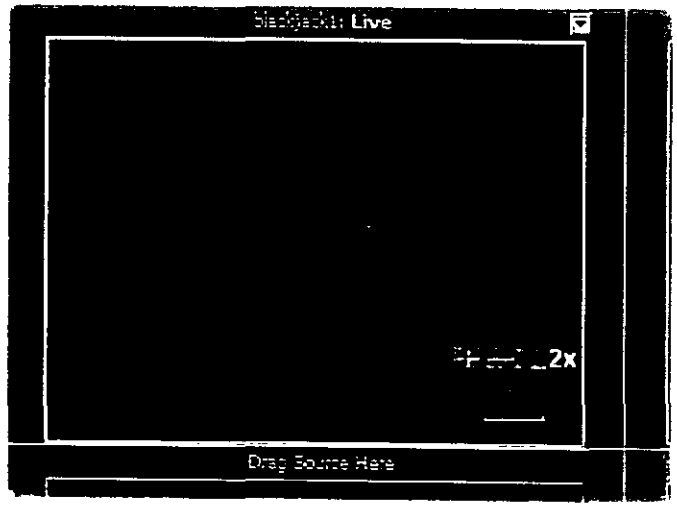
Video Zoom

- RiskShield supports digital zoom (up to 4x) for any non NVR cameras in the directory.
- If a camera supports video zoom, zoom controls display in the lower right corner of the video panel.
- Click the + and - buttons to zoom in out.
- Select which portion of the camera's field of vision that you want to zoom in on by dragging the highlight square in the gray box below the zoom bar.



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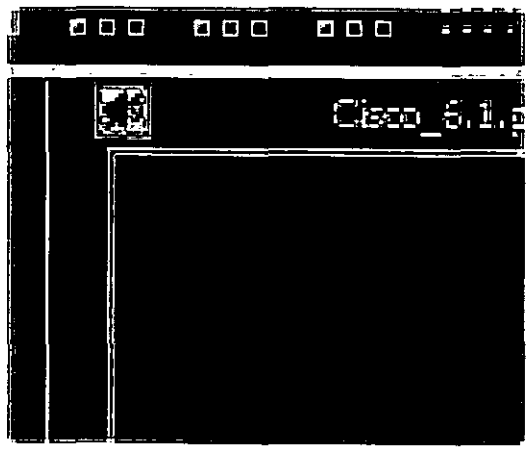
Using Audio

- Certain cameras and encoders support the transmission of audio.
- When audio is available from a particular camera location, the camera display shows a speaker icon.
- Click this icon to either disable or enable audio from the selected camera location.



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Markers

- Mark event types, including:
  - Fire
  - Medical
  - Hazardous Materials (hazmat)
  - Alarm

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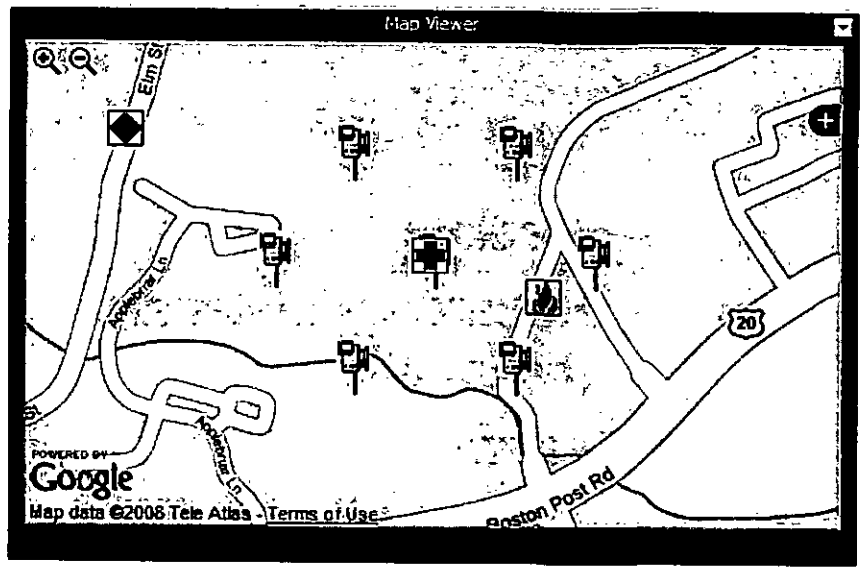
Adding Markers

- Drag the marker to the place in the map where the situation is occurring.



Note: This action can only be performed from the Situation Detail page.

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Exercise

- Add video and a map to the content viewer.
- Add a fire marker to the map.

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Audit Trail

- Lists an audit trail of all changes made to a situation, notes written by the operator, and events resulting from alarms from external devices.
- Add notes into the provided field, and click Submit.

Time	Type	Source	Description
			oldValue=Pending, newValue=Assigned
07/22 13:52	AUDIT	admin	The property owner on situation 1 changed, oldValue= newValue=fd
08/14 11:07	AUDIT	admin	Situation 1 was viewed in the Situation Details Window
08/14 11:10	AUDIT	admin	Removed elements value=Stadium48 of type Camera or situation 1
06:27	AUDIT	admin	The property owner on situation 1 changed, oldValue=fd, newValue=pd
08:55	AUDIT	admin	Situation 1 was viewed in the Situation Details Window

Submit

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Alarm/Event Acknowledgement

- Certain device integrations may need alarms or events to be manually Acknowledged or Cleared from the remote system.
- These buttons allow that (for supported devices).

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Exercise

- Add a note to the Situation Detail Page.
- Verify that it appears in the Audit Trail.
- Verify that it's added to the Audit Trail on the Situation Summary Page.

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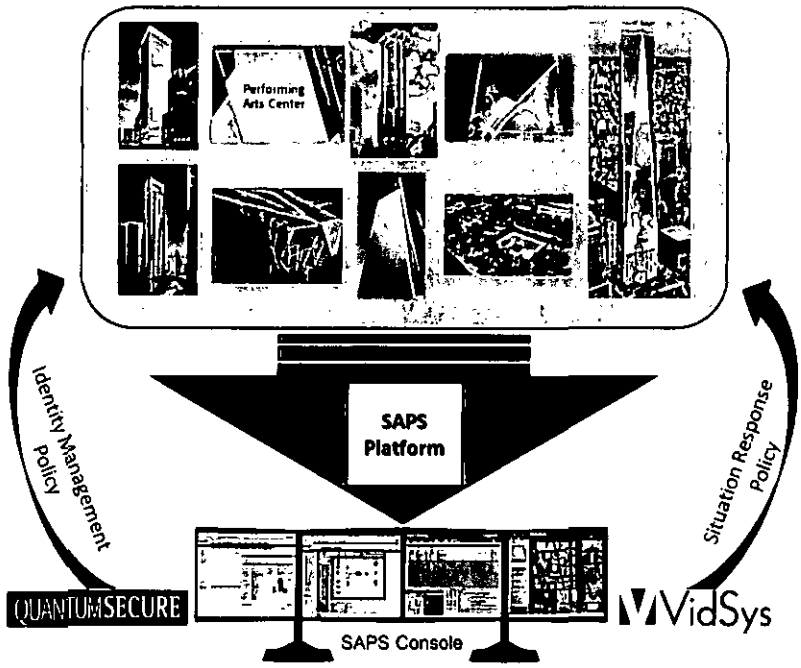
Johnson Controls

1. Executive Summary

Johnson Controls, Inc. has chosen to partner with VidSys & Quantum Secure, the respective industry leaders in physical security information management (PSIM) and Physical Identity & Access Management (PIAM) to provide a turnkey, end to end platform to the Port Authority of New York & New Jersey in response to RFP #22113. Johnson Controls has worked closely with VidSys and Quantum Secure on previous projects and we feel that the combination of our resources and technologies will fully meet the requirements of the World Trade Center Situation Awareness Platform Software (SAPS) project. Policy management, identity management, real time dynamic situation management, reporting, auditing and compliance will be achieved with this integrated solution. The integration of the web based software platforms from VidSys and Quantum Secure will provide the Port Authority the following capabilities:

- Create and manage security policies, privileges and permissions centrally across all WTC sites
- Provide operators with the ability to view and manage situations in real time with all related security assets, alarms, video, maps and relevant Quick Response Checklists (also referred to as Action Plans) correlated and presented through a common operating picture, enabling interaction with all assets regardless of type, format, manufacturer or WTC site owner
- Dynamically modifying action plans and maps based on new alarms received or information entered by the operator
- Manage cardholder identity functions, including badge production, smart card encoding and card lifecycle management.
- Automate the on- and off-boarding of employees, contractors, temporary workers, visitors and others into multiple applications requiring identity information such as electronic physical and logical access control systems.
- Provide self-service and delegated administration of access entitlements via Web browser user interface.
- Provide real-time, executive dashboards and metrics, including detailed risk management capabilities within varied physical security and application infrastructures.

- Combine multiple video platforms and allow the simultaneous viewing of video formats via a universal viewer including MPEG, MPEG4, MJPEG, H.264, Analog, WMV, Flash and QuickTime video streams



The proposed SAPS solution will deliver an enterprise software platform to manage and streamline security identities, compliance and security situations across disparate physical security systems at multiple stakeholder sites. The systems shall enable the integration of disparate physical security systems, automate key processes and manage identity data integrity for employees, vendors and other third-party identities across the WTC's site-wide environment. The software platform has the ability to correlate multiple alarms across desperate security systems and group such alarms into single situations based on location, time, alarm type or a combination of all three. This solution will work with existing security infrastructure – with no need to either replace currently existing hardware or limit the selection criteria for future systems to be deployed.

The integration framework between VidSys and Quantum will allow various physical access control systems (PACS) and other devices to integrate amongst themselves and with enterprise IT systems such as SAP, PeopleSoft, IDMS systems, LDAP, MS Active Directory and more. The integration framework supports native API and Web services-based integration, such as interoperability via SPML and SAML standards for badge issue, termination, badge-location validation, SSO and RFID interfaces. The platforms are based on HTML, Java, XML and Jboss business rules and support all industry standard communication protocols such as RS232C, RS485, SCADA, MudBus, TCP/IP, SNMP and HTTP.

The software platforms have embedded policy creation tools that will allow WTC operators and administrators to configure workflows by dragging and dropping appropriate live objects and linking them electronically. The software then converts the visual schematic drawing of a policy into appropriate rules and instruction sets applicable to the underlying physical security infrastructure, such as physical access control systems, CCTV camera call ups, background checking services, HR, vertical transportation systems, HVAC, CBRNE, life-safety systems and others to be defined in the future scope of work. Situation response policies, including camera call ups as well

as other relevant devices and information resources shall be created based on a geospatial engine and not hard coded, linking specific cameras to specific device or alarm points. The response policy creation within VidSys utilizes a geo-engine to allow for site wide policies to be created such as "display closest camera within 'X' number of feet to an alarm" rather than coding individual alarm points to specific cameras.

VidSys created the category and leads the industry in providing Physical Security Information Management or PSIM software that enables organizations to integrate their disparate physical security and environmental monitoring devices and systems. The web based VidSys PSIM platform enables the interoperation, integration and correlation of data from multiple video assets, devices and sensor systems, regardless of manufacturer or technical format, additionally applying analytics and intelligence through a series of robust rules engines. This allows the software to analyze the data, present to security personnel all the information necessary to verify the situation, and then provide the instructions and tools to coordinate activities across agencies and to resolve the situation quickly. With VidSys, the Port Authority of New York and New Jersey will be able to reduce costs; respond to situations faster, provide a common framework for universal management of disparate security devices across the WTC site; provide a layer of intelligence through filtering, correlation and analysis, quickly access information on situations, distribute that information to partnering agencies and stakeholders, and most importantly - increase overall situational awareness.

Quantum Secure's SAFE Suite is the only Identity Management software platform on the market that utilizes and emphasizes domain expertise in the physical security space. SAFE is specifically designed to integrate with Physical Access Control applications which have historically been closed and proprietary, as well as the various open IT applications. The integration framework developed by Quantum Secure results in a centralized repository of identities and all auditable activity surrounding the provisioning of credentials, physical access privileges and assets to those identities. SAFE unifies employee, contractor, visitor and vehicle identity management and enables corporate risk assessment in one seamlessly integrated web console. SAFE allows corporate security departments to centrally deploy "Business Rules" using graphical whiteboards such that diverse physical security systems site wide conform to consistent Port and 'Corporate' Policies. This unique 'Policy Based' approach allows security managers to deploy proven best practices and business rules across all domains of physical security resulting in a dramatic reduction in operational costs and risk, and an increase in operational efficiency and security.

2. Software Products Comprising the Proposed SAPS System

Description of VidSys products

VidSys provides two web based software applications which would support and enhance the security response and CCTV monitoring capabilities of the various system users at the World Trade Center.

1. The **VidShield™** application combines multiple video platforms and supports video formats via a universal viewer including MPEG, MPEG4, MJPEG, H.264, Analog, WMV, Flash and QuickTime video streams. The VidShield application will enable operators to drag and drop video camera icons off of terminal maps or floor plans, or categorize cameras in a number of different hierarchical tree structures (such as by location, function, user group specific, etc.) rather than operators searching thru several different systems with unique naming conventions.

2. **RiskShield™** software is the real-time situation management and automation companion to VidShield. With RiskShield, each operator is presented with a series of tasks to perform in order to resolve each unique alarm (or combination of alarms into a single situation) identified by the various security systems deployed at the WTC site.

Description of Quantum Secure products

1. **SAFE Integration Server and Policy Engine** is a platform enabling real time integration framework for PACS agents and integration components to connect to enterprise systems such as IdM, HR, LDAP and other systems. SAFE's integration platform is custom configurable solution for major physical security technologies. Effectively exchanging messages between devices & applications is an absolute requirement for integration. Given the diversity of communication technologies that exist within the physical security & IT infrastructure, SAFE's Integration Server, supports a variety of emerging & legacy protocols and message formats.

2. **SAFE Physical Identity & Access Management (PIAM)** manages physical identities and access across diverse PACS that otherwise do not operate together. Also automates carding process and role-based access. Benefits: Efficiency, Accuracy, Lowered risk.

3. **SAFE Self Service Portal** is a fully automated solution which enables employees/contractors/outsourced vendors/visitors with proper login privileges to perform their own physical access changes and modifications from a single Web site. Benefits: Efficiency, Accuracy

4. **SAFE Visitor Identity Manager** makes visitor enrollment processes quick and easy by enabling authorized employees or security personnel to pre-register visitors, groups, or employees via a Web browser. Enables full Web UI visitor management functionality, connectivity to centrally register, approve, and enroll visitors into virtually any building (or PACS when PACS Agent is enabled) across the network connected enterprise. Benefits: Efficiency and Accuracy.

5. **SAFE Security Reporter** provides reports for operational and management at required intervals. Reposts can be customized. Benefits: Saves time sorting through reports.

6. **SAFE Badging Manager** provides a flexible way to orchestrate enterprise enrollment and badge production processes independent of locations or PACS. Benefits: Flexibility, Efficiency and Accuracy.

7. **SAFE Watch List Manager** manages lists of physical identities that are potential threats to an organization, along with their risk profile and historical details (i.e. previous contact through email, phone, threats, misconduct, etc.). It includes complex search algorithm to match identities on watch list and reduce risks of issuing visitor or physical access badges to unwanted personnel. SAFE Watch list is leveraged to match identities enrolled in other apps like SAFE Physical Identity and Access Management, Visitor ID Management. It also automates workflows associated with addition/modification of watch list record, i.e. notifications, approvals, escalations and reminders.

8. **SAFE Analytics for Alarm Events for Lenel** combines and correlates policies and rules for physical identity & access management and physical security information management. We partner with the best providers to optimize your "response efficiency" by correlating identity data with events and automating business operation policies, allowing you to automatically respond to physical security incidents and situations in the most expedient and holistic manner.

9. **SAFE Analytics for ID Events for Lenel** is a web-based solution that provides an executive-level, graphical dashboard view of the overall state of your global physical security infrastructure. Used to proactively measure and manage security events, space utilization, trends, and alarms more effectively to protect your assets - enabling organizations (corporate or government) to meet compliance and lower costs and risks

4. Process Diagram

The diagram below shows how the proposed SAPS system will integrate with the applications listed in Section 1.C.

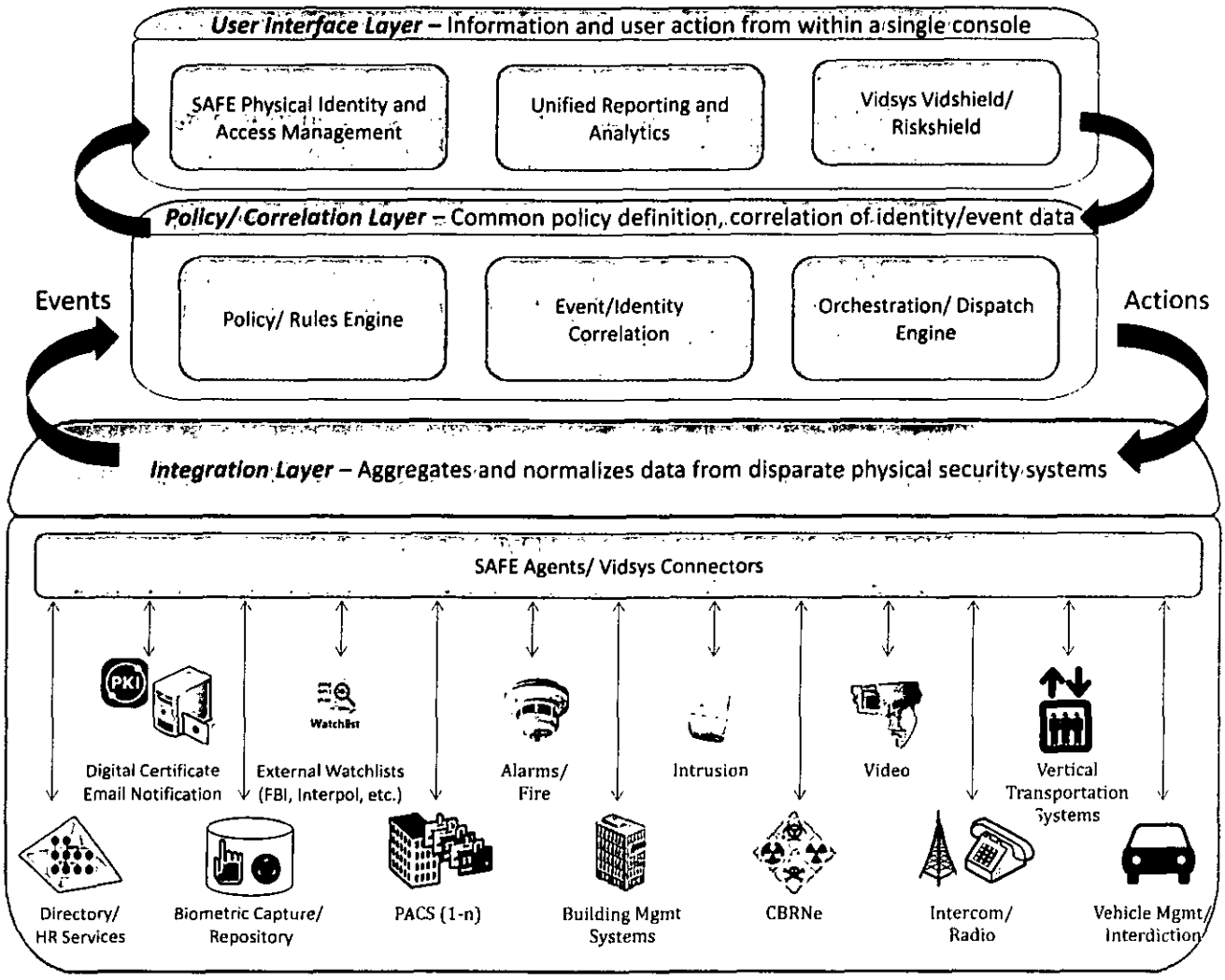


Figure – Process diagram showing three layers that aggregate, normalize, process and present data to users

The data from the external systems is aggregated, processed and presented to the user by a three layer architecture:

- **Integration Layer** – This layer includes out-of-the-box adapters (SAFE Agents/ VidSys Connectors) that achieve the integration with external systems.

About SAFE Agents:

- Includes built-in functionality to publish/subscribe data to and from external systems
- Data processing happens either on real-time basis or can be triggered by an event
- Guarantees message delivery by using message queuing technology which ensures acknowledgment of receipt from external systems
- Message translator and XML normalizer converts data from different systems into a standard format which can be further processed by the Policy/ Correlation layer
- Contains schema and security configuration download manager
- Includes pre-built system specific data model, i.e. includes mapping for different types of Physical Access Control Systems (PACS), HR and Logical IDM Systems

About VidSys Connectors:

- Normalizes data from disparate systems so that the operator sees consistent information from all types of systems
- Different methods available to suit the particular needs of the type of system being interfaced
    - Web services API provides resource directory
    - Database views provide export capability for reporting applications
    - Proxy architecture allows conversion of proprietary data formats and transports as well as scalability
    - Incorporation of vendor provided SDKs wrapped with the VidSys RiskShield normalization layer
    - Direct event injection API allows any event source to be monitored by the correlation engine
- Plugin architecture supports interfacing with legacy devices as well as current and future generation systems
- VidSys's RiskShield SDK allows 3rd party vendors to integrate their own devices to RiskShield directly

As shown in the figure above, the integration layer of proposed SAPS system will connect with all the systems mentioned in Section 1.C and provide an extendable platform for connecting additional systems in future.

- **Policy/ Correlation Layer** – This layer processes the data from the integration layer using rules defined within the policy/rules engine. The correlation engine provides multiple levels of integrations between SAFE and VidSys (*See Section 4: How PIAM and PSIM work with each other*) for "one application" experience to users. The orchestration/ dispatch engine transmits the actions from user/system to the integration layer for distribution to connected systems.
- **User Interface Layer** – This layer presents the data from the different external systems to end users within one integrated console. User actions taken from this layer will be processed by downstream layers and transmitted as messages to different external systems.

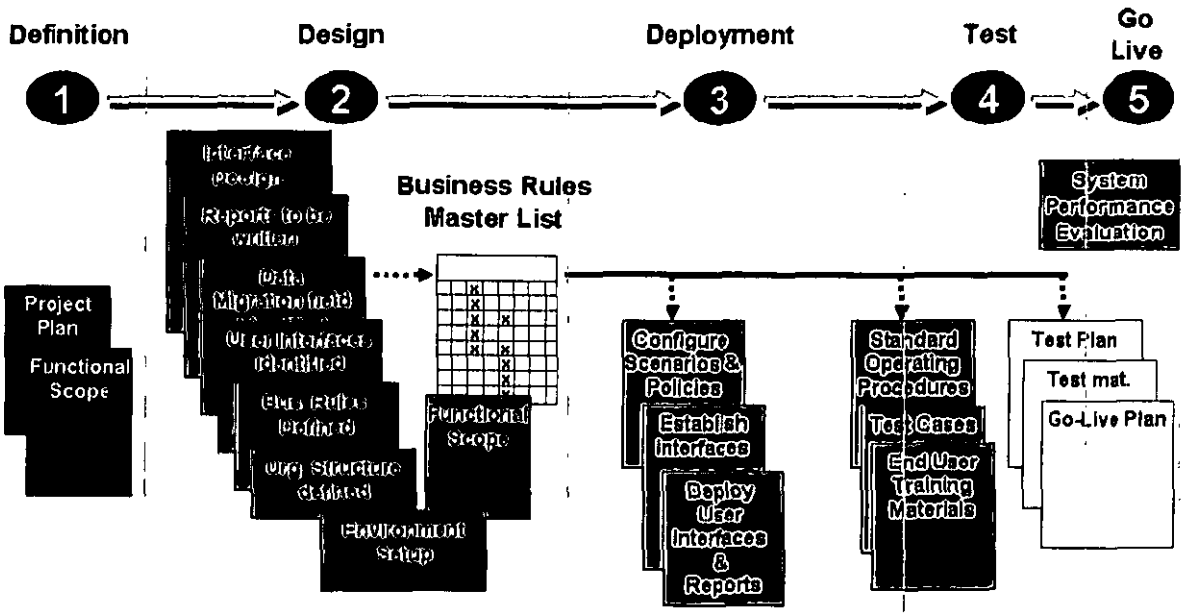
6. Modifications

PSIM Modifications

To be effective in the Port Authority's environment the proposed SAPS will not be modified, however it will need to "configured" to suit the Port Authority's integration and functional requirements listed in the RFP. Quantum Secure anticipates approx 20-25 man months of "deployment" effort to ensure the SAPS is installed and working at Port Authority's per defined Scope of Work.

The Quantum Secure methodology for deploying SAPS is based on utilizing knowledge and practices from their collective experiences with a focus of building sustainable and predictable project delivery for complex security solutions. Based on the Software Engineering Institute's (SEI) Capability Maturity Model Integration (CMMI®) and Project Management Body of Knowledge (PMBOK®), the approach supports all activities that are executed during the project life cycle—from project initiation and planning to deployment of the final product and project closure. The approach is compliant to CMMI Level 3 process maturity expectations.

The overall method, project activities and deliverables are illustrated herein:



The Quantum Secure deployment methodology includes following activities performed in steps outlined herein:

Steps	Activities & Deliverables
1. Definition	Initial Project preparation, Functional Scope, Requirement Validation
2. Design	Define & Setup Physical & Logical infrastructure, Interface points, Identify data sources, Business Rules, Define User Acceptance Test Plans, Define Reports
3. Deployment	Implement all business and process requirements based upon the Functional Scope
4. Test	Perform System (SIT) Integration Testing, Quality Assurance Testing (QAT) & User Acceptance Testing (UAT), User & Administration Training, System management and cut-over activities
5. Go Live	Go-Live & Support: transition from implementation to production

Activities illustrated above are pictured flowing into each other in a linear fashion in the diagram, but an iterative approach to project is assumed in the methodology, consistent with best practices in object-model-control development methodologies. This methodology reduces the risk of any project falling victim to "scope creep" and enables a clear communication of project status to stakeholders based on observed results.

Once the SAFE deployment is underway, Quantum Secure will actively manage the quality of work conducted. This includes:

- The internal processes to ensure that quality is both engineered into all work and that there is rigorous review to identify and resolve quality issues;
- The organizational structure to ensure that quality processes are carried out for all of the clients;
- Quantum Secure's commitment to ensuring and measuring quality service delivery through dedicated training, education and customer surveys; and

We will also gauge Port Authority's overall satisfaction with the project management processes through one or more of the following:

- Periodic Assurance Reviews – These reviews serve to measure compliance with service levels set out in the contract and acts as a forum to discuss improvements in processes, procedures and quality.
- Customer Satisfaction Survey – Customer satisfaction surveys are distributed periodically to clients. These surveys provide insight into the quality of service provided.

QS will deliver and discuss progress reports and related issues with in regular status meetings. These meetings provide an opportunity for clients to raise

quality and performance issues with the Quantum Secure Project Manager responsible for the project. These meetings will focus on quality and timeliness of the work of the Quantum Secure assigned resources.

Quantum Secure Professional Services team provides a proven level of industry expertise, acquired and fine-tuned by many years of experience deploying security access governance, provisioning and risk management solutions for some of the world's most advanced and complex organizations. Quantum Secure is the only provider exclusively focused on physical security identity and access management, complex risk governance and compliance management solutions. QS experts provide in-depth experience, developed during hundreds of implementations, on how to most efficiently configure and deploy the software within your unique IT and physical security environment. The Quantum Secure team completes dozens of deployment per year and averages more than 10 years industry experience on average and between 2 and 5 years implementation experience with Quantum Secure's solutions.

VidSys Response

Project Development and Execution Methodology

The proposed SAPS platform includes the initial integration between the VidSys and Quantum Secure systems. This integration will allow for common log in and data sharing between the two systems to provide the full SAPS functionality. As the SAPS platform is introduced into production and the site continues to expand, additional requirements are anticipated and the initial integration has been made to take into account unforeseen requirements of the SAPS platform.

On the VidSys/PSIM side, very little modification is required to provide the specified SAPS functionality. Once identified, additional connectors to the items defined in section 1.c will need to be added to the SAPS platform's connector library in order to provide the same site-wide system capabilities. Creation of such connectors is anticipated to be minor as connector building is a core of the business.

VidSys uses an integrated project development methodology that ensures effective project planning, execution, tracking, reporting, and control of deliverables. This structure is designed to place the appropriate level of engineering, integration, quality assurance and management oversight on a *task-by-task basis*, thus providing for the most efficient and practical management and technical approach to accomplishing any required task.

The Vidsys methodology incorporates establishing an effective organization to plan and supervise a team of qualified professionals to accomplish each

task/project with a quality product on time and within cost estimates. The VidSys Project Executive will be provided full authority to demand the company's resources to assure accomplishment of the contract. Individually assigned team members receive direction and guidance from the Project Executive. Briefly described below are critical management instruments for each task:

Customer Relationships: VidSys will provide reports that will assist PANYNJ in reviewing the ongoing progress of this SAPS project, including bi-monthly VidSys project updates and formal monthly progress meetings. Specific requirements for this and any other reports will be determined and finalized at the Project Kickoff meeting. Meetings will be managed such that the importance of a joint partnership effort will constantly be reinforced. Some of the agenda items to be covered in Progress Meetings will include:

- Recent accomplishments
- Project Schedule status
- Recently Identified risks and mitigation strategies
- Software development progress, including demonstrations as needed

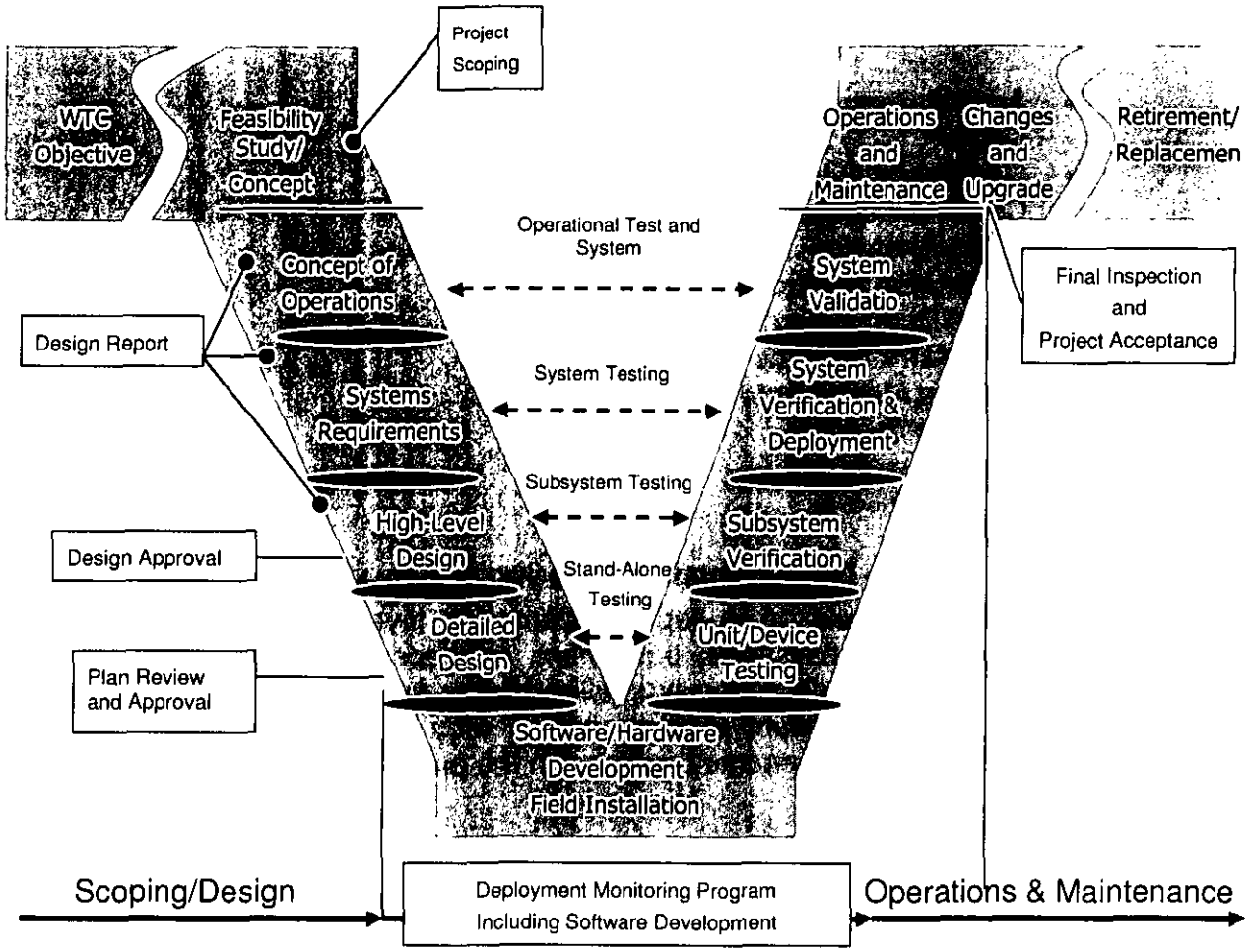
In addition to identified milestone deliverables, VidSys will provide and present monthly Progress Report and address questions from PANYNJ's attendees. VidSys will also plan product discussions about the look-and-feel, task division, menus, report and screen format.

Subcontract Plan: VidSys has extensive experience in working in a multi-partner team environment. This experience enables VidSys to obtain the best capabilities and skills of the team members, assuring PANYNJ outstanding, cost effective services. VidSys will work closely with the customer to assure that all requirements are met, and that any requirements for subcontractors are managed with the same detailed systems and controls assigned to in-house work.

Program Execution Planning and Controls: VidSys will employ a variety of tools to maintain service and deliverables performance within the budgets established, including MS Project to manage all project tasks to ensure timely and complete execution.

Quality Management Plan: The QMP is founded on a quantitative approach using measurement processes to collect test data with which to identify the root causes of problems and opportunities for improvement. Appropriate solutions are then developed to plan and implement changes. The requirements, and expectations of PANYNJ, as well as the processes, will be continuously monitored to effect improvement.

The diagram below visually describes the proven project development approach that will be implemented in support of this integration program. This method is designed to have close coordination with key PANYNJ representatives and project stakeholders during multiple phases of the project.



VidSys proposes a two (2) Phase approach in executing all of the required deliverables in support of the WTC Site Integration Project. The detailed tasks and associated plans are described in the following sections.

Phase 1 - System Design

Using validation methodologies, VidSys will conduct the following actions for each technology or vendor proposed for the WTC site:

- Evaluate the proposed use of selected technologies and confirm suitability for integration within VidSys
- Assist with vendor down-selection
- Perform Interoperability tests of selected vendors in a lab environment
- Create concept designs and model GUIs for integration of technology into the VidSys platform
- Document and report findings

- Modify integration design where appropriate

VidSys understands that currently, PANYNJ has identified the following subsystems and technologies for consideration and incorporation into the WTC SAPS platform being specified for the WTC site:

- Access Control System
- CCTV
- Geographical Information Systems
- Communications systems
- Video Analytics
- Automated Bollards
- Panic/Duress alarms
- Fire Alarm Systems
- Building Management Systems
- Elevator controls
- Air purge systems
- CBRN sensors

Phase 1, Task 1 – Requirements Gathering and Analysis

VidSys will undertake an in-depth system-wide inventory of all proposed and planned security subsystems, equipment, interfaces, protocols, and any other relevant materials in delivering a detailed Master Integration Plan (MIP). VidSys will document any recent changes which may have occurred and use this process to sufficiently become familiar with the project.

Phase 1, Task 2 – Master Integration Plan Development

As part of the system design process, VidSys will conduct thorough reviews of all proposed and/or selected systems and elements that will be part of the WTC SAPS project. Initial activities will include obtaining any and all existing system documentation from the stakeholders for review and revisions/additions/modifications/corrections as necessary based upon actual findings. This information will then be cross referenced with requirements and system functionalities outlined in assembling the Concept of Operations documents which will be included in the Master Integration Plan. The MIP will be assembled into three (3) parts, the Concept of Operations Document, the System Design Document and Software Design Document, including a detailed VidSys GUI overview and visuals depicting the proposed layout for the Physical Security Information Management (PSIM) platform. As part of the Master Integration Plan, VidSys will also fully document any system elements which were not previously accounted for.

Phase 2 - System Implementation

VidSys will provide professional services to deliver an integrated Physical Security Information Management (PSIM) software platform in accordance with the approved design documents and Master Integration Plan. With the support of our partners on the WTC project, our team will provide the following major work segments in support of the SAPS project.

- Installation of VidShield software platform
- Software calibration and configuration
- Site inspection and verification
- Commissioning, testing, and acceptance of designed systems
- As-built documentation
- User and Admin Training
- Software Warranty and Support
- Project close out

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7. List of Agents / Connectors

Quantum Secure

SAPS's state-of-the-art services oriented architecture which includes a robust SAFE Integration & Policy engine that allows for merging real-time information from disparate infrastructure (physical and logical access, HR systems, identity, access management and alarm monitoring activities/systems) into a more integrated experience for the SAPS operators. SAFE Agent automates access rights management, security, and provisioning of identities from/to Physical Access Control Management (PACS), Human Resources (HR), Enterprise Resource Planning (ERP), Identity Management (IDM) and other sources. SAFE Agents are used to integrate SAFE modules to external, identity-aware applications/systems. Quantum Secure continues to develop and expand the list of SAFE Agents, please contact Quantum Secure Representative for latest updates or for specific PACS or IDM Agent not listed herein.

Type	Manufacturer	Brand	Status
Physical Access Control System (PACS), Other			
PACS	AMAG	SMS	Released
PACS	Andover	Continuum	Released
PACS	Brivo	Brivo	Released
PACS	Chubb	IESS	Released
PACS	Chubb	ADACS	Released
PACS	Deister	Datasec	Released
PACS	DSX	WinDSX & WinDSX SQL	In Process
PACS	GE – Casi	Picture Perfect	Released
PACS	GE – Facility Commander	Facility Commander	Released
PACS	GE – Inforgraphics	Diamond II	Released
PACS	Hirsch	Velocity	Released
PACS	HISEC	AIMS	In Process
PACS	Honeywell	Pro-Watch	Released
PACS	Honeywell	NexWatch	Released
PACS	Honeywell	Northern WinPak	Released

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Type	Manufacturer	Brand	Status
Physical Access Control System (PACS), Other			
PACS	Identicard	IdentiPass	Released
PACS	JCI – Cardkey	Pegasys P2000	Released
PACS	Kastle	Kastle	Released
PACS	KeyScan	System VII	Released
PACS	Lenel	OnGuard	Released
PACS	Matrix	Frontier	Released
PACS	Maxxess Access	AXxess	Released
PACS	Open Options	In process	Released
PACS	PCSC	Link SQL	Released
PACS	RS2	Netbox	Released
PACS	Schlage	Geoffrey	In Process
PACS	Seilox (ex Checkpoint)	Pinnacle	Released
PACS	Tyco Kantech	Entrapass	Released
PACS	Tyco Software House	CCURE 800	Released
PACS	Tyco Software House	CCURE 9000	Released
Mass Notification	MIR3	MIR3 Mass Notification	Released
Mass Notification	SendWordNow	SendWordNow	Released
Background Check	ABI	ABI Sentry	Released
Background Check	AAAE	BASIC	Released
Background Check	USInfoSearch	USInfoSearch	Released
Training System	AAAE	IET	Released
Driver License	eSeek	e-seek M-200	Released
Passport Scanner	ScanShell	IdScan	Released
Biometric	BioScrypt	V-Flex 4G	Released
Biometric	L1	Identix TouchPrint™ Live Scan	Released

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Type	Manufacturer	Brand	Status
Physical Access Control System (PACS), Other			
Biometric	Sagem Morpho	MorphoSoft	Released

Type	Manufacturer	Brand	Status
Human Resources (HR), Identity Management System (IDM), Other			
CMS	ActiveID	ActivID™ Card Management System	In Process
Wireless LAN	Aruba Networks	AirWave	In Process
OCSP	Axway	Validation Authority	Released
ERP	Blackboard	Blackboard	In Process
OCSP	CoreStreet	ServE	Released
IDM	Courion	AccountCourier	Released
ERP	DataTel	UniData	Released
IDM/HR	DoD	DEERS	In Process
IDM	Generic	LDAP	Released
IDM	IBM	Tivoli IdM	Released
HR	Microsoft	Lawson	Released
IDM	Microsoft	Active Directory	Released
IDM	Microsoft	Microsoft Identity Lifecycle Manager	Released
IDM	Novell	eDirectory	Released
IDM	Novell	ID-Vault	Released
HR	Oracle	PeopleSoft	Released
IDM	Oracle	Oracle Identity Manager	Released
ERP	Oracle	Oracle E-Business Suite	In Process
SSO	PassLogix	v-GO Single Sign-On	In Process
SSO	Computer Associates	eTrust	Released
SSO	OpenSSO.org	OpenSSO	Released
HR	SAP	SAP-HR	Released

Type	Manufacturer	Brand	Status
Human Resources (HR), Identity Management System (IDM), Other			
IDM	SAP	SAP IDM	Released
ERP	SAP	SAP R/3	Released
IDM	SUN	SUN Identity Manager, Access Manager	Released
IDM	SUN	Directory Server Enterprise Edition	Released
ERP	SunGard SCT	Banner	In Process

Vidsys

VidSys has built and deployed interfaces into the VidSys PSIM platform for the following technology manufacturers:

Active View
American Dynamics
Arecont
Avigilon
Axis
Barco
Bosch
Cernium
Cisco
Cohu
Cortech
D3 Security
Management Systems
Dedicated Micros
Digiop
Digital Sandbox
e-Directory LDAP
Elevator Access Control
Ener Tech
Esri
Exacq
Extron
GE
Genetec
Google
Honeywell
Icx Technologies
Integral Technology
Intellex
IQ inVision
Javelin
Johnson Controls
Kinemetrics
Lenel
LenSec
LiveWave
Mavix
Microsoft
Milestone
Mobotix
Motorola radio
Motorola CAD
Nice
Northrop Grumman
CAD video
OnSSI
Optelecom
Panasonic
Pelco
Philips Bosch
PixelNet
Pro2ServeQuantum
Secure
Quintron
Shot Spotter
Sight Logix
Sony
Software House
Southwest Microwave
Steelbox
TeleEye
Teleste
Tyco
Vbrick
Verint
Vicon
Video IQ
Vidient
VisioWave
Visual Defense

8. Manufacturer's Business Practices

Quantum Secure

Quantum Secure is the only Identity Management solution designed specifically to interface with physical access control systems (PACS) and building security applications. The domain expertise and relationships required to do so, has been solidly established over the past four years as Quantum Secure has developed SAFE Agent connectors to all of the most commonly used PACS. As such Quantum Secure has engaged several of the industry leading PACS manufacturers as alliance partners and consistently participates in their existing and/or customized program for the maintenance of the integration agents. Quantum Secure has formed strong strategic alliances with the leading PACS manufacturers on a technical, sales and marketing and support level. Quantum Secure maintains version control for each of the applications it integrates with in order to ensure its client's ability to upgrade as necessary. Some PACS manufacturers have formal programs such as Lenel's Open IT Partner Network program of which Quantum Secure has been a member since 2008. As a member of this Partner program Quantum Secure is given advance notice of new version releases and it participates in manufacturer certification in order to maintain on-going support.

VidSys

VidSys business practices follow a traditional software model where the majority of revenue comes from the software license with an annual recurring maintenance fee. VidSys culture and philosophy are unique because they meld the best of the mature market fundamentals of physical security (pragmatic spending, practical solutions, defined market opportunity) with the energy and nimbleness of a tech start-up (constant innovations, Web 2.0 technologies, and open architecture).

The VidSys team is a blend of people with deep understanding of the physical security market and the installed technology, along with people who have an equally deep understanding of IT security and IP networks and the efficiencies and productivity associated with converging old technology onto the network. By bringing proven leaders that have built companies and markets multiple times over together with a solution that solves a clear market void, VidSys has been able to build solid, flexible technology that will continue to enhance safety and security operations in an ever-changing security environment.

VidSys' leadership focus is not only on building the company but maturing the PSIM market as a whole. VidSys has the long-term in mind when it's developing the PSIM market and its solutions – it's this long-view that fuels practical decisions in this type of economic environment and builds a more fundamentally sound investment opportunity.

VidSys is constantly adopting new/emerging Web 2.0 and other standards that improve the performance, scalability, integration and ease of use of our product against the backdrop of a product road-map that drives our products towards a vision the company has for the evolution of the PSIM market. With new physical security and surveillance technologies emerging seemingly every day, VidSys also must keep up with the innovations to ensure that each and every new offering indeed integrates seamlessly into the PSIM platform to truly empower the end user by providing the most advanced security management solution for today and tomorrow.

VidSys' products have been developed in tandem with some of the biggest command centers in North America and solve well-known industry problems. VidSys has leveraged this knowledge to put together building blocks that can be assembled dynamically to provide an off-the-shelf software solution that offers a valuable combination of a superior feature set at a much better price point than a traditional custom integration solution.

VidSys partners provide best-of-breed technology, extend our market reach, and deliver value-added solutions providing organizations with a complete PSIM solution to effectively manage any security, business related, or emergency situation in real time. VidSys network of partners include Technology, Marketing, System Integrators, A&E's and Value-Added Resellers (VARs) each with a range of unique skills in physical security and IT as well as different industry expertise including federal, state and local governments as well as enterprises.

All in all, VidSys' approach to the security market, its product development and evolution processes, and its focus on a flexible and complete solution, ensure its PSIM software remains adaptive and innovative in today's environment, in which threats are constant and amorphous.

9. Manufacturer Technical Support Program

Quantum Secure

Quantum Secure Customer Care is a single point of contact for our customers - for technical, functional, Product and Technology Releases, and Critical Patch Updates. Customer Care is dedicated to maximizing client success by providing timely resolution of technical issues, product questions and service updates. Quantum Secure provides 24/7 Mission Critical Support.

Post-Deployment Services

Quantum Secure's Customer Care helps reduce the time, effort, and cost of operating the SAFE system. Customer Care Offerings include: Customized assistance for support, enhancements, and improving processes, proactive configuration and performance analysis.

Our goal is to make sure the customer continue to realize the full benefits of their SAFE deployment well after the deployment. Our team is made up of experienced engineers who are trained to find effective business and technical solutions. We offer support via website and/or phone, and, with your permission, we can access your system remotely. This gives us a real-time view of the problem and provides you with a much more effective and timely resolution.

What We Offer:

1. Help customers in getting started with Quantum Secure
2. Customer-focused approach means we take a vested interest in your business
3. Quick and direct access to technical experts and solution architects – Tier 1-3 support depending on specific partner and customer contracts
4. Silver and Gold levels of support to fit different customer needs
5. Partnership philosophy combines Quantum Secure and customer expertise to build long-term relationships
6. Provide information on service offerings and programs related to support, consulting, or training and education.
7. Designed to accommodate the needs of mission critical businesses
8. Access to Quantum Secure product downloads and updates as available

Johnson Controls

Quantum Secure Service Plans

Quantum Secure offers two levels of Customer Care to meet differing customer needs, Silver and Gold Level plans.

	Silver Level	Gold Level
Hours of Coverage	Monday to Friday 9:00am – 5:00PM (Pacific Standard Time)	7 Days a Week 24 Hour coverage
Contact Methods	Quantum Secure Hotline: 1-800-776-3414 Quantum Secure HQ Phone: 408 453 1008 Quantum Secure Support Site: http://support.quantumsecure.com Email: support@quantumsecure.com	
Priorities	Upon notification of issue, Quantum Secure support team will agree priority Level of issue with customer using the following priority levels: **Priority 1:** An Error, Defect, or Malfunction which renders the Software inoperative; or causes the Software to fail catastrophically **Priority 2:** An Error, Defect, or Malfunction which substantially degrades the performance of the Software, but does not prohibit the use of the Software **Priority 3:** An Error, Defect, or Malfunction which causes only a minor impact on the use of the Software	
Priority 1 Response	Within **two** hours, Quantum Secure assigns a product technical specialist(s) to diagnose and correct the Error, Defect or Malfunction; thereafter, Quantum Secure shall provide ongoing communication about the status of the correction; shall proceed to immediately provide a Fix, a Patch or a Workaround; and exercise all commercially reasonable efforts to include a Fix or Patch for the Error, Defect or Malfunction in the next Subsequent Release. Quantum Secure will escalate resolution of the problem to personnel with successively higher levels of technical expertise until the Error, Defect or Malfunction is corrected.	
Priority 2 Response	Within **four** hours, Quantum Secure assigns a product technical specialist(s) to diagnose the Error, Defect or Malfunction and to commence correction of the Error, Defect or Malfunction; to immediately provide a Workaround; to provide escalation procedures as reasonably determined by Quantum; and to exercise all commercially reasonable efforts to include a Fix or Patch for the Error, Defect or Malfunction in the next Software maintenance release.	
Priority 3	Quantum Secure may include a Fix or Patch at the next opportunity	

	Silver Level	Gold Level
Hours of Coverage	Monday to Friday 9:00am – 5:00PM (Pacific Standard Time)	7 Days a Week 24 Hour coverage
Response	agreed with Customer: May be a scheduled patch or software release.	
Priority will be initially set and adjusted (up or down) only with mutual agreement between Customer and Quantum Secure.		

Process for Repairing Software

A software repair is initiated when a Service Pack is made available by the SAFE product development team. The purpose of the Service Pack is to resolve either a) problem reported by the customer or b) problem fixed by the product development team and applicable to the customer environment. Listed below are the high level steps the repair team follows in order to repair software post production rollout.

1. Service Pack Bulletin is received from the SAFE product development team
2. Customer's System Administrators and SAFE Customer Support professionals identify software module updates of interest to the environment and study the recommended process for applying the Service Packs.
3. Test, Rollout and Rollback plan is developed based on the detailed instructions in the Service Bulletin. A maintenance window is designated – based on applications affected and for how long.
4. Backup procedures are followed to establish system baseline. System is run in test mode and SAFE standard administration procedures are followed to validate data and bring the system online to production mode.

Process for Software Upgrades

A software upgrade is initiated when new Software – platform, system module or application – version is made available by the SAFE product development team. The purpose of the new Software version is to provide additional functionality, enhancements and contains cumulative fixes of problems resolved. The process of applying upgrades is similar to that for repairs except that the scope is larger and involves test, rollout and rollback procedures for a wider set of application modules. Listed below are the high level steps for upgrading the software after the production rollout.

1. New Software Release and accompanying documentation is received from the SAFE product development team
2. Customer's System Administrators and SAFE Customer Support professionals identify enhancements, additional features and fixes of interest to the environment and study the recommended process for upgrading the software to the new release version.

3. Test, Rollout and potential Rollback plan is developed based on the detailed instructions in the documentation. A maintenance window is designated. The plan can include Rolling Upgrades – where parts of the mission critical system are upgraded, tested and enabled in production thus minimizing downtime for critical applications and affecting one component or area at a time only. SAFE architecture and processes support rolling upgrades which can be tailored to the particular environment.
4. Backup procedures are followed to establish system baseline. System is run in test mode and SAFE standard administration procedures are followed to validate data and bring the system online to production mode.

Release Cycle for Quantum Secure SAFE Suite

Quantum Secure will provide a release cycle that helps customers to do longer term planning and budgeting. The goal is to provide a major SAFE Server release approximately every two years, followed by a release update approximately once per year.

Major Releases

Major SAFE Server releases include software like additional Operator modules and SAFE Agents therefore capable of supporting new systems (for example, Badge Printer, Physical Access Control Systems, etc); and improved fundamentals, such as security and reliability. Quantum Secure ensures that changes of this nature will never impact the compatibility of existing interfaces with existing hardware and software.

Update Releases

Update releases integrate the previous major release with the latest service pack and new functionality. Because an update release is based on the previous major release, customers can incorporate it into their environment without any additional testing beyond what would be required for a typical service pack. Any additional functionality provided by an update would be optional and thus not affect application compatibility or require customers to recertify or retest applications.

Service Packs

Service packs are the means by which SAFE product updates are distributed. Service packs may contain updates for system reliability, program compatibility, security, and more. All of these updates are conveniently bundled for easy downloading.

Release Schedule	Timeline
Major Release	Every 2 years
Update Release	Every 1 year
Service Pack	As needed (typically less than 6 months)*

All Service Packs do not apply to all customers.

VidSys

VIDSYS CUSTOMER SUPPORT PROGRAM

Maintenance, support, product enhancements, and warranty services are offered by VidSys to any user of any VidSys Product ("Licensee") who has paid an annual fee for membership in the VidSys Customer Support Program and who is not otherwise in default of any material obligation under a valid Master Software License Agreement. VidSys will provide the services described below to members of the Customer Support Program:

Software and Documentation Updates

The following updates will be provided at no additional charge:

1. Product Updates: General releases containing error corrections and incremental feature enhancements. Decimal revision levels (e.g., 1.1 to 1.2) designate product updates.

2. Documentation Upgrades: When changes or enhancements are made to the documentation or to supplement updates to the software, VidSys will provide updated documentation.

3. Major Upgrades: New versions of the software that significantly enhance functionality. Incremental non-decimal revision levels (e.g., 2.0 to 3.0) designate major upgrades.

The following will be provided at an additional charge:

4. New Products: Licensees who wish to obtain such products may do so by paying an upgrade fee to acquire the New Product.

Telephone and Email Assistance

Error reports and requests for assistance on VidSys products may be submitted via telephone, facsimile, and e-mail.

1. Telephone: Telephone support in the use of VidSys products during normal business hours (8:00 a.m. to 8:00 p.m. US Eastern Time, Monday through Friday) can be obtained at 1-877-VIDSYS1 (1-877-843-7971) ext 4.

2. Telephone support is available under a separate maintenance agreement.

3. Facsimile: Facsimile reports and requests for assistance can be submitted to 508-435-2920.

4. E-mail: E-mail reports and requests for assistance can be sent to

support@VidSys.com.

Correction of Reproducible Errors

Reproducible errors submitted to VidSys will be handled in accordance with the following error definition and problem resolution procedures. Resolution may take the form of a written response, supplementary documentation, work-around, coding change, product patch, postponement to the next release, or other correctional aids. VidSys' response efforts begin when VidSys has received all information from Licensee necessary for VidSys to be able to reproduce the suspected error. Response times are based on the time of receipt of reports received by telephone.

Severity Classifications

1. Severity One: Critical Impact. The reported error relates to a VidSys product that is inoperable. VidSys' initial response and description of resolution objectives shall be within four (4) hours and efforts toward resolution shall be continuous until successful.

2. Severity Two: Significant Impact. The reported error affects the software to the extent that the operation of a VidSys product is significantly impaired. VidSys' initial response and description of resolution objectives shall be within one (1) business day and efforts toward resolution shall be continuous until successful.

3. Severity Three: Some Impact. The reported error impairs Licensee's use of some software functionality, but the software is still operational. VidSys' initial response and description of resolution objectives shall be within two (2) business days and efforts toward resolution shall be reported to Licensee periodically as necessary thereafter.

4. Severity Four: Minimal Impact. The report relates to a request for information, clarification, or modifications to the current release or requests for enhancements. VidSys' initial response and description of resolution objectives shall be within five (5) business days and efforts toward resolution shall be reported to Licensee periodically as necessary thereafter. All decisions regarding enhancements, additions, and other software modifications shall be made at VidSys' sole discretion.

VidSys' response times shall be within VidSys' normal support hours (8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday). A report received overnight or on a weekend will be considered received at 9:00 a.m. on the next business day. 24/7 technical support services are available under a separate maintenance program.

Licensee's Obligations

VidSys' Customer Support personnel rely on teamwork between Licensee and VidSys' Customer Support personnel to successfully resolve errors. Accordingly, VidSys asks Licensee to:

1. Ensure that the use of the software is in accordance with its documentation;

2. Use reasonable efforts to eliminate any hardware, operating system software and

application software deficiencies (including reasonable efforts to isolate the error to small representations of the code which can be provided to VidSys to assist in providing a resolution);

3. Capture all relevant data and document all operating conditions and other operating information and fully supply VidSys' Customer Support personnel with requested diagnostic information necessary to reproduce the error; and

4. Implement recommended remedial, corrective or work-around procedure(s); and fully describe any limitations imposed by such corrections or workarounds.

Obtaining Customer Support Program Services

Each customer will receive a unique "Customer ID". For each copy of a VidSys Product, VidSys will also assign a unique "Product ID". Both the Customer ID and Product ID must be referenced by a user prior to receiving Customer Support Program services. Customer Support Program services are available to subscribers immediately upon receipt of the Software for which Customer Support Program services have been ordered. For purposes of determining the annual renewal date, the annual period covered by the initial year payment of Customer Support Program fees begins on the first day of the month following the month that you originally receive the Products and continues for a period of twelve (12) months. After the initial annual period, and upon receipt and acceptance by Licensee of an invoice specifying the Customer Support Program fee due for the next term, Customer Support Program services will be renewable for a successive twelve-month period. Payment of this invoice is due by the first day of the successive annual period. Reinstatement after a lapse in Customer Support Program services will require payment by Licensee of a reinstatement fee of $500 and VidSys' then-current Customer Support Program fee for the next annual period and the lapsed period. All payments are non-refundable, except in the event the Software License Agreement is terminated due to a breach by VidSys, in which case Licensee shall receive a pro rata refund of the unused portion. If Licensee elects to order Customer Support Program services, Licensee must purchase Customer Support Program services for the total number of copies of the Software.

Supported Releases of the Software

VidSys' Customer Support Program services cover (i) the latest incremental decimal level release of the software (the "Primary Release") and (ii) the immediately preceding incremental decimal level release of the software (the "Secondary Release").

Customer Support Program services for the Primary Release shall include all of the support and maintenance services described above. Support for the Secondary Release shall include all of the services described above except that VidSys will correct only minor reproducible errors, as determined by VidSys, in the software.

Additional Services

Product consulting or training may be obtained by Customer on an as-available basis at mutually agreed rates in accordance with a separate agreement. Should Customer

agree to provide consulting services, the payment of the Product license and Customer Support Program fees under this Agreement shall not be contingent under any circumstance upon the performance of any such services including installation and implementation services.

10. Manufacturer Product Development and Testing Organization

Quantum Secure

Quantum Secure product development process is key strategic advantage on ensuring we continue to stay as market leaders in the physical identity, access and risk management solutions. Quantum Secure product development organization is lead by smart people working in a creative environment constantly seeking new ideas. Quantum Secure product development organization focuses on achieving these goals:

- User-centered design - User-centered design means building products that people really want and start with users needs and desires for designing products and services.
- Highly skilled developers – engineers, researchers and usability experts
- Risks – actively managed throughout the development process.
- Analysis and design – actively incorporated into the project schedule
- Iterative approaches – utilize "agile methodology"

Quantum Secure product development consist of numerous individuals such as

- Security Industry Domain expert
- Product Architect
- Product Manager
- Program Manager
- Lead Developer
- Usability Engineer
- Quality Assurance

The core group places special emphasis on screening ideas and creating "gates" for tracking progress and building consensus. Gates are the points in the process where a decision must be made to Go, Hold, Recreate or Recycle the product feature at any of these points. The gated process prescribes a continuous conversation between product research, marketing and development teams, instead of the typical single handoff of requirements. The following steps illustrate the general progression and gate points of a project:

1. Idea & Preliminary Investigation
2. GATE: Initial Screen
3. Market Requirements & Use Cases
4. GATE: Business Case Review
5. Architectural, Functional & Technical Specifications
6. GATE: Feature Initiation
7. Step-By-Step Technology Development
8. Coding & Bug Tracking

9. GATE: Feature Review, Go/No-Go Decision
10. Full Production & Market Release
11. Post-Implementation Review

Testing Organization

Quantum Secure's Testing and Quality assurance organization manages comprehensive quality assurance, risk management, and testing standards to manage product quality risks and ensure software includes expected functionality, security, and operability. The Testing organization applies quality assurance procedures to all internally (SAFE modules) and externally (Database) developed components.

Quantum Secure's Testing organization establishes quality assurance standards that address:

1. Completeness – Each phase within a product life cycle includes procedures to follow and items to deliver. Therefore, testing quality assurance programs parallel all phases of the product development life cycle. For example, the product feature/module initiation phase includes the presentation of a business case, the request for desired functional requirements, and the identification of interconnected system components. Testing and quality assurance personnel verify the justification for the component, the necessity of requested functional features, and the accuracy of system connections before the start of planning phase.
2. Scalability – Quantum Secure projects vary in size and complexity. The testing organization ensures that quality assurance standards should match project characteristics and risks such as managing millions of identities and/or alarms, etc.
3. Measurability – testing organization personnel assess the quality of product and processes against measurable standards, metrics, and expectations.
4. Tracking – testing organization personnel properly record, report, and monitor problems to ensure effective problem resolution.
5. Independence – Audit, quality assurance and security personnel are mostly independent of the project they are reviewing.

Quantum Secure product development consist of numerous individuals such as

1. Software Tester
2. Software Quality Analyst
3. Software Quality Analyst Senior
4. Software Quality Analyst Lead
5. Software Quality Manager
6. Software Quality Architect (This is now at the QA level and reports to the VP of IT)
7. Software Quality Automation Specialist

8. Software Quality Automation Engineer

VidSys

VidSys development and QA organizations consist of experienced industry professionals with extensive experience in physical security and networking backgrounds. Engineering teams utilize agile methodologies to quickly address new customer requirements as they occur.

Product Development Organization

VidSys product development process incorporates aspects of several Agile Development Methodologies, notably Extreme Programming (XP), Scrum, and Test Driven Development (TDD). One of the main tenets of agile methodologies is to satisfy changing requirements throughout the development cycle rather than adhering rigidly to an original set of requirements that becomes outdated by the time the software is ready for delivery. Rather than a traditional waterfall development process that is linear, agile methodologies are iterative and constantly recheck the project against the goals, and also recheck the goals themselves to ensure that they meet customer requirements.

VidSys development team consists of senior engineers with extensive backgrounds in software architecture/design/development/testing. Backgrounds include physical security, networking and network management, system management, device management, fault-tolerant systems, and various other embedded and system software applications.

Testing Organization

VidSys incorporates QA as a core component of the software development process, with the product development organization included as a key piece of the testing process. In addition, there is a dedicated VidSys testing organization consists of senior, highly skilled QA engineers with similar experience as described above in the development organization. The testing team is collocated with the development team to ensure maximum collaboration and rapid addressing of issues as they are found.

Two key components of the QA organization are automated tests and test result monitoring. VidSys has a suite of automated tests that are run nightly to ensure that any defects are found early in the process before they can cascade into larger problems. And, the results are generated automatically to ensure that defects are addressed promptly.

All VidSys QA engineers have experience in test planning, manual testing, and automation. This versatility allows resources to be allocated based on the particular needs of the project timeline.

11. Competitive Advantage

The seamless integration between the SAFE and VidSys systems offers the following unique characteristics:

- Provides the only fully web-based, integrated PSIM and PIAM platforms available in the physical security technology market
- Provides a multi-stakeholder view of WTC SWOCC serving multiple stakeholders through segmented safety and security services that do not get in the way of the stakeholder's business operations
- One integrated view for the WTC security operations with all the information (including event, environmental, identity and access data) for improved response time and quality
- One place to define all the physical security policies (including those related to event management and identity management) using an electronic, Microsoft Visio-based drawing palette with pre-defined Visio shapes.
- Contains out-of-the-box Connectors that integrate the diverse systems that will be deployed in the WTC physical security environment including Video Surveillance, HR Systems, Network Mgmt, Email Servers, Physical Access Control Systems (PACS), Building Mgmt Systems, Alarm Monitoring / Fire Alarms, Intrusion Detection Systems, CBRNE detection points, DVRs/NVRs, Communication systems, etc.
- Provides dashboard view of overall physical security KPIs to WTC SWOC and stakeholder-relevant view and at the same time provides drill-down into operational view

In addition to the unique characteristics of the integration, Quantum Secure SAFE and VidSys RiskShield on their own possess distinctive capabilities.

For example, only Quantum Secure SAFE:

- Centrally manages the lifecycle of an identity as it relates to physical security. It automates all the processes for managing physical identities including synchronized on-/off-boarding, background check, role-based access provisioning, badging and credentialing.
- Manages all types of physical identities across multiple stakeholders including permanent employees, contractors, temporary workers, visitors and vendors
- Aggregates access area information from disparate PACS and presents it to user for management within one interface
- Automates compliance as it relates to user access rights, enrollment and termination across PACS and other external regulations
- Allows end users to request for all types of physical security services (like request for access, card, metal key, visitor pre-registration, etc.) from a single self-service user interface

Only VidSys RiskShield:

- Dynamic and adaptable plug-and-play architecture
  - Allows an organization to change or add policies, rules, devices, reports, maps or compliance guidelines while the system is running – no down time
- Scalability and Modular
  - Proven in large, highly complex environments
- Pluggable architecture for ease of administration
  - Leverages existing security infrastructure and assets
  - Easily supports any number and type of security devices or systems
- Correlates multiple events into a single situation
  - Ability to handle both simple and complex situations/alarms
- Dynamic situation management
  - Dynamic action plans (i.e., QRCs) that automatically (or manually) adjust to evolving situations
  - Dynamic geospatial relationships between all physical security assets creates real-time geospatial relationships between assets based on GIS coordinates
- No one-at-a-time / manual association of cameras with other devices and sensors (handled automatically through VidSys's RiskShield unique Geospatial Engine
- Out-of-the-box compliance and policy reporting as well as the ability to create custom reports

12. Manufacturer Software Quality Assurance Program

Quantum Secure

QA Planning

- High Level Test Plan, (includes multiple test cycles)
- Quality Assurance Plan (Quality goals, Beta criteria, etc.)
- Identify when reviews will be held
- Problem Reporting Procedures
- Identify Problem Classification
- Identify Acceptance Criteria - for QA and Users (product managers & select customers)
- Identify application testing databases
- Identify measurement criteria, i.e. defect quantities/severity level and defect origin (to name a few).
- Begin overall testing project schedule (time, resources etc.)
- Help determine scope issues based on Features of the Product

QA Analysis

- Develop Test Case format - time estimates and priority assignments.
- Develop Test Cycles matrices and time lines
- Begin writing Test Cases based on Functional Validation matrix
- Map baseline data to test cases to business requirements
- Identify test cases to automate
- Automation team begin to setup variable files and high level scripts in AutoTester
- Define area for Stress and Performance testing
- Begin development of Baseline Database as per test case data requirements
- Define procedures for Baseline Data maintenance, i.e. backup, restore, validate
- Begin planning the number of test cycles required for the project, and Regression Testing
- Begin review of documentation, i.e. Feature Design, Business Requirements, Product Specifications, External devices/systems etc.
- Review test environments and lab, both Front End and Back End.
- Prepare for using automated tool to support development in white box testing and code complexity analysis.
- QA input to document as part of the Process Improvement Project

- Start to develop metrics based on estimated number of test cases, time to execute each case and if it is "automatable"
- Define baseline data for each test case

QA Design

- Continue to write out test cases and add new ones based on changes.
- Develop Risk Assessment Criteria
- Formalize details for automated testing and multi-user testing
- Select set of test cases to automate and begin scripting them
- Formalize detail for Stress and Performance testing
- Finalize test cycles (number of test case per cycle based on time estimates per test case and priority)
- Finalize the Test Plan
- Unit testing standard defined here, pass/fail criteria, etc
- Unit testing reports, what they will look like, for both white and black box testing including input/outputs and all decision points.
- List of SAFE modules that will be unit tested

QS Unit Testing Phase

- Complete Test Cycle matrices and timelines
- Complete all test cases (manual)
- Complete AutoTester scripting of first set of automated test cases.
- Complete plans for Stress and Performance testing
- Begin Stress and Performance testing
- Test the automated testing system and fix bugs

QA Test Cycle(s) / Bug Fixes (Re-Testing/System Testing Phase)

- Test Cycle 1, run first set of test cases (front and back end)
- Report bugs
- Bug Verification - ongoing activity
- Revise test cases as required
- Add test cases as required
- Test Cycle II
- Test Cycle III

Final Testing and Implementation (Code Freeze Phase)

- Execution of all front end test cases - manual and automated

- Execution of all back end test cases - manual and automated
- Execute all Stress and Performance tests
- Prepare on-going defect tracking metrics
- Update estimates for test cases and test plans.
- Document test cycles, regression testing, and update accordingly.

Post QA

- Prepare final Defect Report and associated metrics
- Identify strategies to prevent similar problems in future
- Create plan with goals and milestone how to improve processes
- Produce final reports and analysis for Product Launch determinations
- Review test cases to evaluate other cases to be automated for regression testing
- Clean up automated test cases and variables
- Integrate results from automated testing in with results from manual testing
- Clean up test environment, tag and archive tests and data for that release, restore test machines to baseline, and etc.

Functional Testing

Every functional aspect of the product is documented in the form of test cases, suites and scenarios that reflect the functionality of the product or the usage of the solution. The software is then subjected to various levels of white box and black box testing in order to determine the capability, reliability, efficiency, portability, maintainability, compatibility, and usability of the product and deployed solution. The test results determine the service readiness of the product or solution.

Various metrics are produced – including code coverage – assuring the implementation team of the robustness and applicability of the solution to the problem domain. SAFE Quality Assurance team follows industry best practices for Code Coverage, Performance Benchmarking, Functionality, Stress, Vulnerability assessment and Security Testing. Product testing is based on documented processes that include complete traceability of requirements, design, tests plans and test results. Software development processes are based on TL 9000 and CMMI thus improving quality. Automated testing tools (like nUnit, WatiN, XML load generators, etc) are used for core backend components for stress, performance etc

Regression Testing

At each stage of the Quantum Secure product development or maintenance, a regression test library is run, focusing on the new features or specific function that has changed from the previous version. Unit, integration, and system tests are repeated for regression testing. For small maintenance fixes, a subset of test cases is identified. In the final phase of a complete development cycle, a full regression test cycle is run. For

a subset or a full regression test run, existing test scripts, matrices and test cases are used for both manual and automated testing tools. Regression tests are emphasized for functions that are new or that have changed, for components that have had a history of vulnerability, for high-risk defects, and for previously-fixed defects. If applicable, software and hardware compatibility tests are also carried out. This is based on list of supported operating systems, software applications, device drivers, and specific hardware environments.

VidSys

The entire engineering team is part of the overall software quality assurance program, not just the QA engineering team. VidSys quality assurance program is taken from aspects of agile methodologies, which incorporate test planning and implementation during the development process rather than at the end of the cycle, which is done with traditional development processes. The earlier that issues can be addressed, the more quickly they can be resolved. In addition, agile methodologies place a heavy emphasis on test automation which allows frequent testing.

Planning

Test planning commences at the release definition phase of the project. The release planning is owned by Product Management but QA is a full participant in the release planning. Included in the planning process:

- Full articulation and agreement of detailed requirements
- Scoping in terms of resources and time
- Review of exceptions open from previous releases
- Review of exceptions and enhancement requests from the support database
- Documenting and posting agreed-to results on intranet

Release planning is not a one-time exercise. Weekly review meetings among the core team and a more widely attended monthly program review are constant review points for the release content and status.

Development

Continuous feedback is a key component of quality assurance during the development phase of a release. The feedback consists of:

- Functional specification reviews to ensure that the detailed implementation meets the customer requirements
- Design reviews to ensure architectural and system design consistency
- Code walkthroughs and reviews by peer-programmers to catch errors early in the cycle

- Requirements reviews are done both before and after initial approval of release requirements to ensure that the feature development meets the requirements and to review the requirements themselves
- Bi-weekly bug and enhancement request reviews to prioritize resource allocation.
- Functional testing commences during the development cycle so that immediate feedback can be given to the developers

Another key component of the development cycle is the concept of continuous integration. Agile methodologies place a great emphasis on avoiding a major merge late in the project cycle from independent localized software versions among the development team. Legacy practices involved each developer completing their features locally and then merging them into the main code branch. This often leads to significant schedule slips and even architectural mismatches, which can hamper software quality throughout the product life. VidSys developers frequently check in their code, often several times per day. Once checked into the main branch, their new code is immediately brought into the automated testing cycle so that any issues are quickly found and resolved.

QA Testing

All supported platforms are tested daily through automated test suites as well as manual testing for new functionality. These tests consist of unit tests, regression tests, and functional tests. The test suite and test results are maintained in a database, and are updated constantly. Results of the testing are posted on the company intranet and monitored for both scheduling and quality purposes.

Release

As the release approaches, a software branch is created for the specific version about to be released. This ensures that no bugs from incomplete new features are introduced into the software during the late stages of the process. At this point, any bugs fixed on the pre-release branch are also fixed on the main development branch. Remaining open issues are prioritized and categorized. A release checklist is reviewed prior to the production release. Items on the checklist include:

- Verify that all features are present and meet the requirements
- Verify that product documentation is ready, both in PDF format and online help format
- Verify that the End User License Agreement is installed
- Verify that field training was completed
- Verify that the system requirements are accurate and up to date
- Verify that the list of supported devices is accurate and up to date
- QA acceptance signoff

- Verify that Release Notes are created and installed as part of the product
- Verify that a virus scan was run on the production SW installation kit
- Release readiness review completed, including signoff of core participants

Post Release

When the software is released to production, the issues found during the testing cycles are reviewed and analyzed for trends and risk areas. The functional test suite is reviewed, and a statistical sample of tests is incorporated into the regression test harness for future releases. The QA and support teams monitor the health of the software in the field, both in terms of the customer upgrades as well as ongoing support.

Tools

VidSys utilizes state of the art tools throughout the development process. Automated releases are done with a specialized software build application. Source code control is managed with a version control system. Specifications are kept in the same version control system, allowing access to all versions of documents, not just the most recent. Issues and enhancement requests are tracked using a specialized issue tracking system. Automated test harnesses are used as platforms for adding individual tests to the automation suite. All engineers have a state of the art integrated development environment (IDE) that helps tie these systems together for maximum efficiency and effectiveness. An internal intranet is utilized as a collaboration vehicle for sharing and publishing of specifications, test results, meeting minutes, etc.

13. Hardware Requirements

Quantum Secure

SAFE System Requirements

Recommended hardware and software requirements for installing SAFE Server. These recommendations are based on ensuring the following:

1. Stand alone infrastructure
2. High availability cluster with Direct Attached Storage

Hardware

Server Specifications

Two (2) Networked Server (e.g. Dell PowerEdge 2950 / 2970) with these minimal specifications or Equivalent Virtual Machine Environment:

1. 2 x Quad Core Intel® Xeon® 2.6+ GHz Processor (or equivalent AMD Opteron)
2. 32+ GB RAM
3. Integrated SAS/SATA RAID 1
4. 2 x 120+ GB SAS/SATA Hard Drives
5. 2 x Integrated Gigabit Ethernet Network Interfaces
6. DVD-ROM Drive, SATA/IDE
7. 2 x USB port
8. VGA plus graphics interface
9. Redundant Power Supply with Dual Power Cords
10. External-Port SAS 5/E HBA PCI Express for Direct Attached Storage (e.g. Dell PowerVault MD3000)

Storage Specification (for stand-alone environments)

Direct Attached Storage 2 TB

RAID 6 and dual redundant power supplies and fans

Software

Operating Systems and database versions

Operating System: Windows 2003/2008 Enterprise with SP2, or Windows 2003/2008 Enterprise R2

Database: Microsoft SQL Server 2005+ with SP2 or Oracle 10g+

Application requirements for database configuration

SAFE Server installation requires standard DBA (Database Administrator) account. SAFE automated installation will create necessary database user roles and privileges for application modules.

Software Load Balancing

Microsoft Load Balancing

Site Requirements

Physical Site Requirements

SAFE Server requires a normal computing-equipment environment.

Power: SAFE Server requires only normal computing-equipment power. For maximum protection, we recommend connecting it to a conditioned power source or UPS (uninterruptible power supply). Be sure that the power source provides a reliable earth ground.

Cooling: Allow at least 3 inches (75 mm) of unobstructed space on all sides. If you install the server in an equipment rack, be sure there is adequate airflow.

Access: Ensure Server access only to the front and back.

Cables and Connectors: Server Ethernet interfaces take standard UTP/STP twisted-pair network cables, Category 5, with RJ-45 8-pin modular connectors.

Workstation Requirements (hardware, software)

Hardware Requirements: Any standard PC supporting Windows 2000 Professional or Windows XP or higher, keyboard, mouse, and monitor.

Software Requirements: Web-browser Microsoft Internet Explorer 6.0 or higher

VidSys

Server Specifications

Processor	Dual Core Intel Xeon 2.4 GHz
Memory	4 GB
Operating System	Windows XP or Windows Server 2003
Storage Configuration	250 GB; RAID 1 (Recommended) or RAID 5
Ports	USB 2.0
Networking	GigE
Power	Dual Power Supply

VidShield Client Requirements

Processor	Intel Core2 Quad processor
Memory	2 GB
Operating System	Windows XP, Windows Vista or Windows 7
Storage Configuration	250 GB
Graphics	Nvidia or ATI with dedicated 128MB RAM
Ports	USB 2.0
Networking	GigE

14. Testing and Acceptance Procedures

1. The project manager, administrator, and/or members of the deployment team will use this checklist to validate that items on the list has been performed per plan leading to Go-Live Date.
2. Accompany the Go-Live checklist with a rehearsal of the go-live day. SAFE Customer should use its test environment to actually perform each of the application's functions. This includes user role playing activities with one another to make sure users know what to say to a visitor, or each other when they get ready to use the system, incl how to contact the help desk or refer to SOPs, etc.
3. Go-Live generally refers to the first day the system will actually be used in a production mode by at least one user.

Planned Go Live Date:	
No.	**Go-Live Check List**
1	**SAFE Setup and Quality Assurance**
1.1	Conduct UAT & SIT · Run functional & integration test cases · Test Workstation with ALL peripherals
1.2	Implement all fixes based on UAT
1.2	UAT sign-off by Customer Project Manager/Sponsor
2	**Technical readiness**
2.1	Verify SAFE server software is loaded correctly
2.2	Verify SAFE client software is loaded on every Workstation at all sites
2.3	Verify SAFE Agent installed and connectivity to all external Security Systems
2.4	Verify following users have been assigned to proper roles for each site
	☐ Security Team
	☐ Operations Team
	☐ Police/Officers
	☐ SAFE Admin
2.5	Customer Operational & Technical Constraints/Outages reviewed
2.6	SAFE System Functioning revalidated on Production
2.7	Go / No-Go Meeting - Review meeting between Customer & Quantum Secure to agree operational go -live readiness
3	**Training**
3.1	Deliver SAFE Training Material & SOPs to Customer
3.2	Deliver SAFE Administrator training
3.3	Deliver End-user training
3.4	Deliver Security Users training
	Verify with each user can access SAFE using their User Name and password
	Verify speed of the SAFE website accessed by different user roles

Johnson Controls

Planned Go Live Date:	
No.	**Go-Live Check List**
3.5	Deliver the Customer Support Team Training
3.6	Deliver the Customer Support Team FAQ
4	**Internal & External Communication**
4.1	Notify Security personnel of impending Go-Live at least two weeks in advance. This may be in the form of an email/phone/team briefing given to the security.
4.2	Notify Customer employees of impending Go-Live at least one week in advance. This may be in the form of a brochure or email/phone message/team briefing.
5	**Resource Planning**
5.1	Expect that security staff will take a bit longer to process visitors for initial 2-3 days. Adjust schedules and increase manpower at visitor desk only for 2-3 days.
5.2	For the Go-Live week, assign a super user and/or Quantum Secure representative to be directly accessible to visitor desk users for the first 2-3 days.
5.3	Plan a mid-day "huddle" call with visitor desk operators to evaluate feedback, progress and to offer support.
5.4	On Go-Live day plan end-of-shift debriefing call to identify and address any issues and to celebrate getting through the first day.
5.5	Identify who within the organization has the authority to request critical system changes from Quantum Secure
6	**Final data check**
6.1	Verify Master Data (field lists, etc) in Production Environment
6.2	Remove all sample/test/training data from Production Environment
7	**Transition to support**
7.1	Ensure that key managers, technical staff, and support staff understands their responsibility and ownership of the system
7.2	Review session with Customer support team – what to do if things go wrong
	Have paper process backup ready in the event of downtime or significant system issues
	Test how support team can reach Quantum Secure Support/Customer Care Process
7.3	Provide Quantum Secure support website accounts for designated Customer people
7.4	Review escalation procedures to follow in the event of a problem · First level Customer support · Second level Quantum Secure support
8	**Go live**
8.1	Make SAFE system available for ALL Users
8.2	Manage go-live support and issues for first 15 days
9	**Project closure**
9.1	Verify resolution to any outstanding issues
9.2	Conduct final review with deployment team

Johnson Controls

Planned Go Live Date:	
No.	**Go-Live Check List**
9.3	Conduct final review with management team

15. Training Program

Quantum Secure

SAFE system training is divided into four categories as follows:

- **SAFE System Administrator**: Upon completion, participants will be able to operate the SAFE system, to include high level configuration, troubleshooting, reporting and "MACs" (Moves, Adds and Changes).
- **SAFE System Operator**: Upon completion, participants will be able to perform routine operations necessary for the position.
- **SAFE Maintenance Training**: Upon completion, participants will be generally familiar with the system and be able to perform low level troubleshooting and maintenance and recognize when to escalate a trouble call to the Contractor level or others (i.e. IT Department).
- **SAFE End User Training**: Upon completion, participants will be familiar with the self service application and be able to perform tasks like requesting for access, pre-registering a visitor

VidSys

VidShield Operator Training Course Outline

Course Description

The VidShield Operator Training course is designed to give an overview of VidShield and then move into various features and controls that the Operator will use in day-to-day work. It focuses on the most common activities an Operator will perform and includes hands-on exercises.

Target Audience

This course is intended for new VidShield operators.

Course Prerequisites and Knowledge

Personnel attending this course must have operational familiarity with Microsoft Windows and associated commands, and have experience using software that runs on the Microsoft Windows Operating system.

Course Format, Materials and Delivery

This course is taught in an Instructor led, classroom environment. The course is delivered in approximately 1 hour, depending on the number of students and the availability of equipment. The course material consists of an Instructor PowerPoint presentation, student workbooks, and lab exercises that allow attendees to practice using VidShield.

Module Objectives

Module One – Introduction to the Environment

- Define the environment VidSys products address.
- Define Physical Security Information Management.

Module Three – Using VidShield

- Describe VidShield and its major components.
- Start the software and navigate the menus.
- Use the four parts of the interface
    - Directory
    - Viewer Area
    - Utility Panel
    - Event Log
    - Use Virtual Tracker.

RiskShield Operator Training Course Outline

Course Description

The VidSys Operator Training course is designed to give an overview of RiskShield and then move into various features and controls that the Operator will use in day-to-day work. It includes extensive hands-on exercises.

Target Audience

This course is intended for new RiskShield operators.

Course Prerequisites and Knowledge

Personnel attending this course must have operational familiarity with Microsoft Windows and associated commands, and have experience using software that runs on the Microsoft Windows Operating system.

Course Format, Materials and Delivery

This course is taught in an Instructor led, classroom environment. The course is delivered in approximately 1 hour, depending on the number of students and the availability of equipment. The course material consists of an Instructor PowerPoint presentation, student workbooks, and lab exercises that allow attendees to practice using RiskShield.

Module Objectives

- Start RiskShield
- Use the situation summary page, including:
    - Working with a situation
    - Filter
    - Searching by time period
    - Search
    - Situation bar
    - Summary
    - Show Video
    - Log
- Open the Situation Detail Page.

- Use the Situation Detail Page, including:
  - Editing, assigning, and completing a situation.
  - Action Plan
  - Camera and Map View area
  - Content viewer
  - Markers
  - Alert Bar
  - Log

Johnson Controls

VidShield System Administrator Training Course Outline

Course Description

The VidShield System Administrator Training course is designed to teach the attendees how to successfully use VidShield software. It focuses on the activity that the end-user administrators will perform, with emphasis on device configuration and system maintenance. It includes extensive hands-on exercises.

Target Audience

This course is intended for end user and partner System Administrators.

Course Prerequisites and Knowledge

Personnel attending this course must have operational familiarity with Microsoft Windows and associated commands, and have experience using software that runs on the Microsoft Windows Operating system.

Course Format, Materials and Delivery

This course is taught in an Instructor led, classroom environment. The course is delivered in approximately 3 hours, depending on the number of students and the availability of equipment. The course material consists of an Instructor PowerPoint presentation, student workbooks, and lab exercises that allow attendees to practice using VidShield.

Module Objectives

Module One – Introduction to the Environment

- Define the environment VidSys products address
- Define Physical Security Information Management

Module Two – VidShield Product Introduction

- Understand the relationship between VidSys products and PSIM, including:
    - Universal Routing
    - Integration Service
    - Geospatial Engine
    - Routing Engine
    - Rules Engine
    - Dispatch Engine
- List features and functions of:
    - VidShield
    - RiskShield
    - Virtual Tracker

Module Three – Installation

- Describe the Server component
- List system requirements for Server installation
- Install VidSys Server software
- Describe the Client component
- List system requirements for Client installation

- Confirm installation
- Backup data
- Restore data

Module Four - VidSys PSIM Software Administrator

- Create the device database
- Customize the directory
- Add and edit maps
- Create device groups
- Add users
- Create analog connections
- Set up video tours

Module Five – Using VidShield

- Describe VidShield and its major components
- Start the software and navigate the menus
- Use the four parts of the interface:
    - Directory
    - Viewer Area
    - Utility Panel
    - Event Log
    - Use Virtual Tracker

16. Document Methodology

Quantum Secure

Quantum Secure provides ***Release Notes*** for all the major/minor/maintenance release of its product SAFE. The release notes associated with a particular product version includes the following information:

- Summary of the release and the changes
- Overview of the purpose of the release note along with a list of what's new in the release, including defect fixes and new features, platform support updates etc.
- Short description of the defect fixed or enhancement made in the release, for example list of new agents for different PACS that were added in that release
- End-user impact in terms of the actions required by the end-users of the application
- Notes about any hardware or software installation, upgrades and product documentation

Additionally other documents which requires updates are published along with a release, i.e. Administration Guide, Implementation Guide

The above release-related deliverables are an outcome of a formal development program associated with a product release. Quantum Secure adopts the following methodology for recording changes made, new programs, documenting fixed and updates made to the SAFE software of SAPS system:

- **Recording Changes/Defects/Enhancements** – All the request for enhancements (RFE) and the defects reported by existing customers are recorded in an internal tool.
- **Prioritizing Changes/Defects/Enhancements** – The comprehensive list from first stage is prioritized using a multi-factor approach. The objective of this stage is to attach importance to the items from a customer impact standpoint.
- **Developing Release Plan** – A formal plan is prepared for developing a certain set of items within a defined timeline utilizing the resources available within the organization.
- **Developing and Testing Software** – Based on the release plan, a formal development plan is put into place to develop and test the items. Quantum Secure also implements a Beta plan to get early feedback from interested customers on new features planned for a particular release.
- **Launching Release and Communication** – Tested and certified software release is made generally available for external consumption. All the necessary documentation (like release notes) is made available with the new release and a formal communication is sent out to existing customers.

VidSys

The VidSys portion of the SAPS platform provides an administration log that records all changes made, including system administration functions as well as operator actions. All log files are searchable and can be queried to generate customized reports on operator and administrator actions taken within the SAPS system.

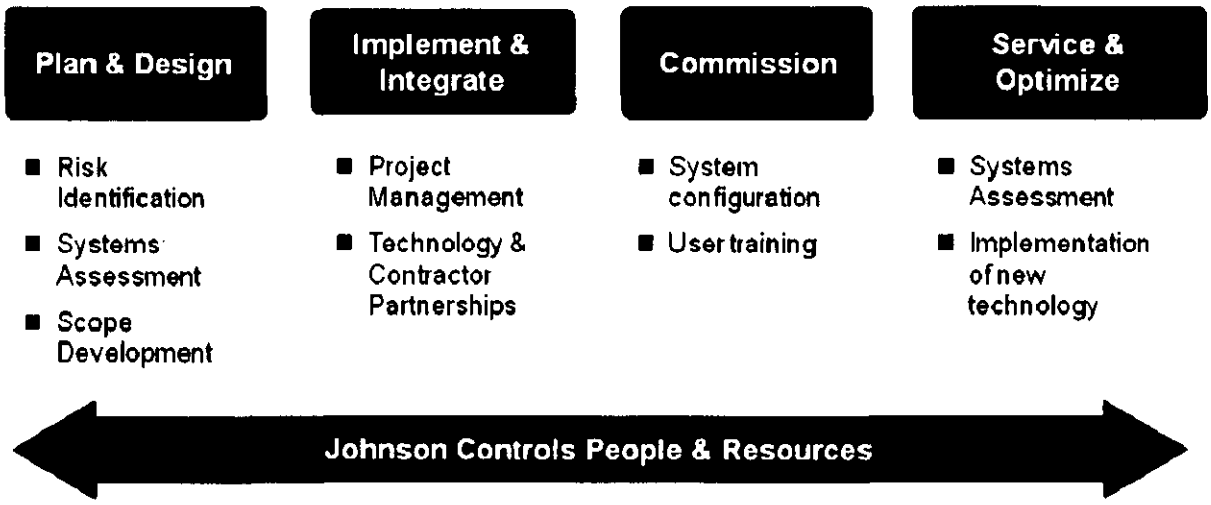
All issues found in production are entered in the VidSys support database. These issues are tracked and reviewed on a regular basis and prioritized based on customer feedback. All version updates and patches are also stored in the VidSys support system. These systems can be queried at any point to provide a status update.

Johnson Controls

17. Johnson Controls Inc. Business Practices

Johnson Controls Inc. uses best practices in our Development Approach:

1. **Needs Analysis**
2. **Threat and Risk Analysis**
3. **Plan Review**
4. **Propose Safeguard Improvements**
5. **Update Safety & Security Master Plan**
6. **Implement**



Essentially, what is differentiating Johnson Controls in the market place is our approach as a single-source provider for systems integration, with the ability to look holistically at security strategy, asset protection, governance, technology deployment and service to give global enterprises optimal value.

Our teams are focused on systems integration and breaking down the barriers between customer stakeholders who all have different approaches and different concerns. These teams are bringing together chief information officers (CIO) and the chief security officers (CSO) so key constituencies can agree on the solution – and how that solution will be delivered.

Johnson Controls knows its future depends on helping to make our customers successful. We are proactive and our approach to customer service is simple: we want to keep our customers for life. We offer expert knowledge and practical solutions, and we deliver on our promises.

Many processes, practices and resources go into that delivery aspect. For example, Johnson Controls uses an approach called Johnson Controls Technology Contracting.™ "It involves assigning a single point of responsibility upfront to bring an enterprise-wide perspective to managing the planning, design, installation, integration, commissioning and service of low-voltage systems, business applications and supporting infrastructure.

Technology contracting can save time, reduce risk and decrease construction and operating costs while ensuring that technology is deployed and integrated in an orderly manner to achieve desired outcomes. Technology contracting helps building technology fulfill its promise – and helps building owners to realize their vision

18. Potential Risks

Johnson Controls, Quantum Secure, and VidSys have spent considerable time reviewing the requirements of The Port Authority World Trade Center project. This review, combined with considerable years of executing successful complex integration projects leads us to the identification of one potential risk at this stage of the project bid process. As new tenants begin to populate the WTC property, a myriad of different technological solutions will be deployed. The ability to create seamless integration of these systems into the situational awareness platform is highly dependent upon software development kits or programmed logical interfaces. If manufacturers are unwilling to provide such integration tools there is a potential risk of project implementation slow down. Our mitigation strategy in this situation would be to approach the end user of the software application directly in an effort to obtain a copy of their software database. If successful, we would be able to reverse engineer an integration solution and add the software to the situational awareness platform.

Johnson Controls prides itself on being able to perform the design, installation, and service of integrated solutions in any complex environment and has specialized in this type of delivery for over 100 years. From the need to upgrade old technology to work via network communications, to virtually impossible wiring paths, to the necessity to integrate multiple building technology systems onto a single platform we have always been able to develop a solution to meet the needs of our customers while still putting a strong emphasis on budget and project schedule.

Therefore, other than the concern detailed above, our additional concern is not project related, but rather the possibility of not being invited to discuss this project in more detail with The Port Authority project team. We feel strongly that our proposed solution and the partnerships we have with Quantum secure and VidSys will provide for the greatest level of flexibility now and into the future, and will help the The Port Authority from a business process perspective, not just from a security perspective.

Our goal is to build a mutually beneficial relationship with The Port Authority, beginning with the World Trade Center project, and to become a strategic technology resource. This relationship will be based on business outcomes rather than on products and will be extremely consultative in nature. We look forward to on-going conversations.

Johnson Controls

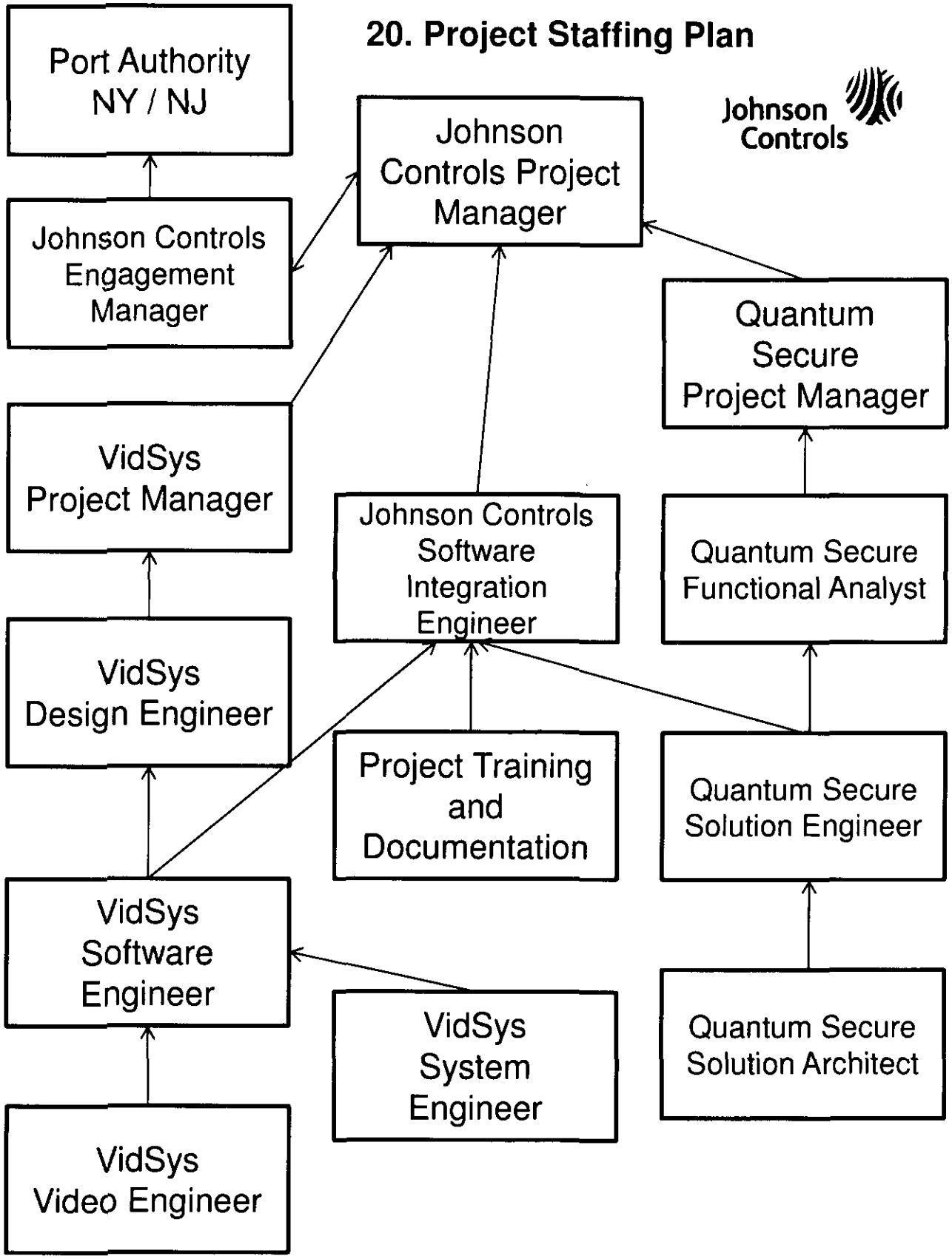
Attachment "D" Proposer Reference Form

Name of Proposer:	Johnson Controls Inc.
Customer Name:	Buffalo Public Schools
Address:	712 City Hall Buffalo, N.Y. 14202
Contact Name & Title:	Susan Eager Director of Plant Operations
Phone & email Address:	716-816-3500 seager@buffaloschools.org
Contract Dates:	04/2007 – 09/2010
Contract Cost	25 million to date
Description and location of work:	Entire District 100+ buildings Installation & Integration of Fire Alarm, CCTV, BMS and Security Management systems.

Customer Name:	Yale New Haven Hospital
Address:	20 York St. New Haven, CT. 06510-3202
Contact Name & Title:	Marvin White Physical Security Director
Phone & email Address:	203-688-7879 marvin.white@ynhh.org
Contract Dates:	06/2008 – 08/2010
Contract Cost	3.8 million
Description and location of work:	Smilow Cancer Center/ (4) Hospital Pavilions & (2) Parking Garages. Created interfaces to a multiple back office HR databases to integrate the Video and Security Management systems.

Customer Name:	Roger Williams University
Address:	One Old Ferry Road Bristol RI, 02809
Contact Name & Title:	Joe Pangborn VP & CIO
Phone & email Address:	401-254 3148 jpangborn@rwu.edu
Contract Dates:	07/2009 – 07/2010
Contract Cost	500K most recent contract
Description and location of work:	65 Building Campus - 500+ existing card readers, 400 existing cameras, Used Quantum Secure to interface the Security Management Platform and the Universities enterprise resource planning system.

20. Project Staffing Plan



Johnson Controls

GENE R. GREGORY

Field Support Engineer II

Years of Experience in Industry: 31

Education/Training:

UC Berkeley Extension
- Classes in math, calculus, IBM 370 Assembler, 'C', Basic, Prolog and other programming languages

Tanana Valley Community College
- ASET

University of Alaska
- School of Electrical Engineering

Memberships:
- Certified Protection Professional - #9632
- Physical Security Professional - #9854
- Member – ASIS International- #231205

Certifications:
- Johnson Controls P2000 V3.x & V4.x
- Johnson Controls P2000 CK722 & SCT
- Software House; CCure 9000, CCure 800/8000 Advanced Integrator, CCure 800/8000, CCure 1Plus
- EMC Replistor & Autostart
- Pelco Endura Network Designer & Technician
- Lenel On-Guard
- Casi-Rusco Picture Perfect Systems Engineer

Summary of Qualifications:

As a senior member of Johnson Controls' Field Support-Systems Team, Mr. Gregory is tasked with analyzing and designing large integrated access control, CCTV and other types of systems into seamless security control systems. He is also involved in design for bids and negotiated work. Mr. Gregory is consulted in-house on various aspects of over-all system configuration and design for many projects and he is involved in the development of training manuals and related documentation for worldwide distribution. Involved in the development of drawing standards for Johnson Controls worldwide projects. Provides technical support for in-house staff and on-site field teams. Manages In-house CAD team to produce technical drawings, blueprints and complete submittal packages for Johnson Controls projects in North America and overseas. Responsible for the implementation and design of large projects at the engineering level. Provides high level of support for high profile/high value (1 mil+) project, to include Engineering and Project Management. Involved with product selection and integration for many projects. Very well versed in the interpretation of high-level project specifications.

Project History:

2008 University of Connecticut 4.8M access controls & CCTV integration Principal Engineer **Software House**
2006-8 Zurich North America 2.5 mil access controls & CCTV integration. Applications/Support Engineer **Software House**
2007 LAX TBIT 5.8 Mil access controls & CCTV integration Principal Startup Engineer **GE/Casi-Rusco**
2005-7 East Bay Municipal Utilities District 2.5 mil access controls & CCTV integration. Applications/Support Engineer **Software House**
2004-5 University of Utah 2.0 mil access controls & CCTV integration Principal Engineer **Software House**
2004 Gerald R Ford International Airport 2.5 mil access controls & CCTV integration. Principal Engineer **Cardkey/JCI**
2003 VDOT System design in house access controls, CCTV integration & intrusion 5.5 mil bid Principal Designer/Engineer **Cardkey/JCI**
2003 Roche Molecular Systems 2.6 mil access controls & CCTV integration. Principal Engineer **Cardkey/JCI**
2003 JCI Automotive Systems Group design & engineering package 1.2 mil Principal Designer/Engineer **Cardkey/JCI**
2002 Bradley International Airport 2.59 mil access controls & CCTV integration. Principal Engineer **Cardkey/JCI**
2001 Openwave systems world wide security network 1.2 mil Principal Engineer **Lenel**
2001 AboveNet world wide security network 5 mil Principal Engineer **Lenel**2001
2000 GAP stores North American security network Principal Engineer **Software House**

Areas of Responsibility:

- Analyzing and designing large integrated access control, CCTV, Intercom, SCADA and other types of systems into seamless security control systems.
- Manage in-house CAD team to produce technical drawings, blueprints and complete submittal package

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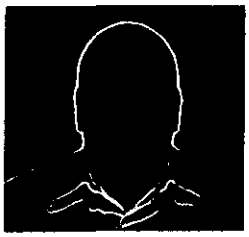
Johnson Controls

JOHN ACKERMANN

Security Integration Engineer



Years of Experience in Industry: **20**

Education/Training: **Villanova University, NY**
Project Management

TRAINING & CERTIFICATION:

- Amag Global /Amag SMS - (Yearly renewal)
- Loronix LVM - Enterprise Service & Support
- Loronix LVM - Enterprise Systems
- Verint - Nextiva Software
- Southwest Microwave - Intrepid Fence Detection System
- GE IFS - IFS Comprehensive Design
- March Networks - VideoSphere Technical Class
- Wheelock - Safe Axis
- Andover Controls - Continuum Configuration
- Software House- C-Cure 800
- Microsoft SQL 2005
- Quantum Secure

Summary of Qualifications:

As a Security Integration Engineer for the Northeast Region of Johnson Controls, Inc. John has 20 years industry experience. John engineers and assists in the pre-sales development process and provides technical sales assistance. He also provides onsite technical leadership and support for system development and completion. Providing direction for technicians and electrical contractors. Specifically, has comprehensive experience with the following systems: Enterprise Scale Access Control Systems, IP & Analog based CCTV Systems, Perimeter Intrusion, IP Networks, Network Based Storage Servers and Microsoft Windows Server & SQL.

Project History:

2010 Roger Williams University Installed and implemented Quantum Secure Software to integrate the Access Control and ERP (enterprise resource planning system) automating approximately 40% of the security operations at the University. Security encompasses a total of 65 buildings and has over 500 card readers.
2009-2010 Buffalo Public School District Programming and troubleshooting for Phase IV, including IP camera system and alarm management integration.
2010 New York Power Authority Programming and commissioning of 75 IP Cameras, Fiber Optic Perimeter protection and integration of event management systems using ICX Software.
2010 Medgar Evers College IBS (Integrated Building System) package for CUNY that includes BMS, Fire Alarm, Intrusion, Gate Control, Access Control and CCTV integration all on one head-end with a common GUI and Graphics.
2008 National Grid Security Command Station, NY & MA programming and commissioning of multiple systems including CCTV and Access Control.

Areas of Responsibility:

- Duties include tasks such as project meetings, topology design, third party relationships, commissioning and testing procedures.
- Project management tasks including the management of vendors and contractors. Training of systems administrators, and security personnel.

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Johnson Controls

CHAD SLEIMAN

Regional Project Development Engineer

Years of Experience in Industry: 15

Education/Training:

SUNY @ Buffalo, May 1999
BS Computer Science & Engineering.
BA Computing & Applied Mathematics

TECHNOLOGY SKILLS

Protocols - TCP/IP, IPX, SNA, VPN, IGRP, EIGRP, VPN, PIM, RIPv1/v2, OSPF, BGP, STP, RSTP, MLT, SMLT, DMLT, VRRP, IGMP, MPLS, SIP, H.323, Qsig.

LAN/WAN Topologies - E-net, Token Ring, FDDI, ATM, ISDN, PPP T1/FT1, T3, Frame Relay, dial-up, CSU/DSU, Nortel VoIP, Fibre Optics, WLAN, W-Mesh.:

TRAINING & CERTIFICATION:

CCNA/CCIE Written (99) – Will renew in 2010

NCDE, 05. SGI Certified Super computer Sys Admin, Network Admin, Advanced Admin. Nortel App Switches,5500/8300/8600 Installation & Configuration, SR 100x/3120/41xx, CS1K, WLAN2300

Summary of Qualifications:

As the Regional Project Development Engineer, Chad ensures proactive sales engineering design, development and profitable growth of Network Integration Solutions (NIS), which falls into three main categories: Network Infrastructure, Integration and IT & Communication Applications design. Chad supports sales across all vertical markets and lines of business in the assigned region.

Project History:

2010 East Hartford Public Schools Implemented and commissioned VOIP across entire school district

2008 to Present Buffalo Schools Using a Johnson Controls® Technology Contracting™ solution provided a single point of responsibility for installation and integration of Johnson Controls IFC-3030 fire alarm system and a P2000 security management system, IP video surveillance, HID card readers, clocks,bells, public address, auditorium soundsystems, temperature controls and a master antenna system for nine schools. Johnson Controls commissioned all the systems and provided training to employees of Buffalo Schools.

2006 Goodwin Proctor Law Firm Assisted in the design and delivery of a large converged MAN network to support a multi locations for Goodwin Proctor, one of the largest Law firms in the New England Area. Network comprised of Voice Infrastructure, Large data Network including Wireless and Multi-Media Apps to provide Audio and Video conferencing, video streaming, Unified Messaging, and Unified Communications. A Data center was later deployed to support the converted documents to Electronic Copies. Assisted in providing (TCO-ROI) analysis of the cost drivers associated with the deployment and management of such infrastructure.

2005 NY Times Assisted in the design and delivery of a large converged network to support NY Times, a mixed business environment with the need for high speed connectivity and high quality Multi-Media support. Network comprised of Voice Infrastructure, large data Network including a robust widely dispersed Wireless network and Multi-Media Apps to provide Audio and Video conferencing, video streaming, Unified Messaging, and Unified Communications. Assisted in providing (TCO-ROI) analysis of the cost drivers associated with the deployment and management of such infrastructure.

2004 WINC of WNY, Redesigned and impletmented new network infrastructure for Wireless Internet Networking and Communications of Western NY, using Riverstone, Nortel/Cisco switches and routers. Revised security and routing policies.

2003 CCR, SUNY Designed and implemented the center for Computational Research one of the top 10 Super Computing Facilities in the world, located at SUNY, Buffalo. Set up, maintained and administer high tech networks for software development, Virtual Reality Environment, as well as Sun Enterprise 250 Server, and Novell Netware File Server.

Areas of Responsibility:

- Duties include tasks such as frequent customer meetings, building customer relationships, requirement gathering, and analysis of requirements, defining scope of projects, customer presentations and implementation of custom solutions.
- Project management tasks including the management of cross-functional projects between computational scientists, systems administrators, and CCR customers.

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QUANTUMSECURE

HEREBY CERTIFIES THAT

Gerry Pittman

HAS SUCCESSFULLY COMPLETED *SAFE PARTNER TRAINING*
ON THIS 14TH DAY OF MAY, 2009

SANTUSECURE

[illegible] CERTIFIES THAT

Brandon Arcement

[illegible] COMPLETED SAFE PARTNER TRAINING

[illegible] OF MAY 2009

Johnson Controls

21. Project Management and Quality Assurance

Project Management – Johnson Controls has established a reputation for professional, qualified and capable project management of its projects, and has designated a management team that is fully qualified and has demonstrated ability to effectively manage this type of project. We utilize proven processes to plan, design, procure, schedule, test, install, commission, train, closeout and warranty this type of project, and where required, we tailor our processes to incorporate any site-specific requirements.

Our process incorporates a project management plan that is designed to provide all project team members with tasks, activities and responsibilities to ensure that all approvals and actions are executed in an appropriate, timely and professional manner. This plan also contains "key control points" and milestones which when reached, may require an approval signature from The Port Authority indicating acceptance of scope and adherence to budget and schedule.

The value/benefits derived from this approach for both The Port Authority and Johnson Controls are as follows:

- Expectations are set and roles/responsibilities are clearly defined and communicated to all team members.
- Tight control over budgets, schedules, and adherence to project scope.
- Involvement of maintenance teams who have post project responsibility.
- Each phase of the project can be audited and performance measured.
- Post-project evaluation can objectively be assessed.
- Minimized risk to both The Port Authority and Johnson Controls
- Formalized Change Control Process to ensure all parties fully understand and agree on any changes in scope that may occur, and what their impacts will be.

Project Management is the application of knowledge, skills, tools and techniques to project activities that meet or exceed stakeholder needs and expectations from a project. Meeting or exceeding customer needs and expectations invariably involves balancing competing demands among:

- Scope, time, cost and quality
- Customers with differing needs and expectations

- Identified requirements (needs) and unidentified requirements (expectations)

At Johnson Controls, we believe that proper Project Management is essential for a successful project.

Johnson Controls assigns a dedicated project manager on all projects to control the pace and responsibilities of all subcontractors and suppliers. This person is responsible for the coordination and implementation of all facets of the construction and is the primary interface between Johnson Controls and The Port Authority. The Project Manager's responsibilities also include equipment and supply purchasing.

When required, the Project Manager will seek approval before scheduling and executing work. All work will be executed in accordance with the pre-approved schedule. If periodic equipment shutdowns are required, Johnson Controls will inform your staff in advance to minimize comfort variations and possible inconvenience to occupants.

The Project Management Team uses a combination of project scheduling software, custom spreadsheets, site-specific reports and regular owner meetings to keep all parties up to date on all aspects of the project.

Johnson Controls' Project Management Process can be broken down into the following steps.

- Project Organization (Phase 1)
- Detailed Planning (Phase 2)
- Installation Management (Phase 3)
- Project Completion (Phase 4)
- Project Commissioning (Phase 5)
- ATP – Acceptance Test Procedure (Phase 6)

The Johnson Controls Project Manager will have overall responsibility for the day to day management of the project and coordination of all subcontracted portions of the work in accordance with the final contract documents. The Project Manager will ensure that all work is performed safely and in accordance with the design.

- The Project Manager reports to the Branch Manager who has direct access to resources throughout the area and region.

- Each level of management is kept informed of the project status through weekly meetings.
- The Project Manager is the customer's single point of contact for all cost, schedule, and technical issues relating to fulfilling all the requirements of the project.

The Johnson Controls New York City branch office will serve as a center for management, communications, planning, design review, field engineering and technical support as well as the center of coordination, installation and implementation for all aspects of the systems being installed for The Port Authority as part of RFP #22113.

Quality Assurance - Our Corporate Quality Policy guides all of our services and activities:

We, individually and as a team, will deliver products and services that consistently conform to our customer's requirements and exceed their increasing expectations."

Johnson Controls has a Quality Management System (QMS) that has been formalized through a Quality Manual distributed electronically to all accounts and branch offices. This Quality Manual suits the requirements of the ISO 9001:2000 standard and the Johnson Controls Quality Policy. The quality manual describes management's responsibilities for implementing the QMS, the policies that govern the documents and records used in the QMS, training needs for personnel, and metrics.

Site management identifies procedures that affect quality, assuring that the procedures are documented and implemented, allocating the necessary resources to support the procedures, monitoring the procedures to established criteria for effectiveness, and implementing continuous improvement opportunities when identified. When work is outsourced, account management ensures control over processes that could affect conformity to requirements.
Our Quality Program consists of quality assurance, quality control, and configuration management. Each component represents an interactive and interrelated discipline that when effectively executed ensures the success of the Program.

Our quality processes and tools include:

- Our global Business Operating System (BOS) consists of Strategic Plans, Business Processes, and Information Technology Systems that define and facilitate how we do business.
- Our Performance Management Program (PMP) formalizes systems of process documentation and training to ensure that employees are ultimately

responsible for quality control. The system of checks and balances defined by the Performance Management Program verifies the effectiveness of our approach to quality control.

Our Business Operating System design and delivery is standard across all business units, locations, and functions in Johnson Controls. We use standard processes and checklists to systematically install the Business Operating System for each new contract, account, and field site. The ISO 9001 certification process verifies the continuing effectiveness of our Business Operating System's operation.

Our Performance Management Program is a systematic and methodical approach to managing the following competencies:

- Contract Compliance, which, through the Quality Control Program, ensures Johnson Controls, meets 100% of contract requirements.
- Continual Improvement, which ensures that we are a learning organization responsive to and focused on preventive and corrective actions.
- Performance Measurement, which gives us the means to visualize and analyze the effectiveness with which we meet or exceed contractual performance requirements.
- Customer Satisfaction, which ensures that we meet or exceed customers' increasing expectations.

Johnson Controls systems of process documentation and training ensure that employees are ultimately responsible for quality control. The system of checks and balances defined by the Performance Management Program verifies the effectiveness of our approach to quality control.

The Johnson Controls Project Manager will have the following responsibilities with respect to quality control.

- Ensure all work is performed in compliance with contract requirements, code requirements, and construction industry standards.
- Establish a job specific QC program.
- Ensure that all controls work is performed in accordance with Johnson Controls standards.
- Manage and coordinate QC activities, submittals, tests, samples, and results.
- Ensure that weekly project briefings are held to discuss quality.
- Ensure that drawings are kept up to date with the proper revision and provided to subcontractors.

- Inspect equipment to be installed, and reject equipment if found to be non-compliant with specifications or damaged during transportation.
- Investigate and resolve warranty problems, and indicate the action taken on Warranty Reports.

Johnson Controls

22. General Security Methodology

Johnson Controls Security & Fire is a full service turnkey systems integrator. We specialize in large complex integrated security projects and thrive in environments where we are acting as the general contractor, systems integrator, and project manager for the project. We pride ourselves on being technology agnostic, consultative in our approach to positively impact our customer's business challenges, and strategic vs. tactical in our development of solutions.

Johnson Controls uses a very consultative methodology when working with customers. Our primary driver is to ensure that we completely understand our customer's challenges. This type of thinking allows us to focus on positively impacting the customer's business processes rather than on solutions or products.

Objectives

- Atmosphere of safety and security without intrusion of privacy or inconvenience
- Practical, cost-effective safeguards against real threats
- Sustainable, cost-effective, ongoing security operations
- Continuity of operations

Approach

1. **Execute a Needs Analysis with a Cross-Functional Team of Stakeholders**
    a. Uncover existing perceptions and issues
    b. Develop high-level priorities from a broad range of safety and security requirements
    c. Establish consensus among participants, including financial and management stakeholders
2. **Threat and Risk Analysis**
    a. Identification and characterization of potential threats
    b. Documentation of key assets and impact of loss
        i. Safety and security of employees and visitors
        ii. Physical assets
        iii. Intellectual property
        iv. Brand and image
    c. Risk assessment based on probabilities and costs associated with loss

3. **Plan Review**
    a. Analysis of vulnerabilities
        i. Site access
        ii. Physical perimeter
        iii. Time from detection to response
        iv. Surrounding community and demographics
        v. Vehicle and pedestrian traffic flow
    b. Analysis of potential safeguards
        i. Coverage of surveillance and detection
        ii. Time required to defeat physical barriers
        iii. Identity management
        iv. Situational awareness and communications
        v. Overlap / redundancy of safeguards
        vi. Concentric protection design
        vii. Review against best practices in Crime Prevention Through Environmental Design (CPTED)
        viii. Protection against forced interruption
            1. Power systems
            2. Communication systems
            3. Transportation systems
            4. Mail / package security
        ix. Response force
            1. Contract guard services
            2. Employee security team
            3. Local police / emergency responders
        x. Data / network / IT security
            1. Physical security
            2. Authentication
            3. Viruses / spyware
            4. Hackers
            5. Denial of service
            6. Employee / visitor policies
            7.

4. **Selection of Proposed Safeguards**
    a. Estimate of proposed safeguard project costs
    b. Effectiveness / implementation cost matrix
    c. Return on Investment analysis
    d. Prioritization and selection of proposed safeguard projects

5. **Development of a Safety and Security Master Plan**
    a. Background and analysis
    b. Prioritized safeguard projects
    c. Implementation schedules
    d. Supporting policies and procedures
    e. Emergency response plans

f. Education / research continuity and recovery plans
g. Documented process for regular plan refresh

Project Deployment

Johnson Controls fully understands that the deployment of a solution is critical. We have a detailed process, as outlined below, to ensure that our projects are completed on time and are within the allotted budget.

1. Project Planning

This phase will "kickoff" the project and will include the following tasks:

- Initial Project Planning
- Determine Project Organization
- Prepare Project Plan
- Determine Project Pre-Requisites
- Create Project Team Training Plan
- Project Kickoff
- Kickoff Meeting
- Project Team Standards Meeting
- Quality Check Project Preparation Phase
- Perform Quality Check and Obtain Approval

2. Analysis and Design Phase

In this phase, the Project Team will define the OGS' business practices and parameters, review the business goals and business structure, and how the solution will realize those processes. The resultant design will be a detailed Functional Specification of the solution. Tasks in this phase include the following:

- Validation of Business Requirements
- Build System Environment
- Draft Technical Design
- Setup Deployment Environment
- Initial Set Up of System Landscape
- Business Process Definition
- Conduct Design Validation workshops
- Conduct Business Process review session
- Prepare End User Training Plan
- Review and validate Functional Specifications

- Perform quality checks and obtain approval

3. Solution Realization Phase

Tasks in this phase include:

- Realization Planning
- Baseline Configuration and Confirmation
- Application Setup
- Configure Specific Functional Scenarios
- Develop Data Migration methods and tools
- Deploy External Application Interfaces
- Create SAFE Reports
- Establish Archiving Management
- System Integration Testing
- User Acceptance Testing
- Develop Documentation and Training Material
- Quality checks

4. Deployment & Production Roll Out

In this phase, the Project Team will prepare for implementation of the system. Tasks within the phase include:

- End User Training
- System Management
- Detailed Project Planning
- Cut Over to Production
- Quality Check Final Preparation Phase

5. Go Live & Support

In this phase, the Project Team will assure that end-users needs are being met. Tasks in this phase include:

- Production Support
- Validate Live Business Process Results
- Optimize System Use
- Post Go-Live Activities

- Define Long Term Plans
- Project Close-out

Ethics

It is Johnson Controls corporate policy to conform to all local and international laws, agency requirements, codes, and other applicable governing bodies. Furthermore, Johnson Controls has a corporate Ethics policy and annual training for its employees that, in many cases, is more comprehensive than local laws require.

Johnson Controls security technologies have a number of embedded features to help our customers meet both best practice and mandated Ethics requirements. Some examples include privacy patches on video, an option for encrypted communications, physical tamper detection, logical (software) tamper detection, and compliance-related applications.

Most of the issues surrounding application of security technologies have less to do with the technologies themselves, but how they are installed and configured. For Johnson Controls to apply security technology according to our policy, the following tests must be satisfied.

1. The technologies and installation / provisioning meet all applicable local laws and regulations regarding security Ethics.

2. The technologies and installation / provisioning meet all customer requirements and policies regarding security Ethics.

3. The technologies and installation / provisioning meet the Johnson Controls Ethics Policy.

Specific implementation details such as camera placement, retention of data, data security, disclosure of personal data, etc. often vary from one customer to another and between different regions of the world, but must always pass all of the above tests. Johnson Controls is available to advise customers on best practice security Ethics policies if the customer does not have these policies in place.

Customer Satisfaction

Johnson Controls exceeds our customers' expectations with top-level project management, on-time execution and providing solutions that reduce overall cost and liability. We are able to do this because we maintain a global database of best practices, designed to improve consistency and efficiency. This Business Operating System currently contains more than 2,000 standardized procedures. Johnson Controls also maintains a number of programs designed to improve quality and customer satisfaction. Our Six Sigma program improves quality and reduces costs, both key factors in satisfying customers.

Johnson Controls customer satisfaction practices are based on a simple, four-step Continuous Improvement Process:

- **Phase 1: Understand customer expectations.** We focus on our customers and their expectations of us. We work with our customers to define these expectations precisely. Close and constant communication is vital.
- **Phase 2: Set goals.** Exceeding expectations means delivering more than what our customer specified. Our service must also be better than our competitors. Seeking out best practices from our own or other industries also helps us set improvement goals. Our goals establish the direction, level and speed of the desired improvement, as well as the resources required.
- **Phase 3: Execute.** Once we set improvement goals, we act on them, measuring progress regularly.
- **Phase 4: Audit customer satisfaction.** After we deliver a system or service, we ask customers to evaluate it, and then use the feedback to decide how we can improve and also to set new goals. We treat all customer comments as valid and handle them courteously and completely. We investigate all complaints and resolve them as expeditiously as possible.

Industry and Government Standards

When Johnson Controls manufactured products are introduced in the market, the intent is to first comply with government mandates, such as the FCC, and then comply with any self-imposed mandates from Johnson Controls, such as a UL listing. At the time of initial sale, our products meet FCC Part 15 (United States), ICES-003 (Canada), CE (European Union (EU)), and C-Tick (Australia/New Zealand) emissions (radio) standards and immunity standards, where applicable. Due to mutual agreements between the countries, we can run one battery of tests and meet all of these requirements.

The EU has the most stringent requirements for emissions and immunity. The tests used to demonstrate EU compliance also satisfy US requirements and beyond. Once testing is complete, the EU requires that we maintain a declaration of conformity (D of C) for any product we intend to sell within the EU. The declaration must list models tested and show with which standards we comply. The document is then signed by an officer of Johnson Controls.

Having a UL Listing is one of a number of self-imposed Johnson Controls requirements, since the US government does not mandate it. Depending on the product, we may be listed to UL 1076 and/or UL 294 for our host computer, panels and terminals, or UL 60950 for the DVN. UL no longer issues listing cards to show which products are listed, but instead maintains a web site with this information. Should this information be required, it can be accessed at http://database.ul.com/cgi-bin/XYV/template/LISEXT/1FRAME/index.htm and searching for Johnson Controls.

Johnson Controls

Overall Capabilities

As an integrator Johnson Controls provides expertise in the following areas:

Intrusion
- Perimeter Detection
- Burglar Alarm

Video Surveillance
- Digital Video Recording
- Video Monitoring
- Video Analytics
- Analog & IP Hybrid

Alarm & Event Monitoring
- Central Station (UL & FM approved)
- Command Center
- Remote notification (Pager/PDA)

Barrier Systems
- Locking hardware
- Fencing, bollards
- Turnstiles
- Traffic controls

Fire Detection & Signalling
- Networked fire panels
- Notification
- Video based fire detection
- Suppression Systems

Identity Management
- Biometric identification
- Smart Cards
- Automatic vehicle identification (AVI)
- HSPD-12 credentialing

Policy and Procedures
- Access control/badging
- Visitor Management
- Web access
- Training
- Standards and compliance

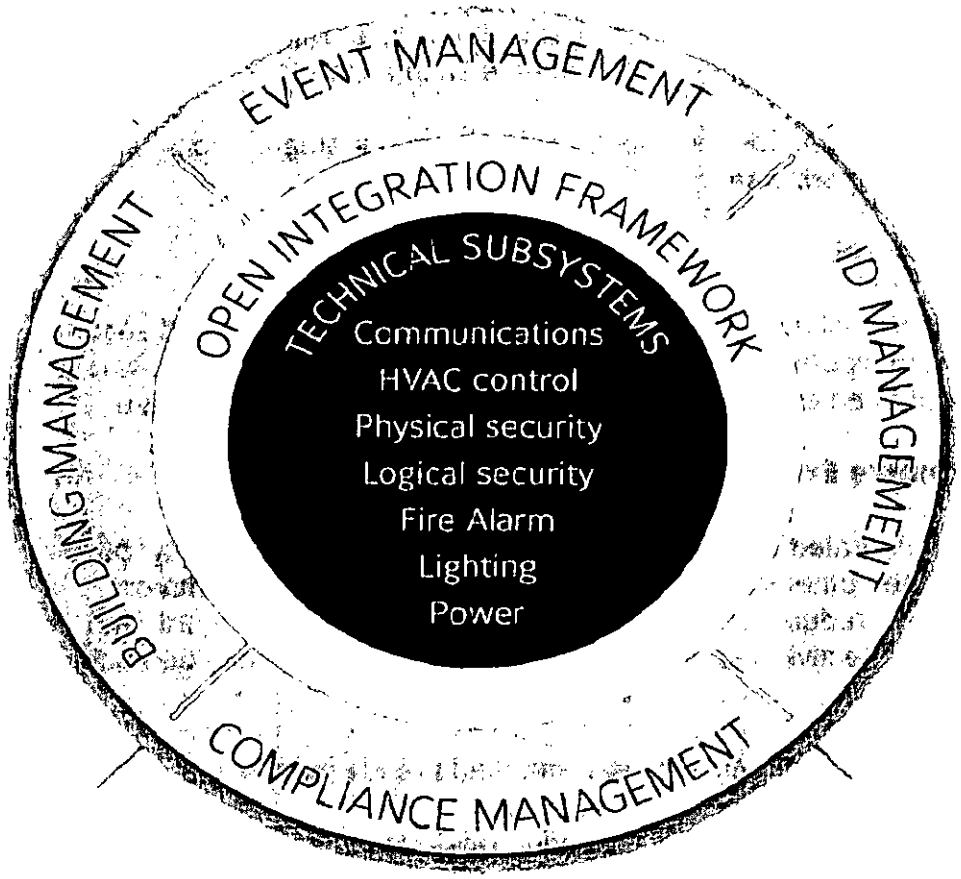
Plans and Documentation
- Emergency Response
- Facility Operations Continuity
- Safety & Security master plan
- Incident Management
- Threat & Risk Assessment

Communication Systems
- Intercom and Paging
- Nurse Call
- Infant Protection
- Patient Wandering
- Mass Notification Systems

Building Management
- Wired and Wireless Infrastructure
- Integration of current and legacy systems
- Guaranteed performance outcomes
- Turnkey project management
- One connected environment with converged systems on a single infrastructure

The greatest challenge in building systems is the installation and servicing of various systems. There are often multiple systems that are integrated including energy management, video surveillance, access control, perimeter and building intrusion, communications and displays, parking and gate control, and fire and emergency evacuation. There are often multiple brands of those systems in various ages and conditions. Each independent system has a user interface, data storage, operating programs, configuration tools, as well as alarm and event management.

Installation, service, maintenance and operations can become overwhelming with high cost and limited effectiveness. Yet it is not practical to start over. Legacy systems must be maintained and a process must be implemented to reduce complexity with each change – rather than add to it. Interconnecting more than one system does not constitute integration. The key is single-seat control and supervision with a common database for all components. An integrated system will then "absorb" the many parts into one system, as depicted below:



ID Management

Identity and access management are critical elements of a safety and security program. Positively knowing who went where and had access to what is a critical element of a compliance program.

Seamless Identity Management

Managing a single credential that propagates across physical security, logical (IT) security, and business (ERP) systems enhances accuracy and reduces costs. This solution will enable you to do the following:

- Create a credential and assign access management rights from one credentialing software application
- Manage employee, contractor, and visitor credentials through a centralized command center
- Automatically assign access rights based on roles from compliance rules
- Enforce work rules including min/max hours, min/max occupancy, training and drug testing intervals, etc.
- Propagate identity and access management based on changes to employment status, changes in job function, or changes in threat level
- Automatically check identities against black lists/white lists
- Comply with government requirements such as the U.S. HSPD-12/FIPS201
- Generate reports for compliance and risk management audits through one credentialing software program

Event Management

Having full situational awareness is a critical element of a safety and security program. Fusing inputs from multiple systems and automating workflow is a critical element of an event management solutions compliance program.

Johnson Controls Event Management Solutions

With a single integrated command center, data from physical security, building management, and other systems can be combined to create a common operating picture- reducing nuisance alarms, simplifying assessment, and streamlining an effective response. This event management solution enables you to:

- Combine data from multiple systems and brands for a single-seat user interface.
- Reduce data overload by associating related inputs into events and filter based on importance or priority.
- Trigger user views and workflows from specific alarms or events.

- Distribute filtered information, including video, to remote sites and mobile devices.
- Automatically escalate according to coded workflow rules to ensure timely. resolution and compliance to policy.
- Generate incident reports, auditable chronology reports, and variable-speed playback of an incident timeline to enhance investigations and train security staff.
- A Johnson Controls event management solution can customized to suit your business needs and may use your existing access control or security management system already in place.

Compliance Management

Compliance management to internal policy and external agencies is an important safeguard for safety and security. Bringing real time data to enterprise resource planning (ERP)-based applications enhances enforcement and documentation.

Johnson Controls Compliance Management

Traditional compliance management software applications help organizations measure and document compliance to both internal policies and external agencies. Adding real-time data from security and other building systems enables direct enforcement and rapid intervention when needed.

- Internal policies may include work and safety rules for occupancy, up-to-date training and certifications, work hours and fatigue, drug testing, access rights based on functional profiles, documentation of events and injuries, auditable records of critical data access, etc. Outside agency regulations such as HIPAA, Sarbanes-Oxley, OSHA, Affirmative Action, LEA, FAA, NEPA, FDA, and CDC in the United States, and others will vary by country; as well as identity and cross credentialing agencies
- Policies and regulations are coded into applications that both enforce and monitor compliance.
- Automatic report generation documents compliance management and reduces labor.

Building Management

Integrating building management systems reduces labor and energy use while enhancing occupant convenience and safety. Facility-wide applications ensure compliance to local regulations and codes while enhancing operational efficiency.

Building Management Systems control HVAC, lighting, and related subsystems to provide occupant comfort and productivity. Building Energy management is an application that runs on the Building Management System to conserve energy and can benefit from occupancy information provided by the security system.

- Control temperature, humidity, and lighting by zone, usage, and schedule
- Reduce energy use while managing comfort
- Provide early warning of equipment problems
- Monitor and alert for maintenance issues
- Report building performance metrics
- Consolidate alarms and events from other building management systems such as access control, intrusion, video surveillance, and fire detection

Approaching the needs of our customers from the perspective of ID, Event, Compliance, and Building Management instead of through traditional product based methodology, allows us to enhance safety, security, and compliance while reducing operational costs. Our philosophy, combined with our year over year growth, were the primary drivers for SDM awarding us the honor of Systems Integrator of the Year.

SDM systems integrator of the year 2009

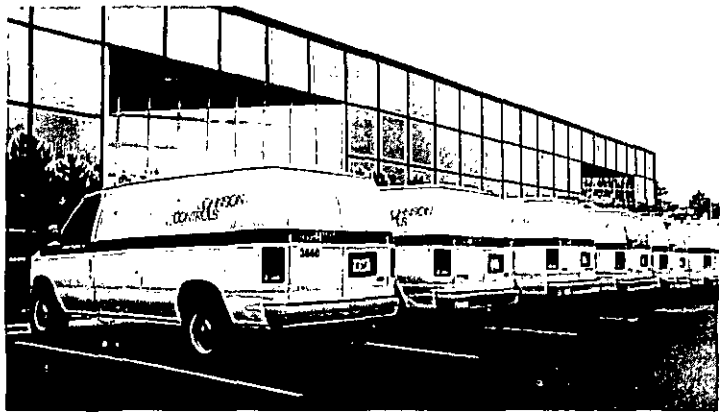
When designing integrated systems, Johnson Controls defines what the customer wishes to accomplish. We begin preparation by asking the following questions:

- Which components are integrated (e.g., energy management, alarm, video surveillance, access control systems)?

- Is the current system too old to be serviced? Are replacement parts available?
- Does the current system consist of multiple manufacturers with its own product line?
- How can use of the current system be made more efficient through preventive maintenance?

Post Installation Support

Preventive Service Program



Johnson Controls shall perform inspections to ensure proper operation of all the security systems. These inspections may be performed on a scheduled basis, or during the normal course of on-site work for other functions. Upon conclusion of inspection, a report shall be generated describing problems or defective parts – and a plan of action to repair or replace all failed parts shall be developed and submitted to the appropriate OGS representative. See detailed descriptions listed below regarding how the program is implemented.

Reports

Reports shall be submitted to the New York State OGS containing an overall summary of service work performed during the month, the results of tests conducted, and all service requests.

Help Desk and Service Call Response Plan

All service requests shall be handled and coordinated by the Johnson Controls help desk. The help desk shall attempt to troubleshoot the problem, if appropriate. If the problem cannot be solved from the help desk, then a qualified technician shall be dispatched to the site. All service requests/responses shall be stored and made available to the designated OGS representative. Johnson Controls will respond within 24 hours of the reported system trouble. All efforts will be made to respond sooner if the issue is identified as critical.

Emergency Service

Johnson Controls can provide telephone response, and can be on-site to provide emergency service based on the need of the customer. Non-emergency calls, as determined by Johnson Controls, will be scheduled for

the next business day: 8:00 a.m. to 5:00 p.m. Monday-Friday, excluding holidays.

Phone Support

Johnson Controls can provide technically qualified phone support, which shall be available to designated personnel on a **24-hour** basis.

Spare Parts

Johnson Controls maintains fully stocked warehouses and service vehicles to permit us to perform most routine and anticipated repairs. Additionally, due to our national presence and the size and scope of our relationships with our suppliers, Johnson Controls enjoys the benefits of premium service and support, allowing us to quickly receive shipments of replacement parts in order to properly service our customers.

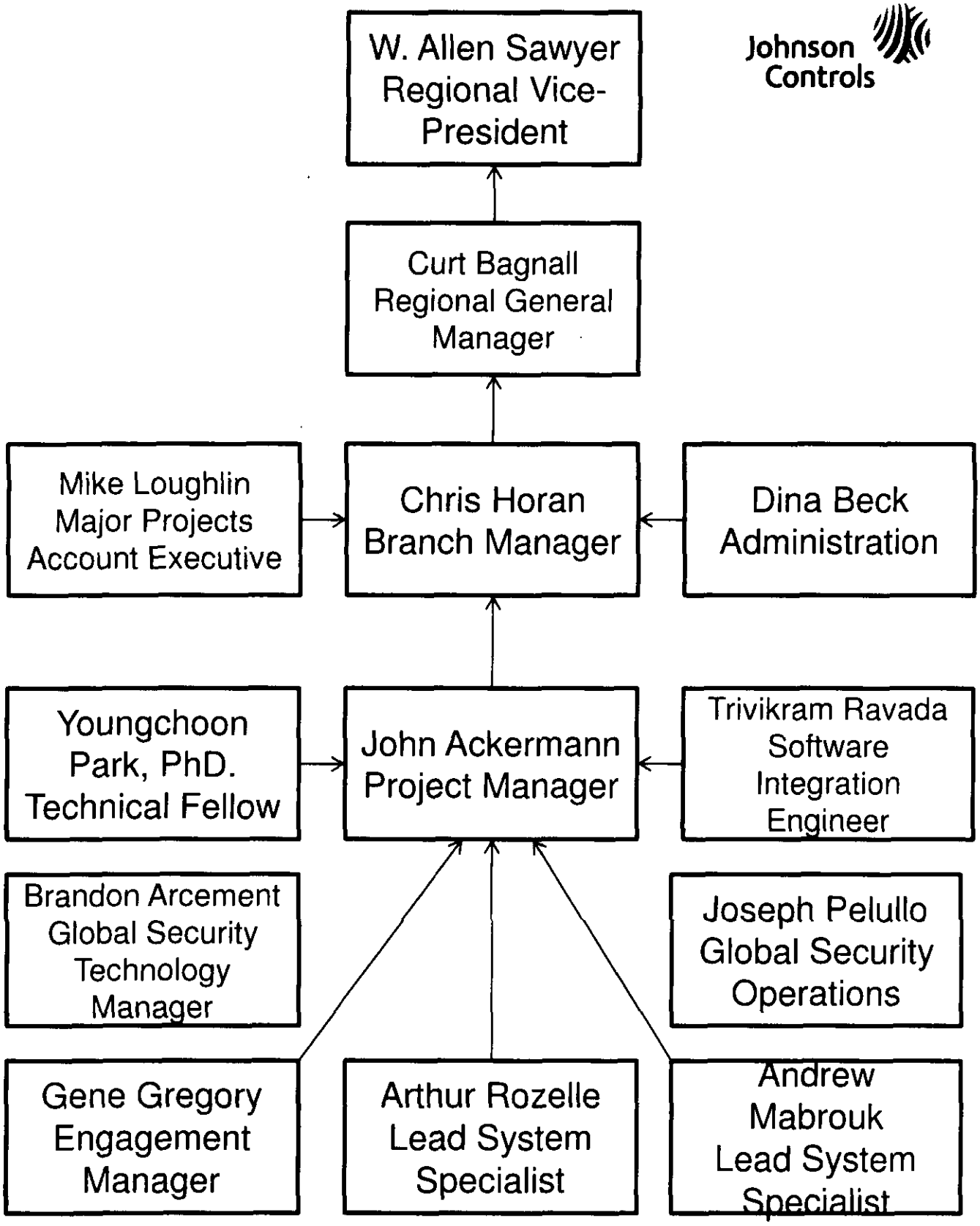
Systems Hardware and Software

Johnson Controls shall maintain all security system hardware, typically, firmware and software in a complete and totally operational condition. Johnson Controls shall guarantee all new installations of hardware, software and firmware for a period of **one year** from the date of installation.

Remote Monitoring

Where required by codes and/or requested, all sites can be monitored at the Johnson Controls Remote Operations Center (ROC). Any major equipment found not functioning properly will be reported to OGS. All alarms shall be received and logged at the Remote Monitoring Center, and appropriate action taken to rectify alarm conditions. The ROC is a UL- and FM-Listed Monitoring Center.

23. Johnson Controls Staffing Plan



Johnson Controls

23a. Staffing Plan

The exact locations of sites that will be utilized to perform the contract are as follows:

Johnson Controls, Inc.
777 Terrace Avenue
Hasbrouck Heights, NJ 07604

Johnson Controls, Inc.
60 East 42nd Street
New York, NY 10012

Johnson Controls, Inc.
507 East Michigan Street
Milwaukee, WI 53202

Quantum Secure, Inc.
100 Century City Court
Suite 501
San Jose, CA 95112

Vidsys, Inc.
293 Boston post Road West
Suite 310
Marlborough, MA 01752

Johnson Controls

24. Functional Requirement Specifics

Additional information to support Section 1.C

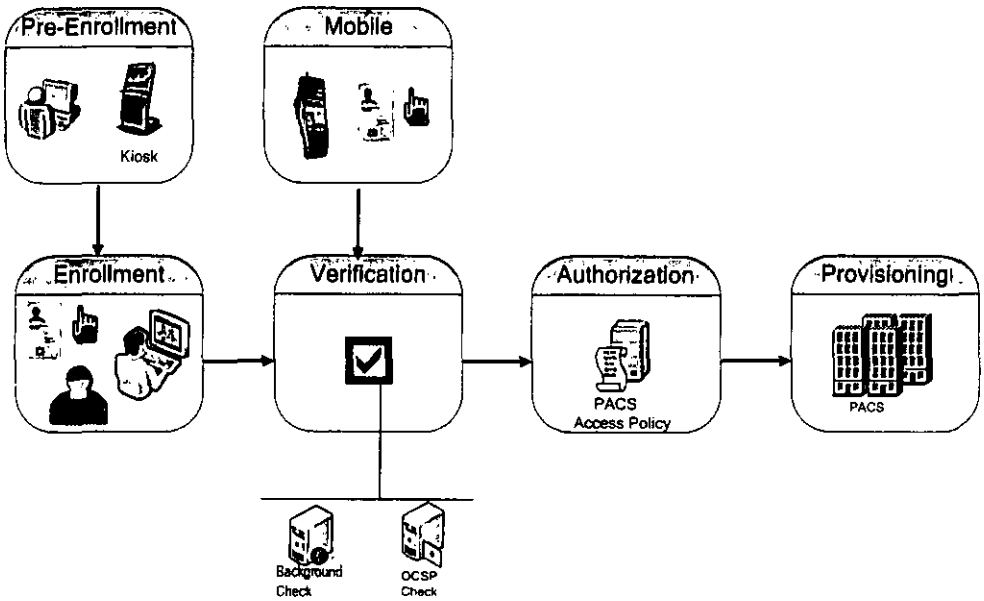
11. Management of cardholder identity functions, including card lifecycle management through centralized badge production, smart card encoding, and card termination

Quantum Secure

The Quantum Secure (Quantum) SAFE solution is designed to manage identities including full process of end-to-end cardholder management, including identity proofing, enrolment, credentialing, badge printing and on-going cardholder's identity/badge management (lost, stolen cards, on / off – boarding and change management) including the management of multiple employer/employee relationship, continuous audit and compliance with regulations.

Quantum's SAFE interfaces with a wide variety of PACS, biometric and other 3rd party systems, databases in real time, enforcing centralized policies and rules for secured access management. For example, the SAFE enrolment engine authenticates and verifies identities and digital certificates, captures biometric images, issues a credential, binds the relevant biographical and biometric data with the card and provisions the identity for facility access in the PACS – all in one connected homogenized process.

Figure 1. High-level workflow



12. Automation of the on- and off-boarding of employees, contractors, temporary workers, visitors and others into multiple applications requiring identity information such as electronic access control systems.

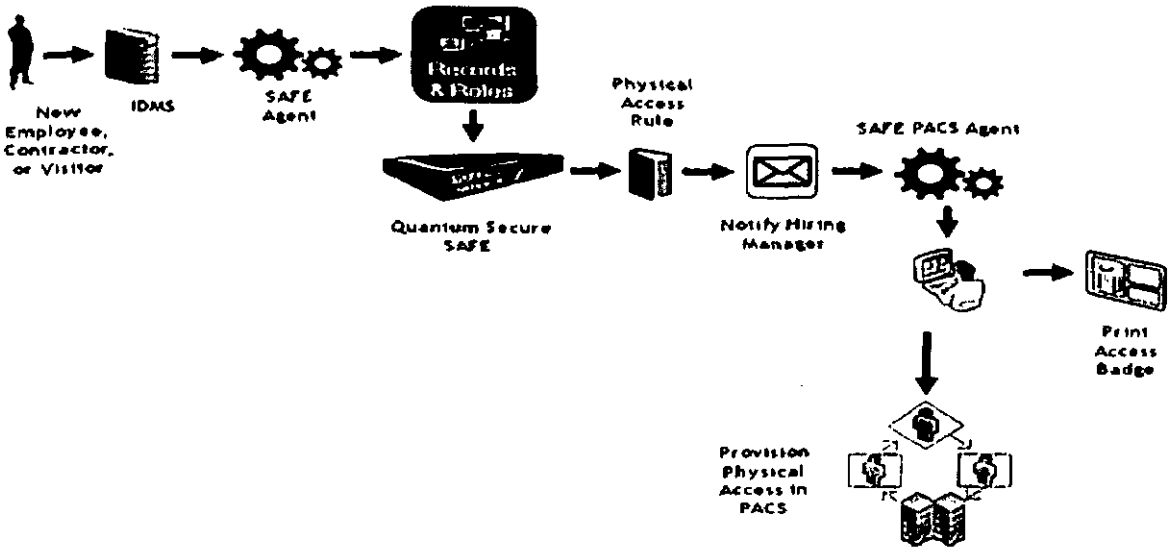
<u>Quantum Secure</u>

Below shows an example SAFE workflow for provisioning a new employee or contractor badge will be fully-automated and include:

- SAFE Automate all tasks and record changes strictly per security policies
  1. SAFE auto-captures New Person data or changes from Identity Management Source (IDMS) for all employees and contractors
  2. SAFE assign Person record for Physical Security badge and updates respective PACS
  3. SAFE Policy Actions to automatically populate Person Data into PACS.
  4. SAFE Policy updates physical access privileges – areas (Access Groups, Clearances, Doors etc) the person has access based on updates from IDMS

Johnson Controls

On-Boarding personnel in IDMS

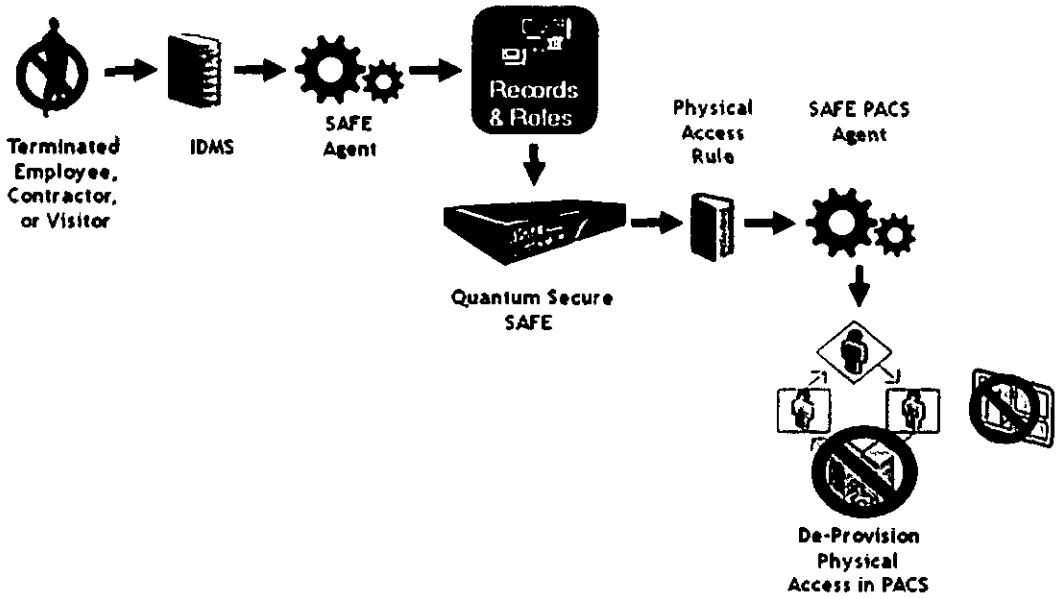


As depicted in Figure (below) – the workflow for automating permanent termination upon a person leaving:

- SAFE Automate all tasks and record changes strictly per security policies
  1. SAFE auto-captures Employee termination data from the authoritative Identity Management Source.
  2. SAFE Policies enforce deactivation/expiry of cardholder from PACS.
     a) Set Cardholder Status to "Disabled"
     b) Set Date Last Worked = "TerminationDate"
- Provide common repository for Security Audits & Reporting.
- Email confirmation of SAFE's actions sent to security alias.

Johnson Controls

Off-Boarding personnel in IDMS



13. Self-Service and delegated administration of access entitlements via the web based GUI.

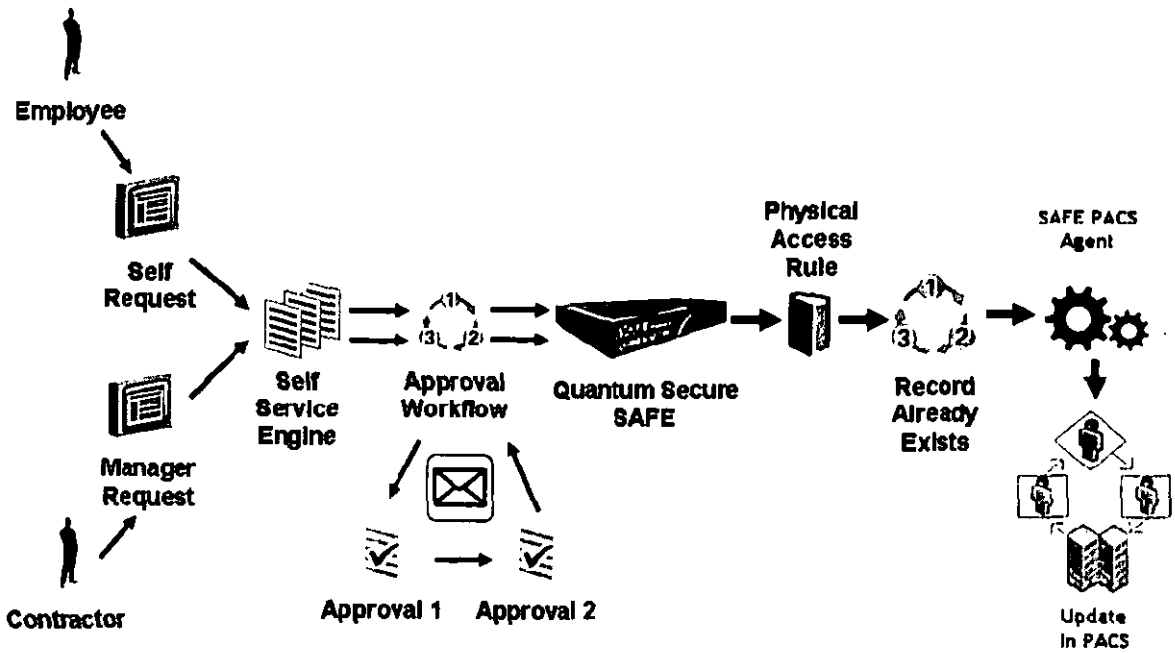
<u>Quantum Secure</u>

Below depicts the approval workflow for managing Self-Service access requests from personnel which can automate based on Policy:

1. SAFE captures access change request through SAFE Self-Service web portal (myAccess).
    a. Authentication will be through SAFE Portal.
    b. User is to select from a list of Area(s). Each Area Owner is mapped to the appropriate access levels in PACS.
2. Policies route the access change request to Person-Hiring Manager for Approval.
    a. Person-Hiring Manager can also initiate Access Change Request for their direct reports.
3. Upon approval by hiring manager, Policies route the access change request to the appropriate Area Owner for approval, as per Area Owner List.
4. Area Owners reviews, approves, denies, or changes the access request.
    a. If there are two owners listed for an Area, both will receive notification of an access change request, but only one will need to approve/deny the request.
5. Upon approval, SAFE grants requested Access Levels in appropriate PACS.

6. Email confirmation of SAFE's actions sent to all stakeholders (requesting Person and Area Owner).
7. Physical Access changes to specific compliance areas can always be printed and archived for security compliance.

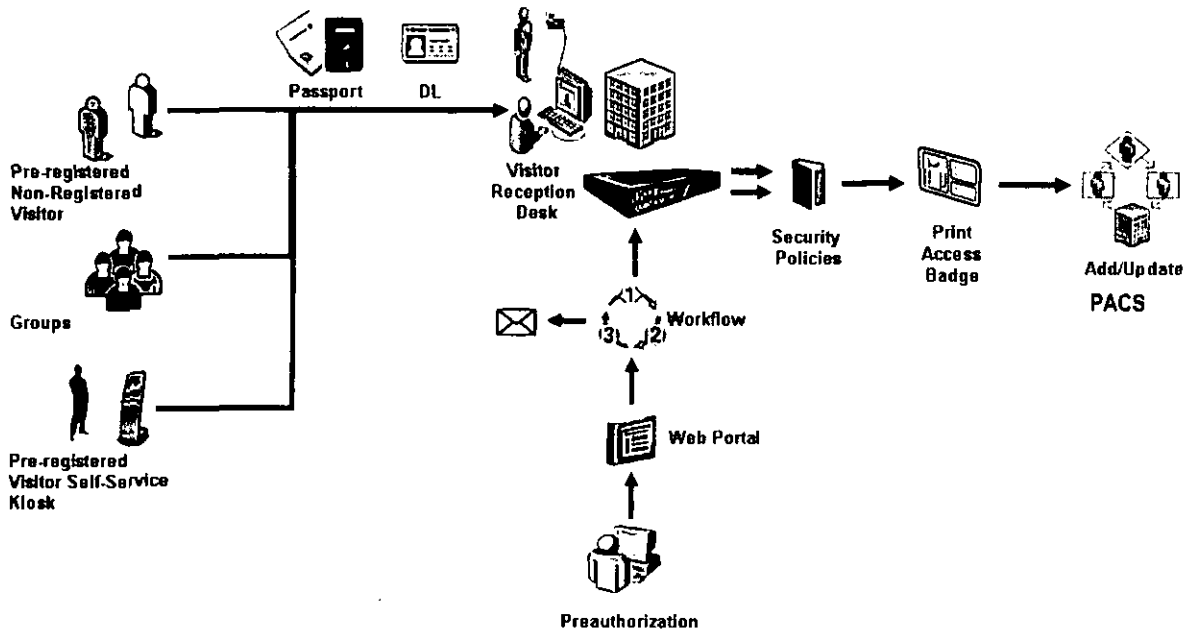
SAFE Self Service



14. Web-based visitor management, wherein facility tenants may "pre-load" site visitors into a web-based service. The SAPS software shall then populate the overall SAPS database and individual facility access control databases with this information in an effort to streamline the visitor check-in and enrolment process.

Quantum Secure

Based on Visitor type (Pre-registered, Non-registered, Groups, etc) SAFE's Unified Visitor Management will automate all visitor check-in processing strictly per SAFE security policies.

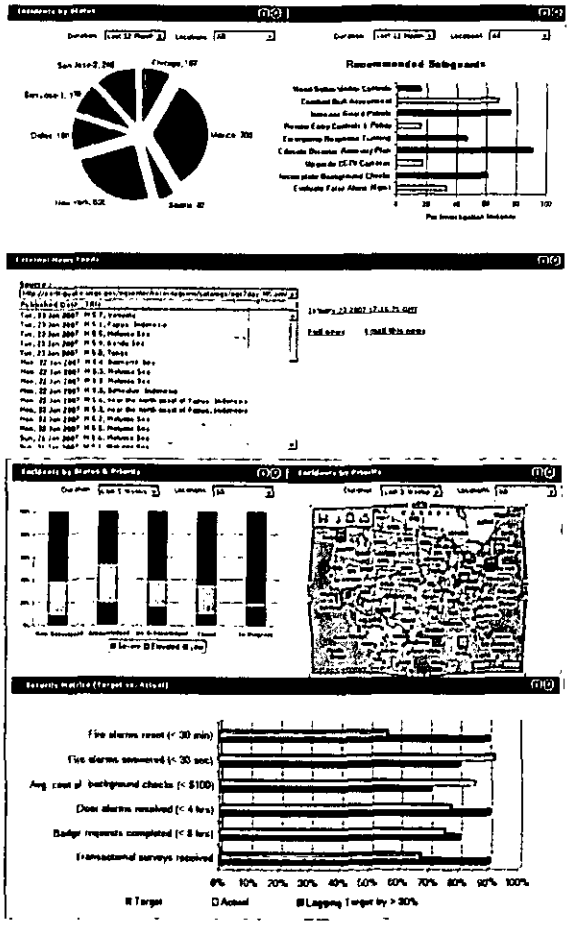


15. The ability to audit and generate reports of card usage, including last read location and access denied alarms.

Quantum Secure

Quantum's' SAFE Reporter provides useful reports for both standard reporting, compliance, and audit trail requirements.

SAFE's Custom Report Wizard tool provides Ad-Hoc reporting capability to allow you to create customized reports online and receive immediate results in a secure manner.



Specifically, SAFE's Security Report includes complete suite of easy-to-use for reporting, analysis and compliance related audit needs of government agencies with a full line of decision support tools accessible within a single interface accessible via any web browser. For example, Dashboard offers executive/operational dashboards, web reports, parameterized reports, analytics, and ad-hoc query. SAFE Security Reporter engine includes the mySAFE Dashboard module, which correlates data from SAFE and non-SAFE systems including network and IT sources, provides vulnerability scans against PACS configuration changes, supplies global alerts captured from various RSS news feeds and prioritizes security threats.

Additionally, the mySAFE Security Dashboard can be personalized to each user's needs and can be extended to a wide range of mobile devices and PDAs. Alls reports can be exported in various formats including PDF, MS Excel (CSV), html, txt, and HTML formats.

16. The SAPS system shall support implementation and validation of mandated requirements by Federal or Local agencies such as PANYNJ, NYPD, TSA, DRS, FIPS201, RSPD12, as well as any Coast Guard or State agency requirements.

Quantum Secure

Quantum Secure is an enterprise software provider with a Commercial off-the shelf (COTS) solution for unifying cardholder identity management, physical access compliance and risk assessment as well as alarm management in one seamlessly integrated web console.

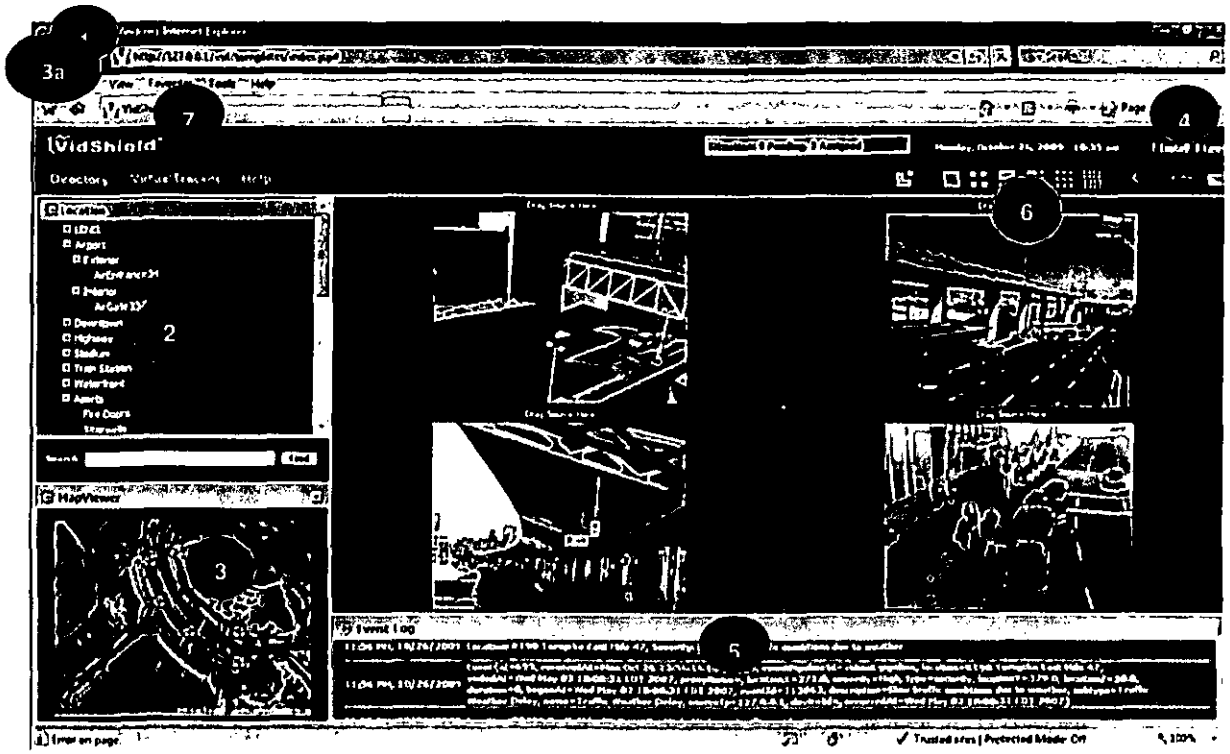
Quantum's SAFE suite will support implementation and validation of mandated requirements by the PANYNY, NYPD, TSA, DRS, FIPS201, and RSPD12 as well Coast Guard and other State agency requirements.

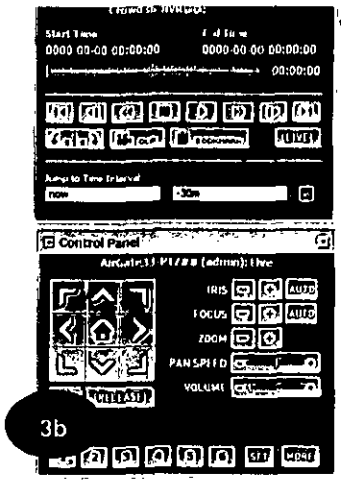
Quantum Secure's unique 'policy-based' software approach allows security managers to deploy proven best practices and business rules across all domains of physical security resulting in dramatically lower cost of operations, reduced risk, and increase in efficiency and security. As such, Quantum Secure provides solutions to manage identities and events across multiple application brands within your logical and physical security infrastructure.

17 - 24. Situation Awareness capabilities for the proposed SAPS platform

VidSys

Sample VidSys Screenshots

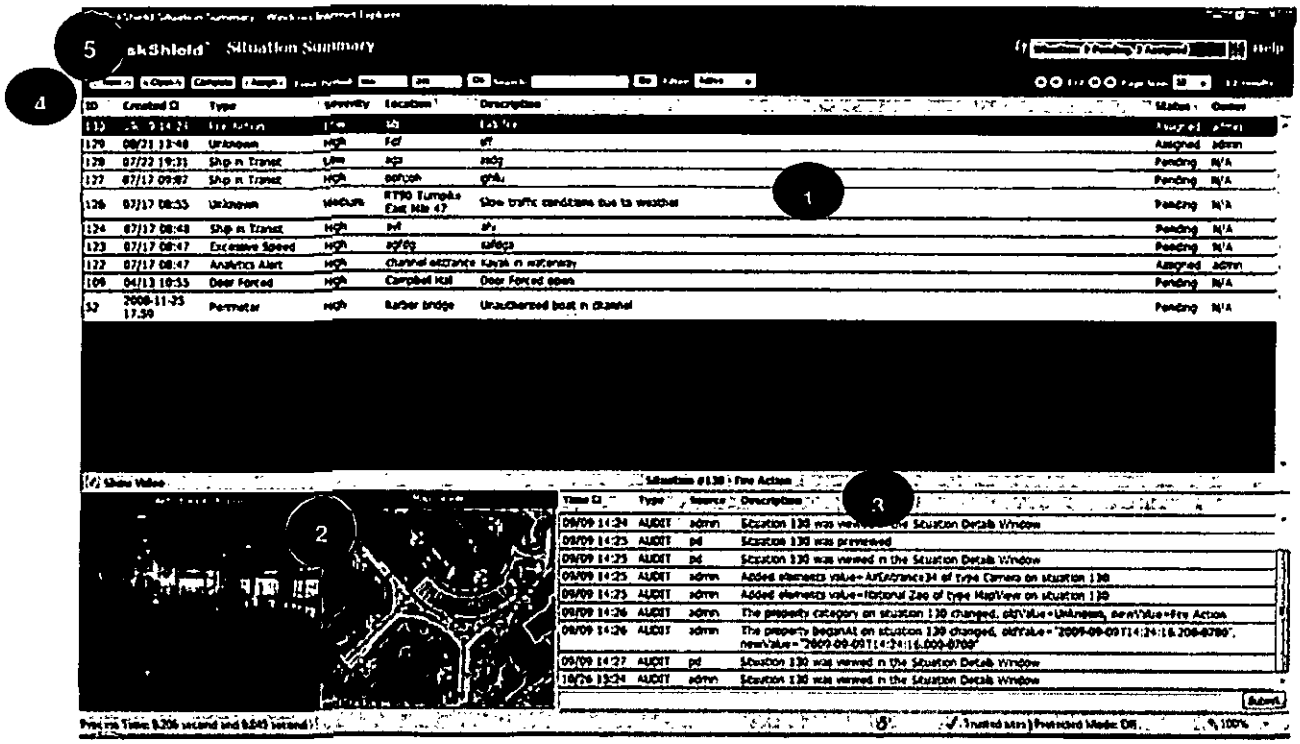




VidShield Interface:

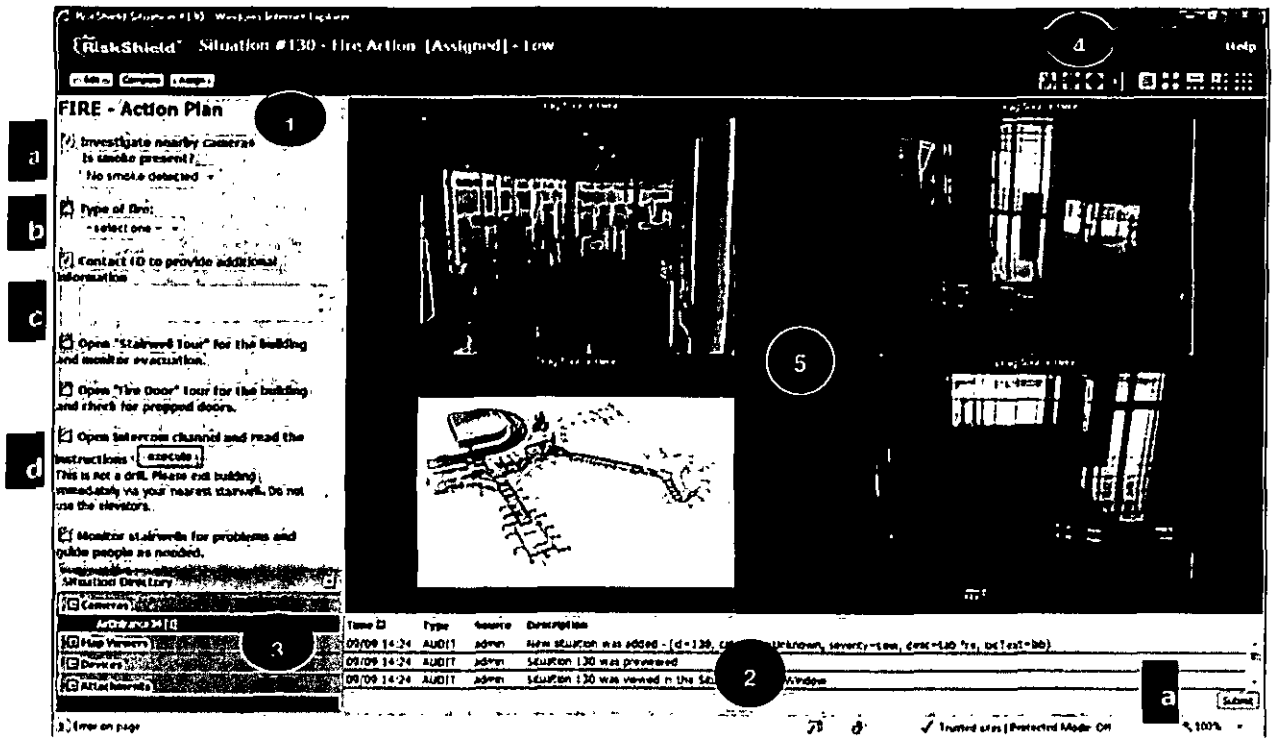
1. Completely Web-based, multi-vendor video management platform
2. Configurable video and device tree hierarchy where users see and control only the cameras and devices they have permission to use – all others resources are not displayed to them
3. Mapping interface with drag and drop camera and device icons overlaid for immediate access
   a. Universal DVR/NVR device controller
   b. Universal PTZ controls automatically displayed
4. Integration to enterprise wide phone, e-mail and instant messaging services
5. Event log capture and time/date stamping of all new alarm data as it comes into the system for audit and reporting
6. User definable screen layouts

7. The Virtual & Backtracker applications



RiskShield Situation Summary Interface:

1. Single screen GUI of all open alarms or multiple alarms automatically clustered into a single situation across all alarm and alert systems integrated into the VidSys software platform
2. Situation preview screens display the nearest camera and associated area map based on the situation highlighted for immediate assessment – system also supports pulling up live and recorded video for previews
3. System wide audit log tracking what alerts or alarms are coming into the system as well as what actions each user is taking including text entered, cameras viewed or controlled, alarms received, acknowledgments or close of situations, assignment of a situation, etc.)
4. Situation identifiers allow users to sort the summary screen by alarm type, location, severity level, owner or alarm status.
5. Action buttons to assign, close or manually create a situation.



Situation Details Interface:

1. Situation response plan presented to operators when they double click on a situation summary line. These plans are dynamic and modify based on input from the operator as well as additional alarm data that comes into the system. Plans can contain:
    a. Check boxes
    b. Drop down menus
    c. Text fields
    d. Executable buttons to automate group notifications, lockdowns, intercom announcements, etc.
2. System wide audit log tracking what alerts or alarms are coming into the system as well as what actions users take
    a. A text field allows operators to add their own notes to the situation log
3. The Situation Directory is a collection point for other relevant and potentially useful resources for an operator to use such as other nearby cameras, other maps, devices (such as door controls) or attachments.
4. Situation Identifiers allow operators to drag icons onto map interfaces to mark where certain events are occurring (such as fires, medical emergencies, hazmat spills, etc.)
5. Additional nearby cameras and maps/floor plans are automatically called up when an operator opens up a Situation Details screen. These resource call ups are configurable within the system to ensure the most relevant resources can be displayed to operators

Johnson Controls

25. Manufacturers Successful Sample Installations

Quantum Secure

Name	Overview	Solution	Benefits
Symantec Corporation	Quantum Secure bridging the gap between PeopleSoft / LDAP and Physical Access Provisioning / Deprovisioning processes including compliance to all relevant regulations	Automated card holder administration & reporting across various PACS for Sarbanes Oxley (SOX) compliance Ensured multiple cards and card formats can be tied to one identity and physical access privileges globally Eliminated manual interventions needed across multiple PACS GE, Lenel, visitor management systems, disaster recovery, case management Reduced TCO (Total Cost of Ownership)	$2.5M cost savings over 3 years Real-time security policy compliance Fewer SME required to operate security infrastructure Reduced from 15 to 8 people No rip & replace of Physical Security Infrastructure
Adobe Systems	Quantum Secure bridging the gap between SAP and Physical Access Provisioning / Deprovisioning processes including compliance to all relevant regulations	Automated Physical Access Control System (PACS) card holder provisioning, administration & reporting for new hires, terminations and change requests based on security policies. Integrated GE Picture Perfect PACS with corporate Active Directory, Email Infrastructure and execute business rules. Reduced/Eliminated manual data processes for clearance assignment in PACS. Automated Rules for Automatically Granting and Revoking Clearances in GE Picture Perfect PACS Provided common repository for Security Audit & Reporting.	Key objectives of this project are to provide better office space utilization, worker life cycle management, and cost savings for Adobe. Provide common repository for Security Audit & Reporting.

Johnson Controls

Name	Overview	Solution	Benefits
The Irvine Company	Quantum Secure bridging the gap between HR and multiple Physical Access Provisioning / Deprovisioning processes including compliance to all relevant regulations	Enable Managed Security Specific Services & SLAs Self provisioning & Delegated Admin Provides Web portal for Self-Provisioning or Delegated-provisioning across multiple facilities (worldwide) Different access levels/profiles per user per company Change requests managed within 30 minutes or based on priorities Notification to stakeholders within 5 minutes Alerting mode and 1 minute response (via mail, pager, mobile) Real-time reports on customer-specific portal Physical Access log storage Policy based Physical Access Event correlation and interpretation, and alerting	Cost avoidance with Security as a Service On-boarding card provisioning from days to minutes Delegated administration – fully automated, labor savings No rip & replace 24x7 Security Operation Services 24x7 real-time monitoring via SOC 24x7 real-time event correlation and interpretation 24x7 incident handling False positive rate (different thresholds)

Johnson Controls

Name	Overview	Solution	Benefits
Toronto Airport	Quantum Secure providing a centralized Identity Management System to manage issuance of an Airport credential and to manage policy based centralized access control mechanism	A single integrated solution – an unparalleled solution for integrating logical and physical access management: SAFE is a unique commercially off-the-shelf (COTS) enterprise solution for areas of Physical Security and their convergence with IT Security & Systems to address the GTAA's demand for connecting and interoperating various Physical Security, IT and Operational Applications based upon policies related to safety and security. Within the real-time, interoperable environment, SAFE provides applications to: Manage Physical Access Cardholder's Identities Automate On-boarding and Off-boarding of employees and contractors Streamline Security Operations and Workflows Provide real-time Executive Dashboard / Metrics, and Risk Management capabilities, within disjointed and disparate enterprise physical security and applications infrastructure Open standard based technology architecture based on Service Oriented Architecture (SOA) and flexible integration platform with XML-based adapters and web services Robust security platform with role-based access control (RBAC), authorization workflows and comprehensive auditing and reporting Unlimited scalability and high availability based on cluster-aware web servers and databases	Since initiating the use of SAFE for its identity management and access control security systems, Toronto Pearson has already realized reductions in credentialing processing time, along with related cost savings. Based on these preliminary results, the airport expects it will meet the following by the end of the first quarter 2009: Average cost per customer from $49 to $35, a 28% savings Average wait times from 560 minutes to 20 minutes, a 96% reduction Average service time from 74 minutes to 25 minutes, a 66% decrease

Johnson Controls

Name	Overview	Solution	Benefits
San Francisco Airport	Quantum Secure, in concert with Johnson Controls, Inc. providing a centralized Identity Management System to manage issuance of an Airport credential and to manage policy based centralized access control mechanism	Proper verification and provisioning of personnel into Airport IDMS – for everyone who needs physical access to SFIA buildings, and controlled spaces. Automate Identity administration & reporting across multiple physical access control systems for centralized auditing, and reporting. Support AAAE's Biometric Airport Security Identification Consortium (BASIC). Meet all requirements of applicable Privacy Laws. Integrate disparate identity and security data sources such as card readers, fingerprint, digital photo capture devices, LDAP Directories (if applicable), PACS (MDI & Lenel) a single web console & provide a framework to support future enhancements. Reduce/Eliminate manual data processes and manual data entry errors to ensure no rogue cards/cardholders at SFIA. Provide sophisticated rules and workflow engine to integrate and connect information from new and existing security systems to enable security teams to view, manage and control security events and resources from a single, centralized workstation. Provide central repository for capturing, storing and managing documents (scanned copies of forms, passports, driver license, insurance, etc)	Faster processing = better client service Single-source data = high physical security controls Reliable reporting = effective business operations Time for on-boarding IDs and Price per ID processing decreased

Name	Overview	Solution	Benefits
British Telecom	Quantum Secure bridged the gap between HR and Physical Access Provisioning / Deprovisioning processes by providing a centralized access management platform across disparate physical access management systems including compliance to all relevant regulations	Centralised management of physical access privileges to all parties requiring physical access to the BT Estate Provided the capability to demonstrate compliance with BT policies and external standards and audit methods for the entire BT Estate through a single automated policy and reporting infrastructure; (ISO 27001, SOX, SAS70 etc.) Simplified BT experience through automated assignment of physical access privileges based on a person's identity attributes; Right first time Self-service capability to manage access privileges to the BT Estate in a consistent, sustainable manner Permitted 3rd party's working with and on behalf of BT to self-manage physical access to entitled parts of the BT Estate for their people through designated Authorised Signatories (Trusted 3rd party SAFE Users)	Role-based assignment of physical access Seamless smartcard issuance and management Real-time policy compliance Efficiencies in card management No manual processing – all automated No rip & replace

Johnson Controls

VidSys

Name	Overview	Solution	Benefits
New York City Wireless Network (NYCWiN) Interoperability Video System (IVS)	NYC decided to implement a city-wide wireless network referred to as "NYCWiN". VidSys was selected as the interoperability and integration platform for video information.	VidShield software is being deployed and expanded to fulfill mission-critical objectives on a multi-agency environment. VidSys is responsible for assisting in the design, analysis, and installation of security technologies for use in creating a City-Wide program. The project included evaluation of new and existing video technologies, including network Video Recording (NVR) systems. The VidShield software will allow any authorized operators to have full access and control of real-time, high-quality, video signals from various cameras throughout the City.	Delivers "ring of steel", i.e. unbroken chain of cameras to record every movement in an urban area that contains roadblocks. Provides integrated information to police and fire vehicles 50 to 100 times faster than the prevailing methods.
NY State and City Department of Transportation New York (NYSDOT)	VidSys provided intelligent traffic management software (ITMS), analysis and design engineering services in support of the NYSDOT under a sub consultant agreement	The integration of new video software technology required close evaluation of legacy CCTV camera systems working closely with the end user customer and other consultant staff. The video management system for control and access is working parallel with existing legacy units to eliminate impact to ongoing operations during the analysis. Aside from reducing implementation costs of a new TMC system, the ITMS provides NYDOT with numerous capabilities that it previously was unable to utilize. Through the linking of remote sites, offices, agencies and other TMCs, the system creates a visual communications network for the host TMC that eliminates operational and policy issues that have troubled the industry since its inception. This allows for the sharing of resources such as live	Improved operator speed and coordinated 3 disparate agencies to work as a single, cohesive unit. Reduced implementation costs under a new TMC system Minimized impact to ongoing operations and the ITMS analysis was running in parallel to the existing legacy units

Name	Overview	Solution	Benefits
		camera images and raw TMC information that might not otherwise be shared and can aid in saving lives, time and money. On board video teleconferencing also allows TMC operators to have face-to-face communication with local and state law enforcement officials, public safety officials and travelers advisory groups.	
Navy Region Northwest (NRNW) Regional Dispatch Center (RDC) Video Management System	VidSys was responsible for the design, analysis, and installation of software for use in creating a regional command center. The project included evaluation of new and existing security technologies, including network Digital Video Recording (nDVR) systems	Video detection and alarm incident notification procedures added to other video distribution system requirements. The VidShield software and system was also implemented to allow any authorized operators to have full access and control of real-time, high-quality, video signals from various naval bases, arsenals and airfields in the Northwest Region. VidSys enables timely access to shared sensitive information across all levels: on a regional and ultimately on a national scale. It maximizes the combined capabilities to recognize, protect against, prevent, respond to, and mitigates the effects of terrorist attacks as well as daily on-base emergencies and to manage and coordinate remediation and recovery efforts.	Enables operators to have on-demand access to all network resources and the ability to 'share' the live images and information with other operators, remote facilities, and law enforcement Provides on-board videoconferencing for face-to-face communication and improving security management Multiple security departments are able to communicate with each other while simultaneously monitoring video surveillance resources.

Name	Overview	Solution	Benefits
Apple Inc.	VidSys was selected to partner with Apple to integrate multiple, proprietary systems under a common operating picture without relying on any Windows™ based solutions	This project has equipped Apple's GSOC operators with an intuitive and comprehensive user interface for presenting critical security resources of Apple's campus environment As part of the scope of work, VidSys interfaced nearly 1,000 CCTV cameras, several thousand access control points, hundreds of motion and glass break sensors, GPS mobile radios carried by security staff and Barco video walls. Additionally, VidSys worked with Apple and their consultant to develop and deliver dozens of digitized concept of operations (ConOps) and system automations based on defined events and alarm sequences typically seen and addressed by Apple security.	The result is a fully integrated security command center platform, analyzing thousands of alarms and system settings and providing only relevant, situation based alerts to operators. By digitizing Apple's ConOps, Apple has established a uniformity of response procedures across operators and locations on their campus. The flexibility of the VidSys platform will allow Apple's future security operations to encompass other sites around the world, thousands of retail stores and additional security technologies as they are evaluated and selected by the Apple team

EXCEPTIONS TO GENERAL CONTRACT TERMS AND CONDITIONS

RFP 22113

1. The following modifications to **Section 7 Insurance Procured By the Contractor**

Commercial General Liability Insurance - $3 million combined single limit per occurrence **and in the aggregate** for bodily injury and property damage liability.

In addition, the **General and Automobile** liability policy (ies) shall name The Port Authority of NY and NJ and all Entities as per Schedule 1 as additional insured **with respect to liability arising out of operations performed for them by or on behalf of Contractor, but only to the extent of damages directly caused by the negligence of Contractor**, including but not limited to premises-operations, products-completed operations on the Commercial General Liability Policy. The liability policy(ies) and certificate of insurance shall contain cross-liability language providing severability of interests so that coverage will respond as if separate policies were in force for each insured. These insurance requirements shall be in effect for the duration of the contract to include any warrantee/guarantee period.

Delete the specific endorsement language.

Delete the requirement for the Contractor to furnish a certified copy of each policy, including the premiums. The Contractor will provide certificates evidencing this insurance coverage.

2. To the extent applicable, the Contract shall contain the following provision, together with the language in **Section 9 Certain Contractor's Warranties**:

"Contractor warrants that the Materials and Equipment furnished by Contractor will be of good quality and new; that Contractor's Work will be free from defects not inherent in the quality required or permitted; and that the Work will conform to the requirements of the Agreement. Contractor warrants that the Work shall be free from defects in material and workmanship arising from normal usage for a period of one year from the date of installation. Upon written notice from the Port Authority, Contractor will, at its option, repair or replace the defective Work. These warranties do not extend to any work, materials, or equipment that has been abused, altered, misused, or repaired by the Port Authority or any third parties without the supervision of and prior written approval of Contractor; or if Contractor or manufacturer serial numbers or warranty date decals have been removed or altered. The Port Authority

must promptly report any failure of the Equipment or Work to Contractor in writing. All replaced equipment or parts become Contractor's property. All manufacturer's warranties for Equipment supplied by the Contractor will be transferred to the Port Authority upon installation. Upon such transfer, Contractor will not have any further warranty obligations to the Port Authority for defects in the Equipment.

THESE WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THOSE OF MERCHANTABILITY AND FITNESS FOR A SPECIFIC PURPOSE.

3. New paragraph at the end of Section **14 Indemnification and Risks Assumed by the** Contractor:

"Contractor will not be liable under this Contract in an amount in excess of its primary general commercial policy limits as set forth in the Contract. Notwithstanding anything in the Contract seemingly to the contrary, neither Contractor nor the Port Authority will be liable to the other for any special, indirect or consequential damages arising in any manner from the Contract.

Subject to the Limitation of Liability and Waiver of Consequential Damages provision set forth herein, the maximum extent of Contractor's indemnity obligations under the Agreement will be to indemnify and hold harmless the Port Authority and the Indemnified Parties from and against any claims, losses, injuries or damages to the extent that same were caused by a material breach of the Contract or the negligence or willful or intentional misconduct of Contractor, its subcontractors, employees or agents."

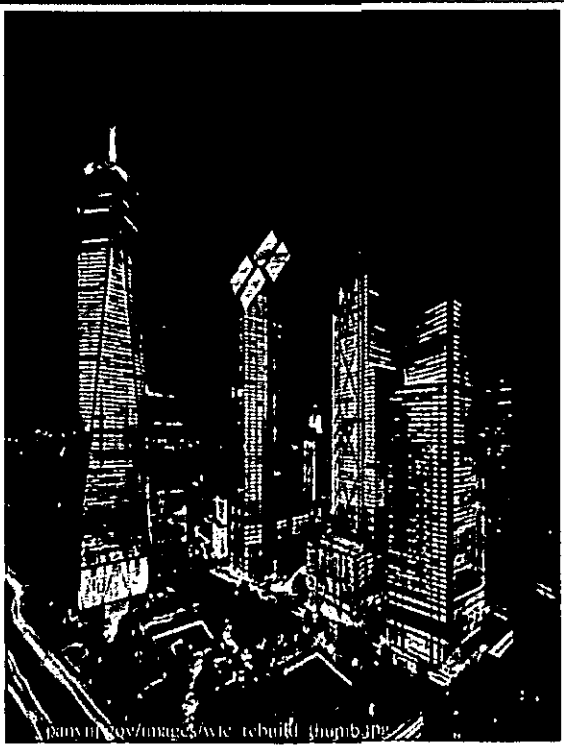
THE PORT AUTHORITY OF NY & NJ

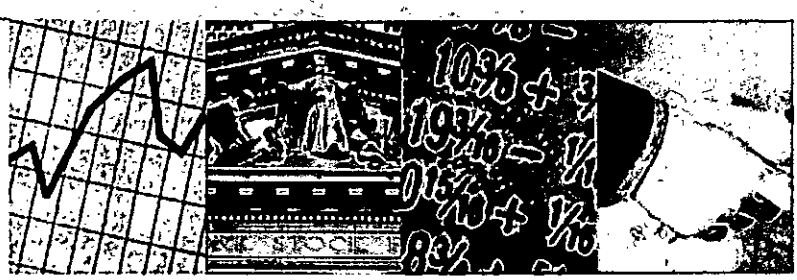
World Trade Center

RFP # 22113

December 3, 2010

Situational Awareness Platform Software & Integration Services





Project:
World Trade Center
RFP #22113
NY, NY

Submitted to:
Ms. Jeanette Anderson
Port Authority NY & NJ
One Madison Ave. 7th Floor
New York, NY 10010

Submitted by:
Mr. Michael Loughlin
Johnson Controls Inc.
60 East 42nd St
New York, NY 10165

Johnson Controls

TABLE OF CONTENTS

Section 1 – DOCUMENTATION OF CHANGES TO STAGE I RESPONSE
1.1 Transmittal Letter from the Regional General Manager

Section 2 – COST PROPOSAL ATTACHMENT B.2

Section 3 – INTEGRATION PROPOSAL
3.1 Project Schedule
3.2 Metrics forSuccess
3.3 MBE/WBE Utilization Plan

Section 4 – PROJECT TEAM
4.1 Overview
4.2 Organizational Chart
4.3 Resumes
4.4 Certifications

Section 5 – APPLICATION MANAGEMENT METHODOLOGY

Section 6 – RISKS

Section 7 – TRAINING PROGRAM

Section 8 – WARRANTY & MAINTENANCE ORGANIZATION

Section 9 – PRODUCT PROPOSAL
8.1 Compliance Matrix
8.2 Supplemental Product Information

Section 10 – SW LICENSE AGREEMENT(S)
9.1 VidSys
9.2 Quantum Secure

Section 11 – ADDENDA ACKNOWLEDGMENT

Section 12 – FINANCIAL INFORMATION
2.1 Bank and Company References
2.2 List of Major Completed Projects/Work on hand
2.3 Corporate Financial Statements 10-K

Johnson Controls, Inc
60 East 42nd Street
New York, NY

The Port Authority of NY & NJ
One Madison Avenue, 7th Floor
New York, NY 10010

Attention: Ms. Jeanette Anderson
Principal Contracts Specialist

Re: RFP 22113 – SAPS and Integration Services for the World Trade Center

Dear Ms. Anderson,

Johnson Controls, Inc. has made several changes since the submission of our initial response to RFP 22113 which will be of significant benefit to the Authority. These changes are explained in detail below.

Johnson Controls, Inc. explicitly agrees that all responsibilities incurred by us in responding to RFP 22113 such as the Agreement in Terms of Discussion, Non disclosure forms, BBQ's, and Certifications with Respect to the Contractor's Integrity Provisions, etc remain in full force and effect.

Response Section 7A – Documentation of Changes to Information Submitted in Response to Stage 1 RFP

Johnson Controls has made one logistical change to our delivery approach which will impact several areas of the response documentation but will significantly reduce the Authority's risk and will ensure that Johnson Controls maintains rigid control over the project deployment process. Furthermore, this change will ensure that the Authority receives post installation maintenance and support services from certified and trained Johnson Controls employees versus an integrator who needs to rely on the product manufacturer for post installation support. These changes are outlined in the individual response sections of this Stage 2 RFP response.

Overall, in an effort to deliver to the Authority a solution that exactly meets your needs, Johnson Controls will be utilizing its Global Security Center of Excellence team members to assist in the software engineering, SAPS deployment, SAPS programming, testing, and training phases of the implementation.

The Johnson Controls – Global Security Center of Excellence is a full-service security consulting and engineering group specializing in providing security solutions, which span the spectrum of today's security challenges. As a product independent group, the COE is dedicated to helping our customers identify and implement the best integrated security solutions, using products and services that represent the best performance, operability and value for our clients. We have extensive experience designing and implementing security solutions for most all built environments and vertical markets.

The COE security design and consulting professionals offer *decades of experience* in corporate security management and asset protection, and have held executive-level security management positions with leading corporations, major defense contractors and government agencies. Our team includes ***Certified Protection Professionals***, ***Professional Engineers***, ***Security Consultants*** and ***Physical Security Professionals***, who are active leaders within their industries and active members within professional industry-related organizations & associations.

We believe that there are many compelling reasons to utilize the COE as part of the JCI SAPS project team.

- COE team members are true **security** engineers and consultants that provide outstanding systems integration and design/build services. The focus of the COE's work is security for major government and commercial infrastructure. The COE staff includes degreed professional engineers and consultants with backgrounds in law enforcement and the military with

The JCI COE offers a full range of security consulting and engineering services:

SECURITY CONSULTING

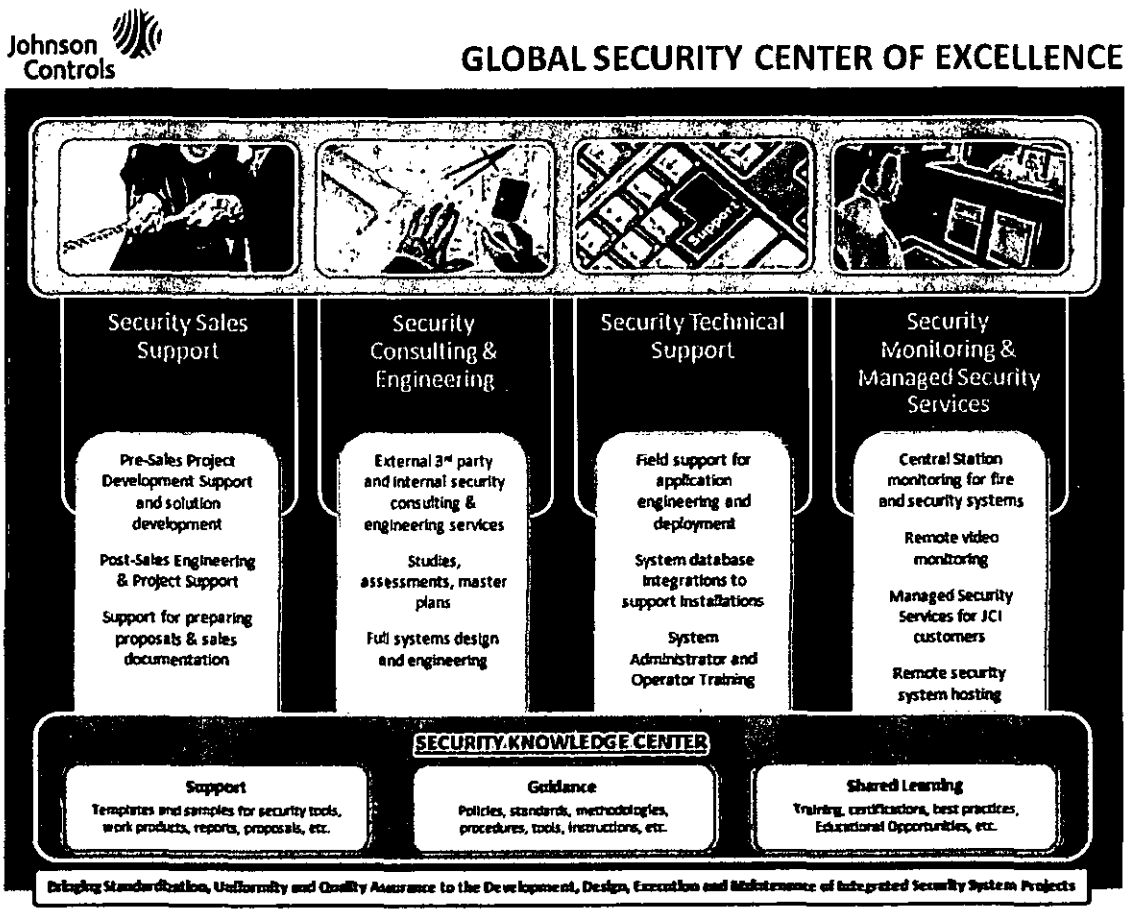
- Risk & Vulnerability Assessments
- Security Planning & Budgeting
- Security Studies & Evaluations
- Security Master Plans
- Corporate Security Programs
- Security Policies & Procedures
- Outsourced Corporate Security Management
- Security Management/Administrative Services
- Security Training & Seminars
- Security Services Specifications and RFP Development
- Grant Funding Assistance

SECURITY ENGINEERING

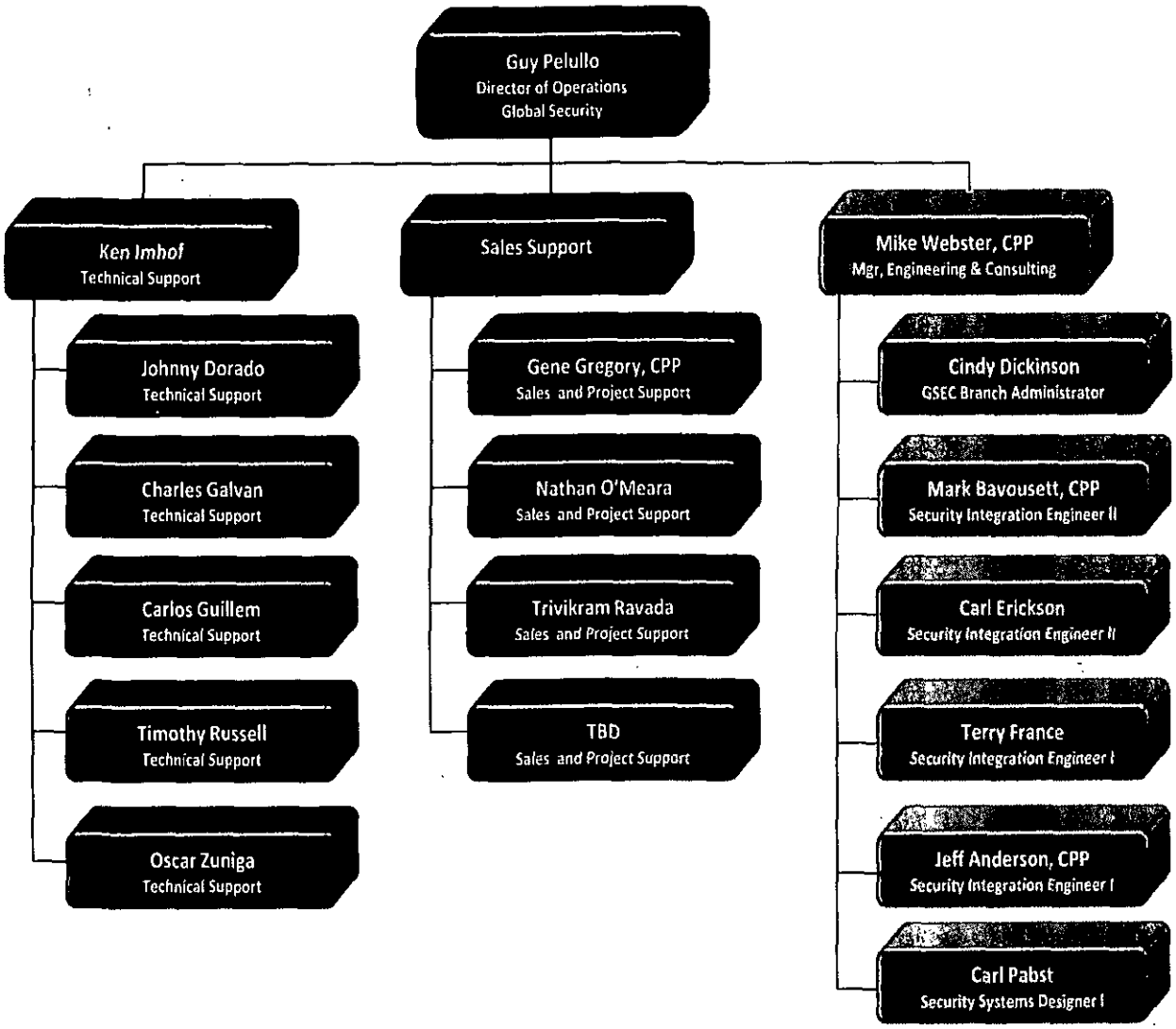
- Technical Security Assessments
- Security System Design
- Architectural Security Design
- Security Construction Documents
- Security Project Cost Estimating
- Bidding & Procurement Services
- Project Management & Construction Administration
- Security System Implementation
- Security System Warranty Inspection
- Preparation of Security Submittals and As-Built Documents

noteworthy risk, threat and vulnerability assessment experience, complemented with Certified Protection Professionals, Physical Security Professionals, Designers and CAD Operators.

- The COE security systems design experience incorporates varying disciplines for an integrated security management system design approach. Johnson Controls has built its system design standards and conventions to fit seamlessly with most architectural/engineering design packages. By applying the JCI unique, comprehensive and innovative design methodology and approach, and through the use of standard design and construction industry conventions, symbols and terminology, the COE is quickly able to coordinate design issues with other design team members.



JCI Global Security Center of Excellence Overall Organization



JCI Global Security Center of Excellence Professional Certifications

Technical Certifications

- MCITP – Microsoft Certified IT Professional
- MCP – Microsoft Certified Professional
- MSE – Microsoft Certified Systems Engineer
- CCNA – Cisco Certified Network Associate
- CISCO ATP -
- CISSP - Certified Information Systems Security Professional
- Comp TIA - Network +
- CNE – Certified Novell Engineer

Industry and Professional Certifications

- CPP – Certified Protection Professional
- PSP - Physical Security Professional
- NICET – National Institute for Certifications in Engineering Technologies
- DHS Authorized User – US Department of Homeland Security
- US Government Security Clearance
- FIPS – US Federal Information Processing Standards

JCI Global Security Center of Excellence Product Expertise

Access Control Management Systems	Video Management Systems	Physical Security Information Management (PSIM)	Enterprise Application Integrations (EAI)	Other Related Systems
JCI	JCI	Proximex	Quantum Secure	Intercom
Software House	Pelco	CNL	Alert Enterprise	Vehicle Recognition
Lenel	Verint	Nice	KapLogic	Barriers
Casi-Rusco	Nice	Vidsys	Daon	Perimeter Intrusion
AMAG	Milestone			Elevator
Schlage	ONSSI			Server Redundancy
NexWatch	Genetec			BMS
Hirsch	DVTel			Radio Systems
MDI	Vicon			Chemical / Biological
	American Dynamics			Life Safety
	Nextiva			

Ms. Anderson, please understand that our decision to perform the majority of the SAPS project with JCI employees is in no way reflective of any negative feelings toward VidSys or Quantum Secure, their resources, or products. To the contrary, JCI feels that the use of VidSys and Quantum Secure to create the SAPS system for the World Trade Center is a combination that is unmatched. Our decision is based on what we feel will be best in the short and more importantly the long term for the Authority. Our overall project goal is to exceed your expectations during the stage one implementation, through future work orders, and during the service and maintenance phase of the relationship.

Johnson Controls was recently awarded a project in which we will be providing a substantial Johnson Controls manufactured Metasys building management system for the World Trade Center Hub. Additionally, to date, the majority of the fire alarm systems slated to be installed in the World Trade Center complex will be manufactured by Edwards with whom JCI has a strategic partnership. These two facts also contributed to our decision to utilize the COE. Our Johnson Controls team members are proficient at creating and maintaining interfaces to Edwards and our Metasys building management system. To the best of our knowledge, the majority of our competitors do not sell and install fire alarm systems and they certainly do not manufacture building management systems.

From an overall perspective, Johnson Controls will be providing the following professional services using Johnson Controls employees:

- System Design, Rules Definition and Workflow Creation
- Site inspection and verification
- Software calibration and configuration
- Commissioning, testing, and acceptance of designed systems
- User, Supervisor, and Administrative Training
- Software Warranty and Support
- Project Close Out

We look forward to creating a mutually beneficial technology relationship with the Port Authority.

Sincerely,

Curt L. Bagnall
Regional General Manager

ATTACHMENT B.2 - SAPS COST PROPOSAL

SECTION I: PHASE 1

I.a: SAPS BASE SYSTEM — PHASE 1

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Estimated Quantity	Units	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
1	SAPS Base System Software For (Test bed, Primary and Backup servers at datacenters)	1	System	$ 279,500.00	$ 553,581.33	$ 833,081.33	$ 139,550.00	$ 972,631.33
2	SAPS Workstations	15	Workstations	N/C	N/C	$ -	N/C	$ -
3	SAPS Users	15	Concurrent Users	$ 49,000.00	$ 1,333.33	$ 50,333.33	$ 9,450.00	$ 59,783.33
4	**SUBTOTAL SAPS BASE SYSTEM (I.a)**	**SUM OF ITEMS 1 THROUGH 3**		$ 328,500.00	$ 554,914.67	$ 883,414.67	$ 149,000.00	$ 1,032,414.67

I.b: SAPS SYSTEM CONNECTIVITY — PHASE 1

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Estimated Quantity	Units OR Brands	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
5	**1. SAPS BASE CONNECTIVITY TO BUILDINGS/ENTITIES**							
6	SAPS Base Connectivity	4	Base Connections	N/C	$ 75,072.00	$ 75,072.00	N/C	$ 75,072.00
7	**2. VIDEO SURVEILLANCE SYSTEM**							
8	Connection to Video Surveillance Systems	3	Verint	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
9	Connection to Video Surveillance Systems	1	Pelco	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
10	Connection to Video Surveillance Cameras	325	Cameras	$ 55,206.67	$ 10,573.33	$ 65,780.00	$ 10,647.00	$ 76,427.00
11	**3. INTEGRATED SECURITY MANAGEMENT SYSTEM (ISMS)**							
12	Connection to ISMS Systems	4	Lenel	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
13	Connection to ISMS Alarm Points	325	Alarm Points	$ 25,480.00	$ 7,048.76	$ 32,528.76	$ 4,914.00	$ 37,442.76
14	Connection to Access Control Identities	10,850	Identities	$ 370,746.67	$ 386,160.00	$ 756,906.67	$ 63,328.57	$ 820,235.24
15	Connection to Visitor Management Identities	11,620	Visitors / Year	$ 38,113.33	$ 52,868.00	$ 90,981.33	$ 6,128.57	$ 97,109.90
16	**4. VERTICAL TRANSPORTATION SYSTEM**							
17	Connection to Vertical Transportation Systems	1	Thyssenkrup	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
18	Connection to Vertical Transportation Systems	1	City Elevator	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
19	Connection to Vertical Transportation Systems	1	Otis	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
20	Connection to Elevators	252	Elevators	$ 19,756.80	$ 5,465.60	$ 25,222.40	$ 3,810.24	$ 29,032.64
21	**5. FIRE ALARM SYSTEM**							
22	Connection to Fire Alarm Systems	2	Edwards	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
23	Connection to Fire Alarm Systems	1	Firecom	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
24	Connection to Fire Alarm Points	927	Fire Alarm Points	$ 36,338.40	$ 12,063.36	$ 48,401.76	$ 7,008.11	$ 55,409.87
25	**6. BUILDING MANAGEMENT (BMS) SYSTEM**							
26	Connection to BMS Systems	1	Johnson Controls	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
27	Connection to BMS Systems	1	Siemens	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
28	Connection to BMS Systems	1	Carrier	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
29	Connection to BMS Points	83	BMS Points	$ 6,507.20	$ 1,800.17	$ 8,307.37	$ 1,254.96	$ 9,562.33

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Estimated Quantity	Units OR Brands	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
30	**7. INTERCOM OVER IP (IoIP) SYSTEM**							
31	Connection to IoIP Systems	2	Stenofon	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
32	Connection to Intercom Points	24	Intercom Stations	$ 940.80	$ 520.53	$ 1,461.33	$ 181.44	$ 1,642.78
33	**8. RADIO SYSTEM**							
34	Connection to Radio Systems	N/A	Harris	N/A	N/A	N/A	N/A	N/A
35	Connection to Radio Points	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	**9: CHEMICAL, BIOLOGICAL, RADIOLOGICAL (CBR) DETECTION SYSTEM**							
37	Connection to CBR Systems	N/A	N/A	N/A	N/A	N/A	N/A	N/A
38	Connection to CBR Points	N/A	CBR Points	N/A	N/A	N/A	N/A	N/A
39	***10. VEHICLE MANAGEMENT, TRACKING, AND SCHEDULING***							
40	Connection to Vehicle Management, Tracking, and Scheduling Systems	N/A	N/A	N/A	N/A	N/A	N/A	N/A
41	Connection to Vehicle Management, Tracking, and Scheduling System Points	N/A	Vehicles/Day	N/A	N/A	N/A	N/A	N/A
41a	**11. OTHER**							
41b	Johnson Controls Project Managemnet	1	JCI		$ 262,329.33	$ 262,329.33		$ 262,329.33
41c	Johnson Controls On Site Maintenance	1	JCI			$ -	$ 260,350.00	$ 260,350.00
41d	SW Escrow	1	SW		$ 933.33	$ 933.33	$ 2,857.14	$ 3,790.48
41e						$ -		$ -
41f						$ -		$ -
41g						$ -		$ -
42	**SUBTOTAL SYSTEM CONNECTIVITY (I.b)**		**PHASE 1**	$ 788,289.87	$ 844,114.43	$ 1,632,404.29	$ 405,840.04	$ 2,038,244.34
43								
44	**SUBTOTAL SAPS BASE SYSTEM AND SYSTEM CONNECTIVITY (I.a and I.b)**			$ 1,116,789.87	$ 1,399,029.09	$ 2,515,818.96	$ 554,840.04	$ 3,070,659.00

I.c: TRAINING AND RULE DEVELOPMENT PHASE 1

		A	B		D	E = D		G = E
Item No.	Description	Estimated Quantity	Units		Total Cost	Total Cost		Total Cost
45	User Level Training Class	1	Class	N/A	$ 1,733.33	$ 1,733.33	N/A	$ 1,733.33
46	Supervisor Level Training Class	1	Class	N/A	$ 1,733.33	$ 1,733.33	N/A	$ 1,733.33
47	Administrator Level Training Class	1	Class	N/A	$ 1,733.33	$ 1,733.33	N/A	$ 1,733.33
48	Rule Developer	300	Staff Day	N/A	$ 360,000.00	$ 360,000.00	N/A	$ 360,000.00
49	**SUBTOTAL TRAINING AND RULE DEVELOPMENT (I.c)**		**PHASE 1**	$ -	$ 365,200.00	$ 365,200.00	$ -	$ 365,200.00
50								
51	**TOTAL SECTION I**		**PHASE 1**	$ 1,116,789.87	$ 1,764,229.09	$ 2,881,018.96	$ 554,840.04	$ 3,435,859.00

SECTION II: FUTURE PHASES

QUANTITIES LISTED UNDER FUTURE PHASES ARE ADDITIONAL QUANTITIES OVER AND ABOVE PHASE 1

II.a: BASE SAPS SYSTEM FUTURE PHASES

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Estimated Quantity	Units	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
52	SAPS Base System Software For (Test bed, Primary and Backup servers at datacenters)	N/A	System	N/A	N/A	N/A	N/A	N/A
53	SAPS Workstations	15	Workstations	N/C	N/C	$ -	N/C	$ -
54	SAPS Users	15	Concurrent Users	$ 49,000.00	$ 1,333.33	$ 50,333.33	$ 9,450.00	$ 59,783.33
55	**SUBTOTAL BASE SAPS SYSTEM (II.a)**	**FUTURE PHASES**		$ 49,000.00	$ 1,333.33	$ 50,333.33	$ 9,450.00	$ 59,783.33

II.b: SYSTEM CONNECTIVITY FUTURE PHASES

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Estimated Quantity	Units OR Brands	Software License	Installation Configuration and Integration	Total Cost Includes 1 Year Warranty	One Year Maintenance Cost	Total Cost + One Year Maintenance
56	**1. SAPS BASE CONNECTIVITY TO BUILDINGS/ENTITIES**							
57	SAPS Base Connectivity	6	Base Connections		$ 95,426.67	$ 95,426.67		$ 95,426.67
58	**2. VIDEO SURVEILLANCE SYSTEM**							
59	Connection to Video Surveillance Systems	3	Pelco	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
60	Connection to Video Surveillance Systems	2	Verint	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
61	Connection to Video Surveillance Systems	1	Genetec	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
62	Connection to Video Surveillance Cameras	1,195	Cameras	$ 202,990.67	$ 38,877.33	$ 241,868.00	$ 39,147.14	$ 281,015.14
63	**3. INTEGRATED SECURITY MANAGEMENT SYSTEM (ISMS)**							
64	Connection to ISMS Systems	6	Lenel	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
65	Connection to ISMS Alarm Points	1,470	Alarm Points	$ 115,248.00	$ 31,882.67	$ 147,130.67	$ 22,225.71	$ 169,356.38
66	Connection to Access Control Identities	34,500	Identities	$ 1,177,030.67	$ 255,688.00	$ 1,432,718.67	$ 201,500.00	$ 1,634,218.67
67	Connection to Visitor Management Identities	151,620	Visitors / Year	$ 499,074.67	$ 140,922.67	$ 639,997.33	$ 19,500.00	$ 659,497.33
68	***4. VERTICAL TRANSPORTATION SYSTEM***							
69	Connection to Vertical Transportation Systems	2	Schindler	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
70	Connection to Vertical Transportation Systems	1	Thyssenkrup	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
71	Connection to Vertical Transportation Systems	1	Otis	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
72	Connection to Vertical Transportation Systems	1	City Elevator	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
73	Connection to Vertical Transportation Systems	1	Brand X	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
74	Connection to Elevators	2,286	Elevators	$ 179,222.40	$ 49,580.00	$ 228,802.40	$ 34,564.29	$ 263,366.69
75	**5. FIRE ALARM SYSTEM**							
76	Connection to Fire Alarm Systems	2	Firecom	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
77	Connection to Fire Alarm Systems	1	Edwards	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
78	Connection to Fire Alarm Systems	1	Brand X	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
79	Connection to Fire Alarm Points	3,960	Fire Alarm Points	$ 155,232.00	$ 48,865.33	$ 204,097.33	$ 29,937.14	$ 234,034.48

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Estimated Quantity	Units OR Brands	Software License	Installation Configuration and Integration	Total Cost Includes 1 Year Warranty	One Year Maintenance Cost	Total Cost + One Year Maintenance
80	***6. BUILDING MANAGEMENT (BMS) SYSTEM***							
81	Connection to BMS Systems	1	Automated Logic	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
82	Connection to BMS Systems	1	Honeywell	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
83	Connection to BMS Systems	1	Andover	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
84	Connection to BMS Systems	1	Carrier	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
85	Connection to BMS Systems	1	Siemens	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
86	Connection to BMS Systems	1	Brand X	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
87	Connection to BMS Points	161	BMS Points	$ 12,622.40	$ 3,490.67	$ 16,113.07	$ 2,434.29	$ 18,547.35
88	***7. INTERCOM OVER IP (IoIP) SYSTEM***							
89	Connection to IoIP Systems	4	Command	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
90	Connection to IoIP Systems	1	Stentofon	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
91	Connection to IoIP Systems	1	Brand X	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
92	Connection to Intercom Points	72	Intercom Stations	$ 2,822.40	$ 1,561.60	$ 4,384.00	$ 544.31	$ 4,928.31
93	**8. RADIO SYSTEM**							
94	Connection to Radio Systems	N/A	Motorola	N/A	N/A	N/A	N/A	N/A
95	Connection to Radio Points	N/A	N/A	N/A	N/A	N/A	N/A	N/A
96	**9. CHEMICAL, BIOLOGICAL, RADIOLOGICAL (CBR) DETECTION SYSTEM**							
97	Connection to CBR Systems	5	Securetec	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
98	Connection to CBR Systems	1	Brand X	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
98	Connection to CBR Points	1,004	CBR Points	$ 39,356.80	$ 21,774.67	$ 61,131.47	$ 7,590.00	$ 68,721.47
99	**10. VEHICLE MANAGEMENT, TRACKING, AND SCHEDULING**							
100	Connection to Vehicle Management, Tracking, and Scheduling Systems	1	Brand X	$ 74,460.00	$ 27,464.00	$ 101,924.00	$ 9,285.71	$ 111,209.71
101	Connection to Vehicle Management, Tracking, and Scheduling System Points	1,430	Vehicles/Day	$ 56,056.00	$ 15,506.67	$ 71,562.67	N/C	$ 71,562.67
101a	**11. OTHER**							
101b	Johnson Controls Project Managemnet	1	JCI		$ 462,329.33	$ 462,329.33		$ 462,329.33
101c	Johnson Controls On Site Maintenance	1	JCI			$ -	$ 260,350.00	$ 260,350.00
101d	SW Escrow	1	SW		$ 933.33	$ 933.33	$ 2,857.14	$ 3,790.48
101e						$ -		$ -
101f						$ -		$ -
101g						$ -		$ -
102	**SUBTOTAL SYSTEM CONNECTIVITY**	**FUTURE PHASES**		$ 2,749,316.00	$ 1,250,422.93	$ 3,999,738.93	$ 675,295.74	$ 4,675,034.68

II. c: TRAINING AND RULE DEVELOPMENT FUTURE PHASES

		A	B		D	E = D		G = E
Item No.	Description	Quantity	Units		Total Cost	Total Cost		Total Cost
103	User Level Training Class	3	Class	N/A	$ 5,200.00	$ 5,200.00	N/A	$ 5,200.00
104	Supervisor Level Training Class	3	Class	N/A	$ 5,200.00	$ 5,200.00	N/A	$ 5,200.00
105	Administrator Level Training Class	3	Class	N/A	$ 5,200.00	$ 5,200.00	N/A	$ 5,200.00
106	Rule Developer	N/A	Staff Day	N/A	N/A	N/A	N/A	N/A
107	**SUBTOTAL TRAINING AND RULE DEVELOPMENT**		**FUTURE PHASES**	$ -	$ 15,600.00	$ 15,600.00	$ -	$ 15,600.00
108								
109	**TOTAL SECTION II**		**FUTURE PHASES**	$ 2,798,316.00	$ 1,267,356.27	$ 4,065,672.27	$ 684,745.74	$ 4,750,418.01
110								
111	**GRAND TOTAL SECTIONS I AND II**			$ 3,915,105.87	$ 3,031,585.36	$ 6,946,691.23	$ 1,239,585.79	$ 8,186,277.01

SECTION III: SAPS OPTIONAL AND ADD / DEDUCT UNIT COSTS

III.a: SAPS BASE SYSTEM AND SYSTEM CONNETION UNIT COSTS

1. BASE SAPS SYSTEM

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Quantity	Units	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
112	SAPS WORKSTATIONS Add/Deduct Unit Cost	1	Workstation	N/C		$ -	N/C	$ -
113	SAPS Users Add/Deduct Unit Cost	1	Concurrent User	$ 3,266.67	$ 32.53	$ 3,299.20		$ 3,299.20
114	**2. VIDEO SURVEILLANCE SYSTEM**							
115	Connection to Video Surveillance System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
116	Connection to Video Surveillance System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
117	Connection to Video Surveillance System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
118	Connection to Video Surveillance Cameras - Add/Deduct Unit Cost	1	Cameras	$ 169.87	$ 32.53	$ 202.40	$ 32.76	$ 235.16
119	**3. INTEGRATED SECURITY MANAGEMENT SYSTEM (ISMS)**							
120	Connection to ISMS System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
121	Connection to ISMS System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
122	Connection to ISMS System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
123	Connection to ISMS Alarm Points - Add/Deduct Unit Cost	1	Alarm Points	$ 78.40	$ 21.69	$ 100.09	$ 15.11	$ 115.21
124	Connection to Access Control Identities - Add/Deduct Unit Cost	1	Identities	$ 26.87	$ 36.39	$ 63.25	$ 5.76	$ 69.01
125	Connection to Visitor Management Identities - Add/Deduct Unit Cost	1	Visitors / Year	$ 2.60	$ 4.55	$ 7.15	$ 0.56	$ 7.70
126	**4. VERTICAL TRANSPORTATION SYSTEM**							
127	Connection to Vertical Transportation System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
128	Connection to Vertical Transportation System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
129	Connection to Vertical Transportation System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
130	Connection to Elevators - Add/Deduct Unit Cost	1	Elevators	$ 78.40	$ 21.69	$ 100.09	$ 15.11	$ 115.21

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Quantity	Units	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
131	**5. FIRE ALARM SYSTEM**							
132	*Connection to Fire Alarm System If API/SDK already* written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
133	Connection to Fire Alarm System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
134	Connection to Fire Alarm System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
135	Connection to Fire Alarm Points - Add/Deduct Unit Cost	1	Fire Alarm Points	$ 39.20	$ 13.01	$ 52.21	$ 7.56	$ 59.77
136	**6. BUILDING MANAGEMENT (BMS) SYSTEM**							
137	Connection to BMS System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
138	Connection to BMS System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
139	Connection to BMS System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
140	Connection to BMS Points- Add/Deduct Unit Cost	1	BMS Points	$ 78.40	$ 13.01	$ 91.41	$ 15.11	$ 106.53
141	**7. INTERCOM OVER IP (IoIP) SYSTEM**							
142	Connection to IoIP System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
143	Connection to IoIP System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
144	Connection to IoIP System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
145	Connection to Intercom Points- Add/Deduct Unit	1	Intercom Stations	$ 39.20	$ 21.69	$ 60.89	$ 7.56	$ 68.45
146	**8. RADIO SYSTEM**							
147	Connection to RADIO System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
148	Connection to RADIO System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
149	Connection to RADIO System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
150	Connection to RADIO Points- Add/Deduct Unit Cost	1	Channel	$ 78.40	$ 21.69	$ 100.09	$ 15.11	$ 115.21
151	**9. CHEMICAL, BIOLOGICAL, RADIOLOGICAL (CBR) DETECTION SYSTEM**							
152	Connection to CBR System If API/SDK already written and installed elsewhere on WTC site	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
153	Connection to CBR System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
154	Connection to CBR System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
155	Connection to CBR Points- Add/Deduct Unit Cost	1	CBR Points	$ 39.20	$ 10.84	$ 50.04	$ 7.56	$ 57.60

		A	B	C	D	E = C + D	F	G = E + F
Item No.	Description	Quantity	Units	Software License	Installation Configuration and Integration	Total Cost (Includes 1 Year Warranty)	One Year Maintenance Cost	Total Cost + One Year Maintenance
156	**10. VEHICLE MANAGEMENT, TRACKING, AND SCHEDULING SYSTEM**							
157	Connection to Vehicle Management System If API/SDK already written and installed elsewhere on	1	Connection	N/C	$ 2,440.00	$ 2,440.00	N/C	$ 2,440.00
158	Connection to Vehicle Management System If API/SDK already written but not installed elsewhere on WTC site	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
159	Connection to Vehicle Management System If new API/SDK to be written and installed	1	Connection	$ 19,600.00	$ 2,440.00	$ 22,040.00	$ 3,780.00	$ 25,820.00
160	Connection to Vehicle Management Points-Add/Deduct Unit Cost	1	Vehicles/Day	$ 39.20	$ 10.84	$ 50.04	$ 7.56	$ 57.60
160a	**11. OTHER**							
160b	ERP/HRMS, IDM Agent - Per System based on API/SDK/WebServices Capability; does not include 3rd Party Licenses LACS	1		$ 54,860.00	$ 50,048.00	$ 104,908.00	$ 9,285.71	$ 114,193.71
160c	Data Source Agent - Contractor Db,, FBI background, POI list, SWAC (does not include 3rd Party Licenses or subscription/service contracts)	1		$ 21,944.00	$ 19,602.13	$ 41,546.13	$ 3,714.29	$ 45,260.42
160d	SAFE Web Badging: Designer Workstation (does not include hardware)	1		$ 2,743.00	$ 12,512.00	$ 15,255.00	$ 464.29	$ 15,719.29
160e	SAFE Event Management Platform - PSIM connector for Vidsys	1		$ 54,860.00	$ 117,612.00	$ 172,472.00	$ 9,285.71	$ 181,757.71
160f	Data Source Agent - Truck schedule db (does not include 3rd Party Licenses)	1		$ 54,860.00	$ 25,024.00	$ 79,884.00	$ 9,285.71	$ 89,169.71
160g	SAFE PACS Agents (Per PACS Brand based on API/SDK/Web Services Capability)	1		$ 32,916.00	$ 10,426.67	$ 43,342.67	$ 5,571.43	$ 48,914.10

iii.B: TRAINING AND LBOR RATE UNIT COSTS

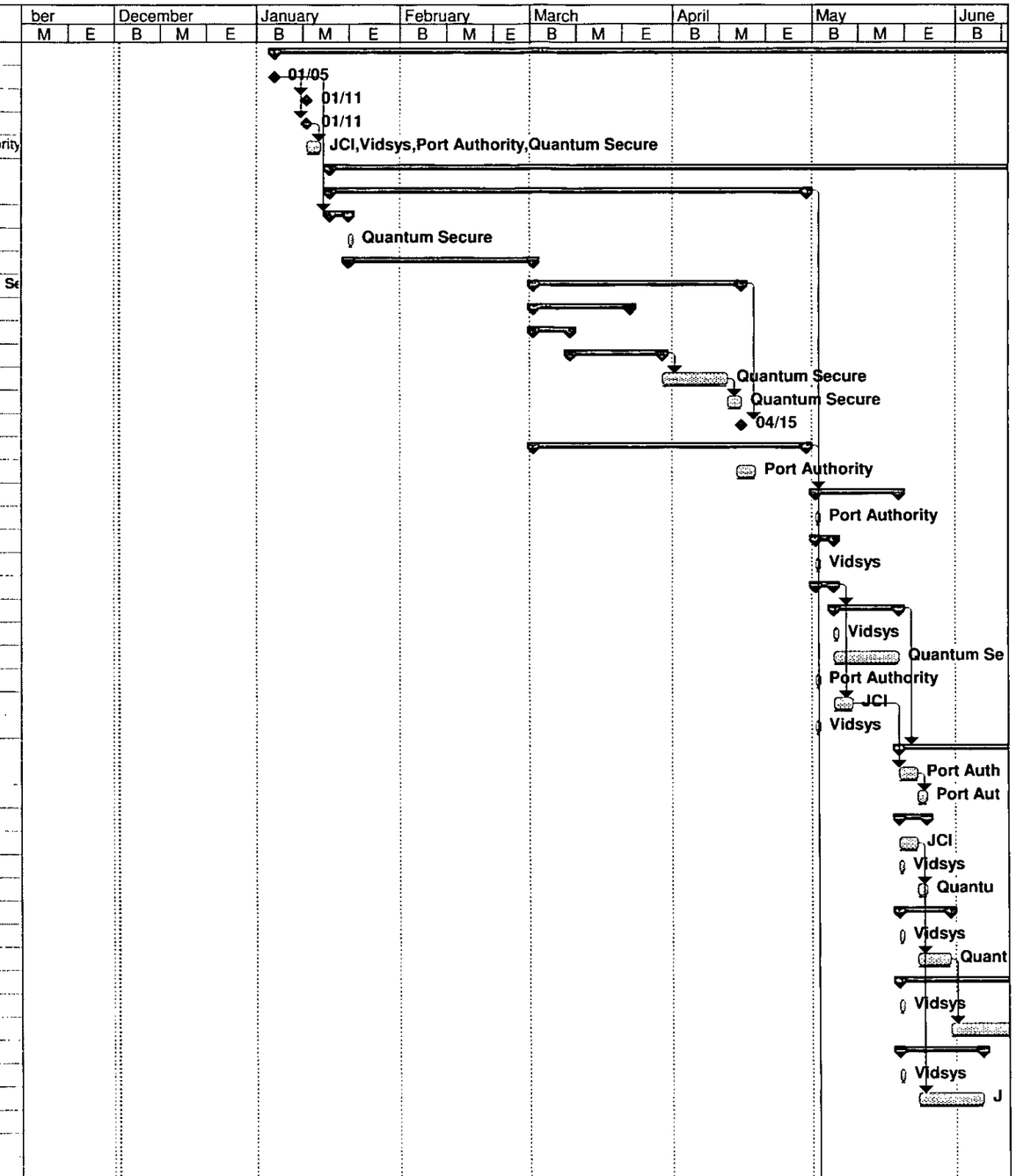
		A	B		D	E = D		G = E
Item No.	Description	Quantity	Units		Total Cost	Total Cost		Total Cost
161	Rule Developer Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
162	PSIM Subject Matter Expert Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
163	PIAM Subject Matter Expert Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
164	Project/Program Manager Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
165	Systems Engineer Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
166	Security System Designer Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
167	IT Specialist Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
168	Field Technician Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
169	Trainer Add/Deduct Hourly Rate	1	Staff Day	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
170	User Level Training Class	1	Class	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
171	Supervisor Level Training Class	1	Class	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
172	Administrator Level Training Class	1	Class	N/A	$ 2,666.67	$ 2,666.67	N/A	$ 2,666.67
173				N/A		$ -	N/A	$ -

Notes

1 The pries quoted shall be written in black or blue ink where required in the spaces provided on the Cost Proposal Sheets attached hereto and made a part thereof
2 The Cost Proposal sheet provides sufficient entries to accommodate different cost structures
3 Enter "N/C" where there is "No Charge" associated with a given Cost Proposal entry
4 Costs provided in Section I (Phase 1) shall be based on the Phase 1 schedule provided in Attachment xx
5 Costs provided in Section II (Future Phases) shall be based on a start date of January 2, 2012; Start of Warranty August 15, 2012; Start of Maintenance Year August 15 1013
6 Quantities provided in column A are rough order of magnitude estimates and are intended for Cost Proposal evaluation only
7 Costs provided in columns C through G shall be lump sum costs for the quantities shown in column A
8 Costs provided in column C shall be for all costs associated with application software acquisition and licensing
9 Costs provided in column D shall be for all costs required to meet all contract requirements Except Software, Rule Development, and Training
10 Costs provided in column F shall be inclusive of all annual costs associated with maintenance requirements
11 All Maintenance costs will be inclusive of travel, materials, and labor including software patches and replacement parts and components if required
12 Add/Moves/Changes: Provide unit costs as requested above in Section III
13 Add/Moves/Changes: Work may be requested at the sole discretion of the Contract Manager at any time during the term of the Contract.
14 Add/Moves/Changes: No work will be started without prior authorization.
15 Training costs are inclusive of labor, travel, training class material, and documentation
16 Cost Item # 52 is Not Applicable to Future Phases since the Base SAPS system is included in Phase 1
17 Brand X shall be interpreted as a Brand that has a published API and is not supported at time of proposal by a Commercial Off The Shelf SAPS connection software
18 A Staff Day shall mean a staff person working an 8 hour day
19 The Contractor is asked to make sure that all charges quoted for similar operations in the Contract are consistent.
20 The Total Estimated Contract Cost is solely for estimating and proposal evaluation purposes
21 Compensation shall be in accordance with the section of the Contract entitled **"Payment Methods"**
22 Unit Costs provided in Section III shall be the basis for cost adjustment due to changes in quantities and for Adds/Move/or Changes

ASSUMPTIONS

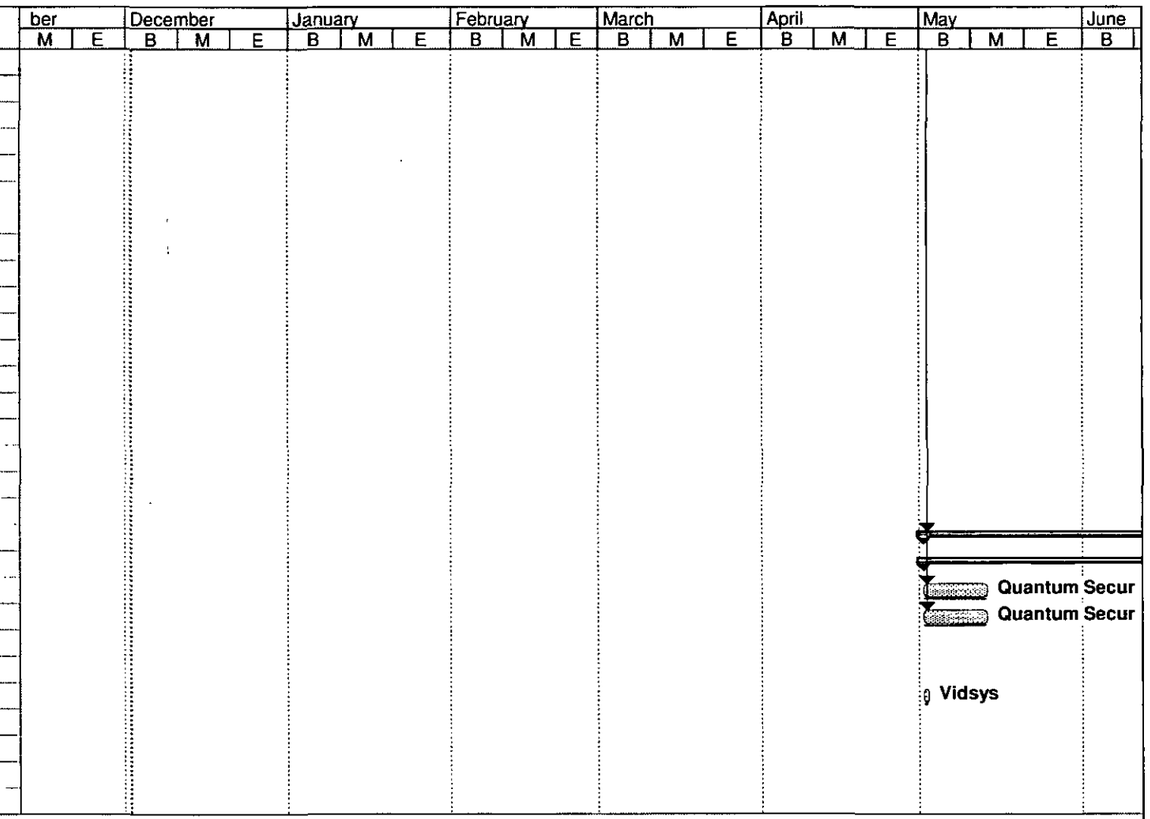
ID	SAPS RFP	Task Name	Duration	Start	Finish	Predec	Resource Names
1		**Situational Awareness Platform for the World Trade Cente**	**420 days?**	**Wed 01/05/11**	**Tue 08/14/12**		**JCI**
2	MS 1	Contract Award - Commencement Date	0 days	Wed 01/05/11	Wed 01/05/11		Port Authority
3	MS 2	Certificate of Insurance Obtained	0 days	Tue 01/11/11	Tue 01/11/11	2FS+5	JCI
4	MS 3	Background Check Information	0 days	Tue 01/11/11	Tue 01/11/11	2FS+5	JCI
5		Project Kickoff Meeting-Pre Design / Concept of Operatio	3 days	Wed 01/12/11	Fri 01/14/11	4	JCI,Vidsys,Port Authority
6		**Phase I**	**165 days?**	**Mon 01/17/11**	**Fri 09/02/11**		
7	**RFP p53**	**Design & Submittals**	**75 days?**	**Mon 01/17/11**	**Fri 04/29/11**		**JCI**
8	**15.a.iii**	**Project Plan and Schedule**	**4 days**	**Mon 01/17/11**	**Thu 01/20/11**	2	**JCI**
13	PSIM	Vidsys Design Inputs Here	1 day?	Fri 01/21/11	Fri 01/21/11	12	Quantum Secure
14	**PIAM**	**PIAM Functional Requirements**	**28 days**	**Fri 01/21/11**	**Tue 03/01/11**		**Port Authority,JCI**
20	**MS 8**	**Preliminary SAPS Design Documents**	**33 days**	**Wed 03/02/11**	**Fri 04/15/11**		**Vidsys,JCI,Quantum Se**
21		**Interface Control Documentation**	**15 days**	**Wed 03/02/11**	**Tue 03/22/11**		**JCI**
25	**PIAM**	**Hardware/Environment Planning**	**6 days**	**Wed 03/02/11**	**Wed 03/09/11**		**Quantum Secure**
31	**PIAM**	**Design Doc**	**14 days**	**Thu 03/10/11**	**Tue 03/29/11**		**Quantum Secure**
38	PIAM	SAPS PIAM Technical Specification	10 days	Wed 03/30/11	Tue 04/12/11	31	Quantum Secure
39	PIAM	SAPS PIAM Technical Specification Review	3 days	Wed 04/13/11	Fri 04/15/11	38	Quantum Secure
40	MS 9	Final SAPS Design Documents	0 days	Fri 04/15/11	Fri 04/15/11	20	JCI
41		**SAPS Testing & Training Plan**	**43 days**	**Wed 03/02/11**	**Fri 04/29/11**		**JCI**
48		Final Design Acceptance	2 days	Fri 04/15/11	Mon 04/18/11	47	Port Authority
49	**RFP p48**	**Test Lab**	**14 days?**	**Mon 05/02/11**	**Thu 05/19/11**	7	
50	PIAM	SAPS Servers Installed and Configured in PA La	1 day	Mon 05/02/11	Mon 05/02/11		Port Authority
51	**MS 14**	**Start SAPS Software Installation in PA Lab**	**4 days?**	**Mon 05/02/11**	**Thu 05/05/11**	47	**JCI**
52		Vidsys Install Inputs Here	1 day?	Mon 05/02/11	Mon 05/02/11		Vidsys
53	**PIAM**	**Quantumsecure Install Inputs Here**	**4 days**	**Mon 05/02/11**	**Thu 05/05/11**		**Quantum Secure**
56		**Agent Development**	**10 days?**	**Fri 05/06/11**	**Thu 05/19/11**	53	
57		Vidsys Agent	1 day?	Fri 05/06/11	Fri 05/06/11		Vidsys
58	PIAM	Quantumsecure Agents	10 days	Fri 05/06/11	Thu 05/19/11	55	Quantum Secure
59		Port-Provided Equipment	1 day	Mon 05/02/11	Mon 05/02/11		Port Authority
60	MS 15	Conduct SAPS Pre-deployment/Inspection Test	2 days	Fri 05/06/11	Mon 05/09/11	53	JCI
61		Vidsys Pre-test Inputs Here	1 day?	Mon 05/02/11	Mon 05/02/11		Vidsys
62	**RFP p46**	**Commissioning**	**17 days?**	**Fri 05/20/11**	**Mon 06/13/11**	56	
63	MS 6	SAPS Servers Installed and Configured in PA D	2 days	Fri 05/20/11	Mon 05/23/11	60	Port Authority
64	MS 7	Network Communications Available to Phase I E	2 days	Tue 05/24/11	Wed 05/25/11	63	Port Authority
65	**13.D.i**	**SAPS Software Base Functionality**	**4 days?**	**Fri 05/20/11**	**Wed 05/25/11**		
66	MS 16	Start SAPS Software Installation on Produc	2 days	Fri 05/20/11	Mon 05/23/11		JCI
67		Vidsys Install Inputs Here	1 day?	Fri 05/20/11	Fri 05/20/11		Vidsys
68	PIAM	SAPS PIAM System Configuration	2 days	Tue 05/24/11	Wed 05/25/11	66	Quantum Secure
69	**13.D.ii**	**SAPS Software 3rd Party Integration**	**7 days?**	**Fri 05/20/11**	**Mon 05/30/11**		
70		Vidsys Install Inputs Here	1 day?	Fri 05/20/11	Fri 05/20/11		Vidsys
71	PIAM	SAPS PIAM Agent Configuration	5 days	Tue 05/24/11	Mon 05/30/11	66	Quantum Secure
72	**13.D.iii**	**SAPS Software Situational Awareness**	**17 days?**	**Fri 05/20/11**	**Mon 06/13/11**		
73		Vidsys Install Inputs Here	1 day?	Fri 05/20/11	Fri 05/20/11		Vidsys
74	PIAM	SAPS PIAM Policy & UI Configuration per D	10 days	Tue 05/31/11	Mon 06/13/11	71	Quantum Secure
75		**Rule Creation**	**12 days?**	**Fri 05/20/11**	**Mon 06/06/11**		
76		Vidsys Rule Creation Inputs Here	1 day?	Fri 05/20/11	Fri 05/20/11		Vidsys
77	PIAM	SAPS PIAM Rule Configuration per De	10 days	Tue 05/24/11	Mon 06/06/11	66	JCI
78	**RFP p44**	**Training**	**12 days?**	**Tue 06/14/11**	**Wed 06/29/11**	62	
79	**MS 17**	**Conduct User/SA Training**	**12 days**	**Tue 06/14/11**	**Wed 06/29/11**		**JCI**
80		**SAPS PIAM Training**	**12 days**	**Tue 06/14/11**	**Wed 06/29/11**		**JCI**



Project: WTC SAPS Schedule QS V2.
Date: Thu 12/02/10

Task		Milestone	◆	Project Summary		External Milestone	◆	Progress	
Split		Summary		External Tasks		Inactive Task		Deadline	⇩

ID	SAPS RFP	Task Name	Duration	Start	Finish	Predec	Resource Names
81	12.b.i	Operator Training	9 days	Tue 06/14/11	Fri 06/24/11	62	JCI
82	12.b.ii	Supervisor Training	2 days	Tue 06/14/11	Wed 06/15/11	62	JCI
83	12.b.iii	Administrator Training	3 days	Mon 06/27/11	Wed 06/29/11	81	JCI
84		Rule Developer Training	3 days	Tue 06/14/11	Thu 06/16/11		JCI
85		Vidsys Training Inputs Here	1 day?	Tue 06/14/11	Tue 06/14/11		Vidsys
86	**RFP p51**	**Field Testing**	**37 days?**	**Thu 06/30/11**	**Fri 08/19/11**	**78**	
87	MS 18	Start Field Acceptance Tests	5 days	Thu 06/30/11	Wed 07/06/11	78	JCI
88		Vidsys Testing Inputs Here	1 day?	Thu 06/30/11	Thu 06/30/11		Vidsys
89	PIAM	Execute SAPS PIAM Test Plans	5 days	Thu 07/07/11	Wed 07/13/11	87	Quantum Secure
90	MS 19	Complete Field Acceptance Tests	2 days	Thu 07/14/11	Fri 07/15/11	89	JCI
91	MS 20	Start 30-Day Operational Acceptance Test	20 days	Mon 07/18/11	Fri 08/12/11	90	JCI
92		Vidsys Testing Inputs Here	1 day?	Thu 06/30/11	Thu 06/30/11		Vidsys
93	MS 22	Operational Acceptance Test Report	5 days	Mon 08/15/11	Fri 08/19/11	91	JCI
94	**MS 23**	**Closeout**	**5 days?**	**Mon 08/22/11**	**Fri 08/26/11**	**86**	**JCI**
95		Completion of Punch List Items	5 days	Mon 08/22/11	Fri 08/26/11	93	JCI
96		Vidsys Closeout Inputs Here	1 day?	Mon 08/22/11	Mon 08/22/11		Vidsys
97		*SAPS PIAM Open Items Closeout*	5 days	Mon 08/22/11	Fri 08/26/11	93	JCI
98		SAPS Go-Live	2 days	Mon 08/29/11	Tue 08/30/11	94	JCI
99	**RFP p62**	**Documentation**	**90 days?**	**Mon 05/02/11**	**Fri 09/02/11**	**41**	**JCI**
100		**SAPS PIAM**	**90 days**	**Mon 05/02/11**	**Fri 09/02/11**		**JCI**
101	MS 21	Operating Documents	10 days	Mon 05/02/11	Fri 05/13/11	41	Quantum Secure
102		As-built Drawings	10 days	Mon 05/02/11	Fri 05/13/11	41	Quantum Secure
103		Review based on Punch List	5 days	Mon 08/29/11	Fri 09/02/11	94	Quantum Secure
104		Closeout Submittals	5 days	Mon 08/29/11	Fri 09/02/11	94	JCI
105		Vidsys Documentation Inputs Here	1 day?	Mon 05/02/11	Mon 05/02/11		Vidsys
106	**MS 24**	**Warranty Period Begins**	**257 days**	**Mon 08/22/11**	**Tue 08/14/12**	**93**	
107	RFP p62	Warranty Period	257 days	Mon 08/22/11	Tue 08/14/12		
108	RFP p63	Maintenance Period	257 days	Mon 08/22/11	Tue 08/14/12		
109	MS 25	Warranty Period End	0 days	Tue 08/14/12	Tue 08/14/12		



Project: WTC SAPS Schedule QS V2.
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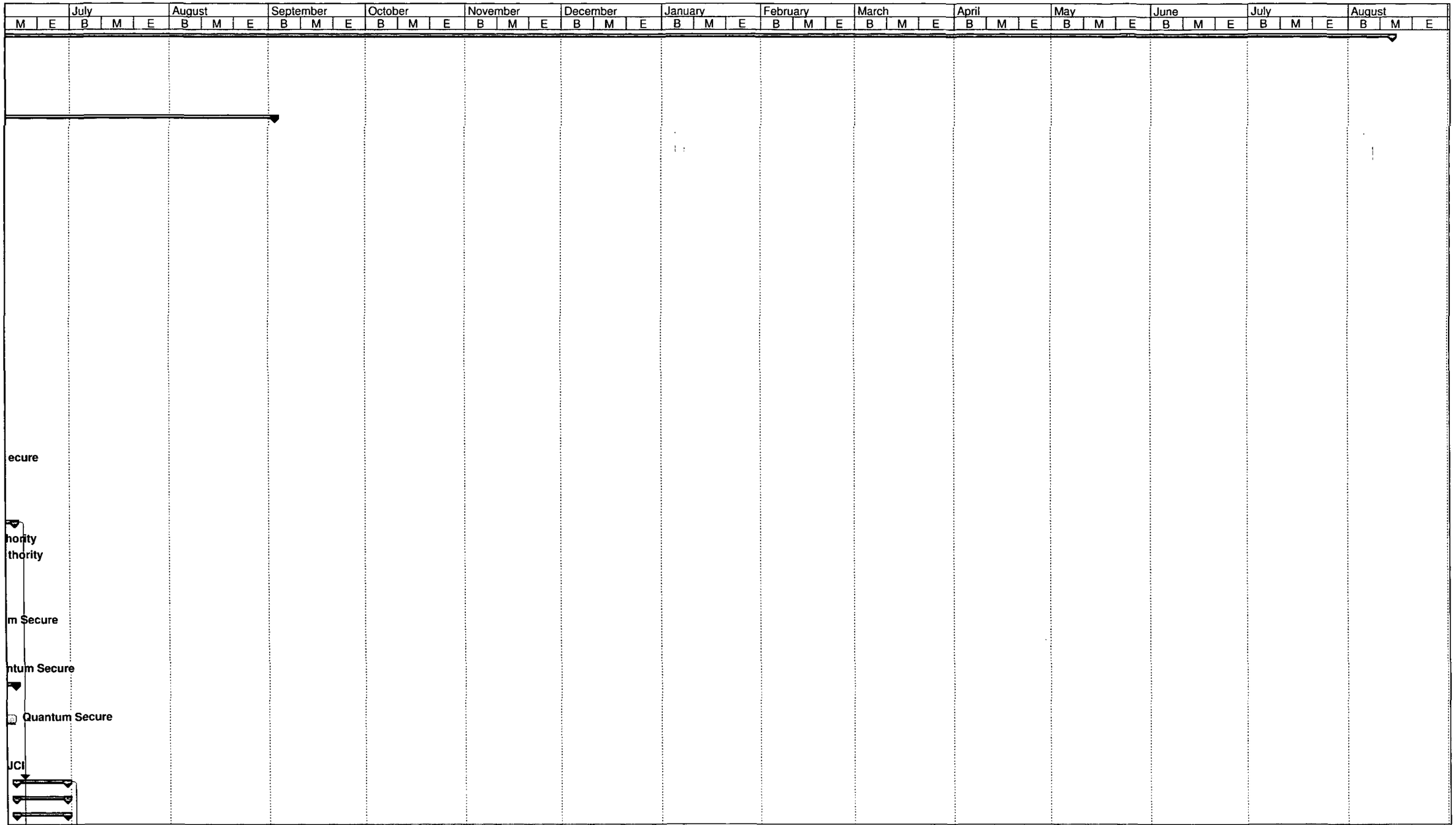

Project: WTC SAPS Schedule QS V2.
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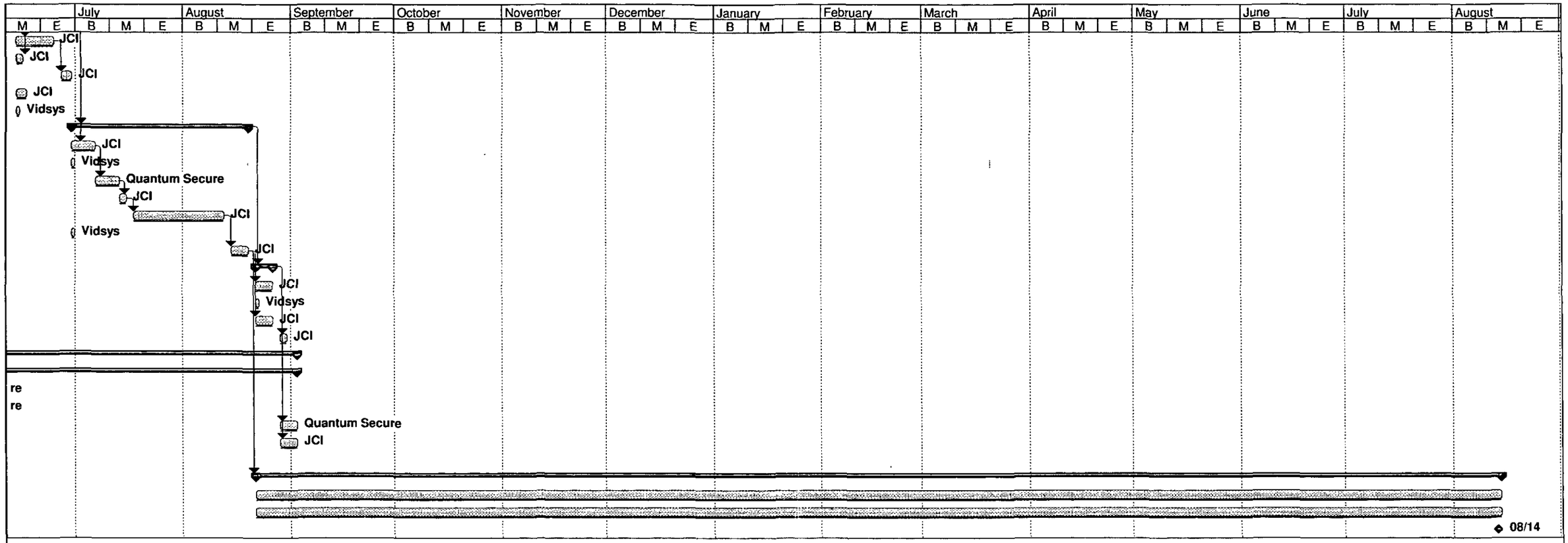
Task		Milestone	◆	Project Summary		External Milestone	◆	Progress	
Split		Summary		External Tasks		Inactive Task		Deadline	⇩



Project: WTC SAPS Schedule QS V2.
Date: Thu 12/02/10

Task		Milestone		Project Summary		External Milestone		Progress	
Split		Summary		External Tasks		Inactive Task		Deadline	

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2.b Metrics for Success

PRISM Overview

Program & Resources Information Systems Methodology (PRISM) is a single global methodology for managing IT projects at Johnson Controls.

- PRISM provides a framework for partnering with the business community.
- PRISM provides a guideline to use to successfully complete IT projects.

PRISM combines the best practices and features of IT Project Launch System (iPLUS), Resource &

Project Management (RPM) and other regional methodologies into a single standard global process.

A global review committee evaluates improvement suggestions and implements necessary changes.

Suggestions for improvements can be made from by any process user.

History and Benefits

Development of PRISM began in early 2004.

- The IT community recognized the need for a single global IT development methodology.
- The objective of PRISM is to standardize IT methodology used to build products and services
- for our internal and external customers.
- A single methodology captures best practices learned throughout the enterprise and applies
- them globally.

Johnson Controls Project managers will use the PRISM Methodology to track and report tasks designated on Phase I of the RFP see attached example of Johnson Controls Implementation Sheet.

Metric Description	Agree	Maybe	Disagree	Additional Comments
1. Functional Scope				
The task is achieving/contributing towards the functional scope of the project				
The task definition does not require modification due to changes in the scope of the project as agreed between the SI and WTC				
2. Task Schedule				
The task is on track as per the Project Schedule				
No dependencies/factors have been identified which might impact the successful completion of the task				

There are no concerns regarding the timely completion of a 'critical milestone' which is directly/indirectly dependent on this task				
With reference to the overall progress of the project, no changes are required regarding the approach taken for this task				
3. Resources				
Appropriate resources (human/equipment) are available with the SI and WTC for the successful and timely completion of this task				
During the course of this task, the team has full and complete access to the required resources				
4. Testing				
All items as defined and agreed in the Acceptance Test criteria have passed				
No exceptions were identified following the testing which could have an impact on other tasks and the project schedule				
5. Sign-Off				
All necessary deliverables such as SOPs associated with task have been delivered to the customer				
Program Management at WTC have *accepted the functionality realized* through this task and agreed to its completion				

Work Streams

The project life cycle methodology is broken into four work streams, based on the scope of the system under development. Timing, requirements and deliverables are work-stream-dependent.

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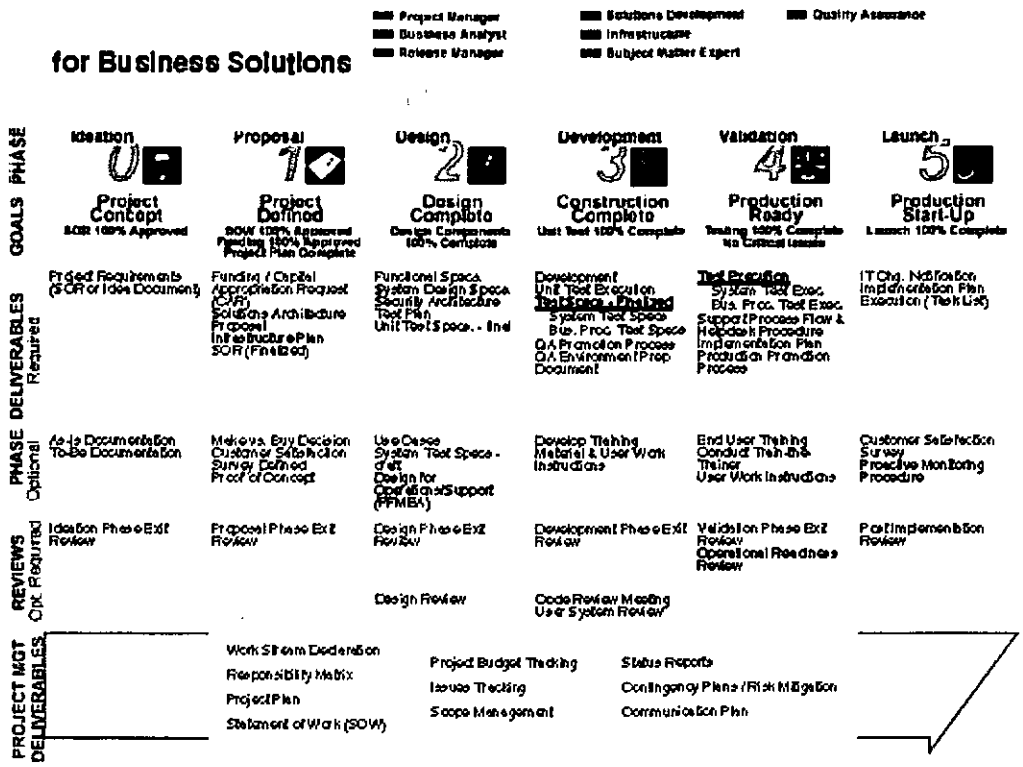

Each of the work stream's six phases has clearly defined ...

Goals
SDLC deliverables
Reviews
Project management deliverables

Work stream similarities

Three of the four work stream follow the same Phase One activity to complete a statement of work (SOW) for the project. Plant launches require additional deliverables and development besides completion of the SOW.
The statement of work becomes the **guiding document of project information**.
It is prepared by project management, with the input of the core development team.
It is reviewed at each phase exit and, if necessary, updated through the scope management process.
It is one of the phase-independent project deliverables.

Work stream differences

The key difference between the work streams are the deliverables. Some PRISM deliverables are required in one work stream, but are optional in others. Project management deliverables are the same for all work streams and are continually reviewed and/or updated across all phases.

Key work stream roles

Key personnel involved in some part of each work stream include ...
Project manager -- Manages overall project, budget, schedule, scope and quality
Business analyst -- Gathers and analyzes business needs
Subject matter expert (SME) -- *Expert in business process, who works closely with the project team to represent the* business
Release manager -- Manages release of enhancements and fixes to all user environments
Solutions Development -- Performs technical design, configuration, development and unit testing of solutions
Quality Assurance -- Defines and manages overall quality and testing for the project, to ensure solution quality
Infrastructure -- Implements and supports the data center, network and client infrastructure to enable IT solutions

On the WTC SAPS project, it's possible that one person may fulfill multiple roles.

2.c WBE/MBE Plan

Johnson Controls will continue to use its best efforts to utilize Minority and Woman-owned Business Enterprises. JCI will conform and comply with the hiring goals as set forth in the contract documents and as set forth by the Port Authority.

Johnson Controls will *contract with one or more companies to perform administrative tasks and provide* technical documentation. Our local team has solicited multiple MWBD NYS certified firms for proposals. In some instances, more than one subcontractor may be utilized for similar work.

Project Team

Our employees are experts at transforming technology into practical solutions for the full spectrum of security services delivered seamlessly – from Systems Integration (planning, engineering, design, installation, and service) to ongoing Systems Management (maintenance, video/alarm monitoring, badge administration, database management, alarm notification and patrol/response). Our employees have been shaped by decades of experience.

We integrate products and services into a practical solution – matched to the needs of our customers. We are willing, if invited, to assume turnkey responsibility for the entire result. We also have developed a world-class services and support capability to ensure that the solution remains effective throughout its entire lifecycle.

Johnson Controls has delivered integrated security solutions to over 50,000 organizations worldwide in a variety of markets, including government, education, healthcare, financial services, manufacturing and transportation. We offer a broad spectrum of security and fire protection technologies and services designed to provide safe, comfortable and efficient facilities. Our ability to design, install and integrate the systems that are essential to an enterprise results in lower first costs, as well as operational efficiencies. Our security solutions encompass protection of people, assets, physical property and intellectual property.

Johnson Controls security experts possess a wide array of certifications, including:

Physical Security and Safety Certifications

- CPP
- PSP
- RCDD
- NICET

I.T Security Certifications

- CISSP
- GSE
- CCSP
- CAP
- ISSAP
- ISSEP
- ISSMP
- SSCP
- GIAC
- COMP TIA

Johnson Controls

Quantum Secure/Vidsys Certifications

- Quantum Secure SAFE Solution Architect/Engineer/Administrator 4 Employees Trained and Certified

- VidSys Riskshield/Vidsheild – 3 Employees scheduled for Training and Certification December 14-16, 2010

We can also help customers comply with government standards and provide verifiable IDs. Johnson Controls can upgrade systems to support TWIC and the HSPD-12 standard, with FIPS 201-PIV secure and reliable smart card technologies. In addition, we can assist with policy and procedure development as well as implementation.

Johnson Controls

MIKE WEBSTER

Field Support Engineer II

Years of Experience in Industry: 26

Education/Training:

Bachelor of Science in Business Administration(In Progress)

Business Address:

3021 West Bend Drive

Irving, Texas 75063

972-868-3630

972-869-9421

Memberships:

- Member – ASIS International-
- Certified Protection Professional

Summary of Qualifications:

Mr. Webster is a *Certified Protection Professional (CPP), board certified in Security Management*, with over 26 years of progressive government, corporate and private security management and consulting experience. Mr. Webster began his career in the United States Air Force as a Security/Counter-Terrorism Specialist. Mr. Webster lead an Emergency Services – Special Weapons and Tactics Team, specializing in risk & vulnerability assessment and the deployment of security countermeasures, in response to terrorist threats to U.S. interests abroad.

Mr. Webster's subsequent experience includes over 22 years experience managing private and corporate security programs in numerous industries, including the nuclear power industry and the high-tech computer industry, with global responsibilities. This experience included executive-level security director assignments for multi-national corporations such as Apple Computer, the Cyrix Corporation and National Semiconductor Corporation. Mr. Webster has also been responsible for managing outsourced regional security operations with thousands of security officer employees.

For the past 13 years Mr. Webster has been an industry leading security consultant, relied upon by fortune 500-1000 companies, federal government agencies, critical infrastructures, large institutions and municipalities to assist them in developing and implementing their overall security programs. Mr. Webster has provided risk and vulnerability assessment, security survey, investigative study, security system design and construction administration services for more than 300 customers and projects throughout the World. He is often called on to assist in the development of security standards and the presentation of security instruction courses.

Mr. Webster has served as an expert witness in court cases involving security liability and security negligence. He is a leader in his industry and is a leader and participating member in many industry associations. Mr. Webster is a highly published author on security-related subjects and is a frequent newspaper, radio and television interview source for the national news media during security, emergency or terrorism related incidents.

Major Project History:

Johnson Controls

JOHN ACKERMANN

Security Integration Engineer

Years of Experience in Industry: 20

Education/Training: Villanova University, NY
Project Management

TRAINING & CERTIFICATION:

- *Amag Global /Amag SMS - (Yearly renewal)*
- Loronix LVM - Enterprise Service & Support
- Loronix LVM - Enterprise Systems
- Verint - Nextiva Software
- Southwest Microwave - Intrepid Fence Detection System
- GE IFS - IFS Comprehensive Design
- March Networks - VideoSphere Technical Class
- Wheelock - Safe Axis
- Andover Controls - Continuum Configuration
- Software House- C-Cure 800
- Microsoft SQL 2005
- Quantum Secure

Summary of Qualifications:

As a Security Integration Engineer for the Northeast Region of Johnson Controls, Inc. John has 20 years industry experience. John engineers and assists in the pre-sales development process and provides technical sales assistance. He also provides onsite technical leadership and support for system development and completion. Providing direction for technicians and electrical contractors. Specifically, has comprehensive experience with the following systems: Enterprise Scale Access Control Systems, IP & Analog based CCTV Systems, Perimeter Intrusion, IP Networks, Network Based Storage Servers and Microsoft Windows Server & SQL.

Project History:

2010 Roger Williams University Installed and implemented Quantum Secure Software to integrate the Access Control and ERP (enterprise resource planning system) automating approximately 40% of the security operations at the University. Security encompasses a total of 65 buildings and has over 500 card readers.
2009-2010 Buffalo Public School District Programming and troubleshooting for Phase IV, including IP camera system and alarm management integration.
2010 New York Power Authority Programming and commissioning of 75 IP Cameras, Fiber Optic Perimeter protection and integration of event management systems using ICX Software.
2010 Medgar Evers College IBS (Integrated Building System) package for CUNY that includes BMS, Fire Alarm, Intrusion, Gate Control, Access Control and CCTV integration all on one head-end with a common GUI and Graphics.
2008 National Grid Security Command Station, NY & MA programming and commissioning of multiple systems including CCTV and Access Control.

Areas of Responsibility:

- Duties include tasks such as project meetings, topology design, third party relationships, commissioning and testing procedures.
- Project management tasks including the management of vendors and contractors. Training of systems administrators, and security personnel.

Proprietary Data – Use or disclosure of proposal data is subject to the restrictions on the title page of this proposal.

Johnson Controls

GENE R. GREGORY

Field Support Engineer II

Years of Experience in Industry: 31

Education/Training:

UC Berkeley Extension

- Classes in math, calculus, IBM 370 Assembler, 'C', C+, Basic, Prolog and other programming languages

Tanana Valley Community College

- ASET

University of Alaska-Fairbanks

School of Electrical Engineering

Memberships:

- Member – ASIS International- #231205
- US Government Security Clearance: Secret

Certifications:

- Johnson Controls P2000 V3.x & V4.x
- Johnson Controls P2000 CK722 & SCT
- Johnson Controls DVN 5000
- Software House; CCure 9000, CCure 800/8000 Advanced Integrator, CCure 800/8000, CCure 1Plus
- EMC Replistor & Autostart
- Pelco Endura Network Designer & Technician
- Lenel On-Guard
- Casi-Rusco Picture Perfect Systems Engineer
- Marathon FT
- Certified Protection Professional #9632
- Physical Security Professional #9854
- Microsoft Certified Professional # 6805480

Received the 2009 Chairman's Award for Customer Satisfaction and Employee Ingenuity as a member of the Children's Hospital of Pittsburgh of UPMC Technology Team

Summary of Qualifications:

As a senior member of Johnson Controls' Field Support-Systems Team, Mr. Gregory is tasked with analyzing and designing large integrated access control, CCTV and other types of systems into seamless security control systems. He is also involved in design for bids and negotiated work. Mr. Gregory is consulted in-house on various aspects of over-all system configuration and design for many projects and he is involved in the development of training manuals and related documentation for worldwide distribution. Involved in the development of drawing standards for Johnson Controls worldwide projects. Provides technical support for in-house staff and on-site field teams. Manages In-house CAD team to produce technical drawings, blueprints and complete submittal packages for Johnson Controls projects in North America and overseas. Responsible for the implementation and design of large projects at the engineering level. Provides high level of support for high profile/high value (1 mil+) project, to include Engineering and Project Management. Involved with product selection and integration for many projects. Very well versed in the interpretation of high-level project specifications.

Major Project History:

2008-10 University of Connecticut 4.8M access controls & CCTV integration Principal Engineer **Software House**
2008-10 Yale New Haven Health Center 1.8M access controls & CCTV integration Principal Engineer **Software House**
2008-9 Children's Hosp Pittsburgh 62M access controls & CCTV integration. Applications/Support Engineer **JCI / P2000**
2006-8 Zurich North America 2.5M access controls & CCTV integration. Principal/Support Engineer **Software House**
2007 LAX TBIT 5.8M access controls & CCTV integration Principal Startup Engineer **GE/Casi-Rusco**
2005-7 East Bay Municipal Utilities District 2.5M access controls & CCTV integration. Applications/Support Engineer **Software House**
2004-5 University of Utah 2.0M access controls & CCTV integration Principal Engineer **Software House**
2004 Gerald R Ford International Airport 2.5 M access controls & CCTV integration. Principal Engineer **JCI/P2000**
2003 VDOT System design in house access controls, CCTV integration & intrusion 5.5M bid Principal Designer/Engineer **JCI / P2000**
2003 Roche Molecular Systems 2.6M access controls & CCTV integration. Principal Engineer **JCI / P2000**
2002 Bradley International Airport 2.59M access controls & CCTV integration. Principal Engineer **JCI / P2000**
2001 Openwave systems worldwide security network 1.2M Principal Engineer **Lenel**
2000 GAP stores North American security network Applications/Support Engineer **Software House**

Areas of Responsibility:

- Analyze and designing large integrated access control, CCTV, Intercom, SCADA and other types of systems into seamless security control systems.
- Manage in-house and overseas CAD teams to produce technical drawings, blueprints and complete submittal packages

Johnson Controls

Steven Arpiarian

Senior Security Project Manager / Lead System Specialist
Industry Experience: 36 Years

Steven Arpiarian is a Fire and Security Senior Project Manager/Lead System Specialist for the New York City Office of Johnson Controls, Inc. Steven Arpiarian has 36 years experience and attended Montclair State College.

As the Senior Project Manager/Lead Systems Specialist, Steven acts as the on-site project leader for fire and security projects providing site representation, subcontractor management, procurement, scheduling and he is responsible for customer satisfaction and project profitability. He is responsible for maintaining an effective balance between customer satisfaction and project results by coordinating communication with the customer during all phases of the project. In doing so, Steven provides work direction to subcontractors, technicians, and designers. He also ensures work performed is in compliance with state, local and Federal legal requirements and operates on the job with the highest of ethics.

Steven has attended extensive professional training during his career. Steven has his Master Electrical license in New Jersey. He has the following certifications: NICET, AutoCAD, Microsoft Visio, Vicon, Philllips and CCTV certified. Steven has also been trained in Cardkey, SoftwareHouse, InfoGraphics, Cotag and GE security and access control systems.

Specifically, Steven has comprehensive experience with the following systems:

- *CCTV Security Systems*
- *Fire Alarm Systems*

Steven has proven his capabilities on the following projects during his career:

- *Daehan Life*
- *Statue of Liberty*
- *NYC Transit*
- *World Trade Center*
- *NYPD*
- *New York City Colleges and Educational Facilities*
- *New York City High Rise Buildings*

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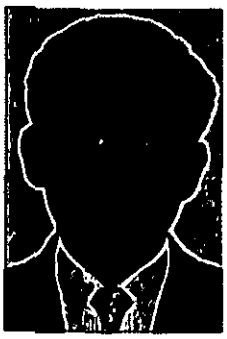

TRIVIKRAM RAVADA

Security Solutions Engineering Consultant

Years of Experience In Industry: 15

Education/Training:

Osmania University, Hyderabad, India
BE Computer Science and Engineering

TECHNOLOGY SKILLS

Software Programming: C++, MFC, COM, C#, .NET, ASP.NET, WCF, WPF, Silverlight, SQL.

Middleware: SOA, web services, MSMQ, Microsoft Biztalk.

Hardware: Encoder/Decoder boards for video using *TI DM642, Windows XP* Embedded design.

TRAINING & CERTIFICATION:

- Johnson Controls P2000
- Johnson Controls DVN
- Quantum Secure SAFE Solution Engineer
- Quantum Secure SAFE Solution Architect
- Milestone Certified Video Engineer
- Alert Enterprise Solution Architect
- Nextiva, DVTel, SmartSight, Genetec, March networks NVR/DVR's

Summary of Qualifications:

As a Global Security Solutions Engineering Consultant, Trivikram supports sales for enterprise application integration projects that require integration of Physical Access Control systems to IT systems. He has developed software for 15 years and has lead the JCI Digital Video product engineering team. He has been responsible for integrating many CCTV systems including Nextiva, Genetec, SmartSight, DVTel in to JCI P2000. He has also been supporting the integration of many IP cameras, Axis, Panasonic, *Sony and Bocsh in to JCI DVN. He has been involved in the development and selection of multiple External storage devices,* DAS, SAN, NAS devices for DVR's/NVR's. Most recently he has been working on developing integrations between P2000, Video, Metasys, Active directory and Peoplesoft using Microsoft Biztalk as the middleware. He provides technical guidance and support to the field organization for large enterprise security projects. He is involved with the JCI road map and strategy for security products, and routinely provides technical documentation and training for JCI security offerings.

Project History:

2010 Advanced Micro Devices, In the process of installing Quantum Secure SAFE for ID management and visitor management leveraging the existing Software house C-CURE Access Control system

2009 Exxon Mobil, Singapore, access control & CCTV integration, JCI P2000/JCI DVN, was involved with training the customer on JCI DVN operations and maintenance, as well as field support

2008 Buffalo Public Schools, Buffalo NY, access controls & CCTV integration, JCI P2000/JCI DVN, provided pre-sales support and supported integration of Pansonic IP cameras in to JCI DVN

2006 Nebraska Power Plant, CCTV installation, JCI DVN, provided installation support and developed the integration between *JCI DVN and JCI P2000.*

2005 Los Angeles County Museum of Arts, CCTV installation, JCI DVN

2005 Metropolitan Water District of Southern California, access controls & CCTV integration. JCI P2000/SmartSight

2004 Gerald R Ford International Airport, access controls & CCTV integration. JCI P2000/SmartSight, provided installation support and developed the integration between JCI P2000 and SmartSight NVR.

Areas of Responsibility:

- Supports custom software development for enterprise applications where physical security needs integration with other Enterprise software systems.
- Manages vendor relationships and supports gathering requirements, design, and implementation of large physical security projects needing a Single Identity and a consistent Situational awareness UI when multiple Access Control and Video vendor systems are involved.

Proprietary Data – Use or disclosure of proposal data is subject to the restrictions on the title page of this proposal.

JOHNSON CONTROLS

NATHAN O'MERA

Systems Designer

Years of Experience in Industry:	10
Education:	*University of Washington* • Bachelor of Arts in Sociology
System Certifications: • Cardkey Pegasys 2000 • Pelco Endura • Genetec Digital Video Systems • NICE Digital Video Systems • CCure 800 and CCure 9000	• Bosch ReadyKey Pro • GE Picture Perfect • Verint Digital Video Systems • Zenitel(Stentofon) Intercoms • Pelco 9700 Series Matrix

Summary of Qualifications:

I have been with Johnson Controls on many projects large and small over the past 10 years. My experience includes performing design reviews and making system and detail drawings in Autocad & Visio. I install and program access control systems, cctv and digital video systems, intercom systems and integrate those systems together. I excel at troubleshooting problems quickly and efficiently and communicate well with customers to ensure we know what their needs are and I can communicate to them what they are getting. I am willing and eager to learn new systems and ideas and find innovative solutions to the problems of our customers. I can adapt to a changing jobsite environment, and fit in well on any team.

Project History:

Terminal 46 – Seattle, WA 06/10 – Current
Installed and programmed a P2000 Ver 3.8 and Genetec system. Installed and configured the integration between the two systems. Also have the codebench system for TWIC installed and ready to be integrated with P2000 in the future.

South Puget Sound Community College – Olympia, WA 6107 – Current
Installed and programmed CCure 9000 system.

Burj Dubai – Dubai, UAE 11/09 – 11/09, 03/10 – 05/10
Performed the upgrade of P2000 4.1 to build 22 and build 27. Also helped to install and troubleshoot the Bosch and Genetec DVR, Jacques Intercom, Top Guard License Plate Recognition, Easy Lobby Visitor Management System, and Micros Fidelio integrations to P2000 4.1. Spent a lot of time identifying issues with P2000 and working with Simi Valley to gather all the necessary details to understand the problems and devise solutions.

Port Of Seattle Terminal 91 – Seattle 2/09 – 10/09
Installed and programmed all CK720's on this site as part of the Port of Seattle's P2000 3.4 system. Also installed and configured the *Sagem Morpho Biometric readers to work with P2000 and the Seaport and Airport badges.*

University of Utah – Salt Lake City, UT 6/08 – 7/08, 10/08 - 11/08, 1/09 – 2/09
Installed and programmed iStar panels in CCure 800 to assist the SLC Branch with the site wide retrofit of the existing access control sytem.

Federal Reserve Bank – Renton, WA 9/07 – 5/08
Installed and programmed CCure 800 and NICE Ver 9 Digital Video system with a Pelco 9760 Matrix. Also installed and programmed PLC modules for the interlocks between rooms onsite.

De Beers Voorspoed Mine – Kroonstad, South Africa 5/08 – 8/08
My primary function was to monitor and maintain P2000 4.0 integration to the X Ray system using the stop and search service. Also installed and programmed CK722 panels and performed troubleshooting duties on problems with the P2000 server.

Proprietary Data – Use or disclosure of proposal data is subject
to the restrictions on the title page of this proposal.

QUANTUM**SECURE**

CERTIFICATE OF COMPLETION

Nathan. B. OMera

Has successfully completed THE *SAFE SYSTEM ADMINISTRATOR Training*
On this 21st day of SEPTEMBER, 2010

Ajay Jain
President & CEO
Quantum Secure, Inc.

QUANTUMSECURE

CERTIFICATE OF COMPLETION

Nathan O'Mera

HAS SUCCESSFULLY COMPLETED PART I OF THE *SAFE SOLUTION ENGINEER TRAINING*
ON THIS 16TH DAY OF SEPTEMBER, 2010

TO BE CERTIFIED SAFE SOLUTION ENGINEER, PART II OF THE
SAFE SOLUTION ENGINEER TRAINING MUST BE COMPLETED

AJAY JAIN
PRESIDENT & CEO
QUANTUM SECURE, INC.

QUANTUMSECURE

Hereby Certifies That

Nathan. B. OMera

Has successfully completed *SAFE Solution Architect Training*
On this 24th day of September, 2010

Ajay Jain
President & CEO
Quantum Secure, Inc.

QUANTUM**SECURE**

Hereby Certifies That

Trivikram Ravada

Has successfully completed *SAFE Solution Architect Training*
On this 24th day of September, 2010

Ajay Jain
President & CEO
Quantum Secure, Inc.

QUANTUMSECURE

CERTIFICATE OF COMPLETION

Trivikram Ravada

HAS SUCCESSFULLY COMPLETED PART I OF THE *SAFE SOLUTION ENGINEER TRAINING*
ON THIS 16TH DAY OF SEPTEMBER, 2010

TO BE CERTIFIED SAFE SOLUTION ENGINEER, PART II OF THE
SAFE SOLUTION ENGINEER TRAINING MUST BE COMPLETED

AJAY JAIN
PRESIDENT & CEO
QUANTUM SECURE, INC.

QUANTUMSECURE

CERTIFICATE OF COMPLETION

Trivikram. R. Ravada

Has successfully completed THE *SAFE SYSTEM ADMINISTRATOR Training*
On this 21st day of SEPTEMBER, 2010

Ajay Jain
President & CEO
Quantum Secure, Inc.

QUANTUMSECURE

HEREBY CERTIFIES THAT

Gerry Pittman

HAS SUCCESSFULLY COMPLETED *SAFE PARTNER TRAINING*
ON THIS 14TH DAY OF MAY, 2009

Johnson Controls

2A 1c.Human Resources

JCI expects the Authority to provide access to any personnel necessary for the design and installation of the PAIM and PSIM for the Authority, including the assessment, development and implementation of procedures and business processes for the Authority. This will include, but is not limited to:

- Human Resources personnel with knowledge of on-boarding and off-boarding processes
- Security Administrators with knowledge of budging, event and alarm processes, and reporting requirements for each of the PACS, Digital Video Systems, any other Security related software
- IT / Network Personnel with knowledge of network connectivity between systems and software the PAIM and PSIM will be connecting to
- Badging and Security Officers who work with the system everyday and can help document badging procedures and event and alarm responses.
- NYPD/PANY&NJ Police involved in ID and Alarm management

JCI will need access to all of these personnel throughout the course of the project implementation. It is expected that the Port Authority IT personnel will be involved throughout project schedule as we will need to understand the existing network to plan and implement connections to all of the different systems and have the ability to make any necessary network modifications that arise. JCI will need to spend some time early in the project with HR, Security Administrators, and Badging and Security Officers in order to find and document all of the site processes and implement those within the PAIM and PSIM solutions.. Their involvement will be heavy early, but should be significantly less once the processes have been documented. However, JCI may need access to these personnel at anytime in the project as issues arise and clarification is necessary.

2A 1d.

JCI requires an office on the job site with 2 workstations connected to the site network that can access all of the systems that are to be connected to the PAIM and PSIM.

Johnson Controls

2.a.2 – Application Management Methodology

Johnson Controls will supply release notes for all the major/minor/maintenance releases on the SAPS software. The release notes associated with a particular product version includes the following information:

- Summary of the release and the changes
- Overview of the purpose of the release note along with a list of what's new in the release, including defect fixes and new features, platform support updates etc.
- Short description of the defect fixed or enhancement made in the release, for example list of new connectors for different systems that were added in that release
- End-user impact in terms of the actions required by the end-users of the application
- Notes about any hardware or software installation, upgrades and product documentation

Additionally other documents which requires updates are published along with a release, i.e. Administration Guide, Implementation Guide

The above release-related deliverables are an outcome of a formal development program associated with a product release. Johnson Controls adopts the following methodology for recording changes made, new programs, documenting fixed and updates made to the SAPS software: ?

- **Recording Changes/Defects/Enhancements** – All the request for enhancements (RFE) and the defects reported by existing customers are recorded in an internal tool.
- **Prioritizing Changes/Defects/Enhancements** – The comprehensive list from first stage is prioritized using a multi-factor approach. The objective of this stage is to attach importance to the items from a customer impact standpoint.
- **Developing Release Plan** – A formal plan is prepared for developing a certain set of items within a defined timeline utilizing the resources available within the organization.
- **Developing and Testing Software** – Based on the release plan, a formal development plan is put into place to develop and test the items. A Beta plan will also be implemented to get early feedback from interested customers on new features planned for a particular release.
- **Launching Release and Communication** – Tested and certified software release is made generally available for external consumption. All the necessary documentation (like release notes) is made available with the new release and a formal communication is sent out to existing customers.

From a day-to-day operational perspective, application management is handled as follows:

- The SAPS platform provides an administration log that records all changes made, including system administration functions as well as operator actions.
- All log files are searchable and can be queried to generate customized reports on operator and administrator actions taken within the SAPS system.
- All issues found in production are entered in the support database. These issues are tracked and reviewed on a regular basis and prioritized based on customer feedback.
- All version updates and patches are also stored in the support system. These systems can be queried at any point to provide a status update.

Johnson Controls

"Integrity"

"Honesty, fairness, respect and safety are central to the company's work ethic."

Johnson Controls – "our values" – www.johnsoncontrols.com

2.a.3 – Risks

Johnson Controls has been successfully delivering complex projects of varied size and scope, across the globe, for 125 years. On every project, our primary focus is to exceed our customer's expectations by delivering a solution that exactly meets their needs. This philosophy holds true on the SAPS project. We are very excited to submit our proposal and to have an opportunity to discuss the project in greater detail face-to-face with the key stakeholders.

After a comprehensive review of the SAPS project by our team of security integration experts, we feel that there are several significant risks that exist in the project which may prevent any integrator from delivering a solution that will meet the intent of the project specification, but more importantly, could prevent the Authority from achieving its goal of creating one of the most state of the art, complex, highly secure, integrated situational awareness platforms in the world.

Our primary concerns are as follows:

Obtaining the necessary API / SDK - The ability to make connections and inherit the base functionality from sub systems is the core of this project. While we understand that most system providers publish their API's and are willing to work in a partnership environment, Johnson Controls cannot guarantee that all system providers, especially our competitors, will be willing to share their API's which poses risk to us in terms of our ability to deliver to the specification. We respectfully request that the Authority assume the responsibility to obtain the necessary ADI / SDK from any provider whose system needs to be integrated into the SAPS platform.

Creating and Testing Connectors – As detailed in the compliance matrix provided by Johnson Controls in the "Product Proposal" section of this response, many of the connectors required by the specification to be "currently available" are still in the process of being obtained, integrated, and tested. While we understand that our responses in the compliance matrix may disqualify us from this project, we consider it unprofessional and unethical to represent that functionality is "currently available" if said functionality is not fully integrated and tested. Johnson Controls prides itself on being highly ethical and we will not risk our reputation by making commitments on which we potentially cannot deliver. We have the utmost confidence that our partners Quantum Secure and VidSys will be able to deliver the necessary functionality to meet the project specification, but adequate time will be needed to reach full compliance.

Single Policy Engine – At present, a single policy engine designed to give the ability to create rules in one system that impact both the PSIM and PIAM platforms is still under development and testing. While we understand the need for this single policy engine, Johnson Controls feels that further definition is needed from the Authority as to the specific functionality required from this policy engine.

SAPS Business Object Portfolio – (ERP Systems) – At present there are no specific details relative to existing or future ERP / Human Resources databases which may need to be integrated into the SAPS system. Based on past experiences with PA NYNJ projects, we understand that some of the existing ERP systems are MAC based versus Windows based. The MAC integration to SAPS may present some unique challenges related to data mapping and normalization. Johnson Controls requests that any ERP systems being integrated to SAPS be Windows based, or that latitude be given to Johnson Controls in terms of timing to create the integration and latitude on the functionality once the integration is completed.

Project Schedule – The four areas detailed above will most assuredly impact the project schedule. Only with complete rule definition, tested connectors for all necessary sub systems, and a functional single policy engine would the project schedule be *attainable. Johnson Controls is unwilling to commit to the existing project schedule and* subject ourselves to liquidated damages until such time as the three areas detailed above can be addressed and an equitable project schedule can be created.

Having extensive experience with PA NY/NJ projects, Johnson Controls is fully aware and respects the need for a competitive bid process. But, due to the unique nature of this particular project, we feel that following a traditional purchasing methodology will lead to project delays, finger pointing, extensive change order requests, and ultimately a solution that is less than adequate.

Johnson Controls strongly urges the Authority to engage us in a project conversation. The stakes on the SAPS project are extremely high and we feel that Johnson Controls is uniquely qualified to deliver a solution that exactly meets the needs and intentions of the Authority. But, this can only happen through a productive mutually beneficial partnership that focuses on the end in mind versus a competitive bid situation in which integrators compete for the chance to hopefully deliver a project with some level of success.

As detailed in our "Changes to Stage 1" response letter, Johnson Controls possesses the in-house knowledge through a team of highly trained, certified, and experienced individuals, who have worked collaboratively with Quantum Secure and VidSys on multiple projects, who will lead a team effort that will deliver the SAPS solution beyond expectations. Johnson Controls has a proven methodology, detailed below, for the implementation of complex software projects. This methodology is specifically designed to ensure that all aspects of the project are considered, discussed, agreed upon, and executed. The deployment process includes shared activities between the owner and

contractor to define all functional requirements, prepare the technology environment, test and deploy the software.

TYPICAL PSIM / PIAM SOFTWARE DEPLOYMENT PROCESS				
DEFINITION	**DESIGN**	**DEPLOYMENT**	**TEST**	**ACTIVATION**
Client interview and functional assessment Develop a detailed Project Plan Develop the functional scope and technical design specification Prepare a project schedule with identified milestones Develop and implement a project quality assurance plan	Data validation survey Identify data migrations Define and customize user interfaces Define business rules correlation and connectivity Develop business rules master list Identify all driver and API needs and fully develop and test	Install server and workstation hardware Configure scenarios & policies Pre-define and configure all input, output and event information tables Create event links and associations Configure automated system activities Develop standard operating procedures Develop user training materials	Develop test plans Establish stand-alone testing environment Conduct Performance Verification Test Document test results, resolve issues and re-test as required Conduct Endurance Test Complete all test reports and commissioning documentation	Prepare schedule for phased activation Execute phased activation of PSIM locals and environments User Acceptance Sign-Off Perform follow-up evaluation and reconfigure and reprogram as required to meet functional requirements

Please understand that it is never the intention of Johnson Controls to shy away from complex projects, to the contrary, because of our resources and partnerships we have been highly successful on complex project delivery and post installation service on projects throughout the world.

Specifically on the WTC SAPS project, collaboration and communication will be the keys to success. Johnson Controls is not proposing a change in the scope of the project or a change in the software providers. We have confidence in Quantum Secure and VidSys and they have delivered for us in the past. Nor are we suggesting that additional dollars need to be spent to obtain the desired outcomes. We are simply pointing out that there are significant risks that exist today in the project as it has been specified. Our professional experience tells us that if these risks are not addresses and mitigated before the selection of an integration partner, the project failure probability increases.

We sincerely hope that our concerns about the project do not lead to our disqualification and we would be very disappointed in our industry if our competitors did not raise the same concerns as we have. Simply passing through a compliance statement created by a vendor would be irresponsible.

We are very excited about working with the Authority on the successful completion of the SAPS project. We know the project, we know the desired outcomes, and we know how to get the job done correctly. We look forward to our future conversations.

Johnson Controls

Section 2.4 - The Training Program

Training Overview

Johnson Controls will provide initial and on-going training to the operational, supervisory, and administrative personnel as classified by the Authority's Contract Manager. Initial training will be conducted in a formal classroom environment, on-site, at a Port Authority facility. Classroom training will be video-taped by JCI and the DVD from the training class will be turned over to the Authority's Contract Manager. An agenda for the training program, along with all supporting training materials will be given to the Authority's Contract Manager no less than 15 business days before the training program.

Classroom training will be limited to a maximum of twelve (12) attendees. On-going training will be delivered in classroom and/or webinar formats as deemed appropriate based on the complexity of the curriculum.

During classroom training, students will be provided with complete training material which they will retain for use on the job. Johnson Controls will set-up the training environment to ensure that system screens and initial system configurations align with the printed training material. Requests for training program equipment such as projectors and networked training workstations will be included in the associated training plan.

Upon completion of each training program, Johnson Controls will provide to the Authority's Contract Manager, a training report listing all attendees, a summary of the results of the training program, course evaluation forms, and recommendations for follow-up training and/or changes to the course curriculum.

Johnson Controls will complete all initial training programs detailed below prior to the commencement of the 30-day operational test.

SAPS Operator Level Training Program

Course Description: The operator level training program is designed to give an overview of the SAPS system combined with training on specific features and controls that operators will use during the day-to-day operation of the system. This program includes hands on exercises and simulations of events specific to the WTC environment.

Recommended Prerequisite Knowledge: It is recommended that individuals taking this training program have operational familiarity with Microsoft Windows and associated commands, and that they have experience using software programs that run on a Microsoft Windows Operating system.

Training Program Duration: 24 Hours

Curriculum: The curriculum for the operator training program includes, but is not limited to the following:

- User log-in and logoff
- Call up of CCTV camera feed from any facility (live and recorded) and use of PTZ and playback controls.
- Call up and interaction with WTC site and facility maps
- Determination of alarm point or field device status for any system and any facility
- Identity management tasks, including tenant badging, visitor badging, watch list connections, and web badging
- Interaction with automated response plans triggered by alarm inputs
- Creation and review of alarm or situation response logs
- Management and manipulation of video wall and/or video display engine components
- Use of all base system dialog boxes and menus
- Additional base system capabilities required for typical day-to-day use of the SAPS software for situational awareness and response
- Preparing and generating User level reports.

SAPS Supervisor Level Training Program

Course Description: The supervisor level training program is designed to give an overview of the SAPS system combined with training on specific features and controls that supervisors will use during the day-to-day operation of the system. This program includes extensive hands on exercises and simulations of events specific to the WTC environment.

Recommended Prerequisite Knowledge: It is recommended that individuals taking this training program have operational familiarity with Microsoft Windows and associated commands, and that they have experience using software programs that run on a Microsoft Windows Operating system.

Training Program Duration: 32 Hours

Curriculum: The curriculum for the supervisor training program includes, but is not limited to the following:

- All course material as defined in the operator level training program detailed above
- Modification of user and user group privileges and/or software capabilities
- Override of user privileges
- User password assignment and modifications
- Exportation of database elements (including video surveillance clips) to external media
- Situation policy and workflow creation, modification, and deletion
- Simulation creation, implementation, and management
- Preparing and generating Supervisor level reports

SAPS Administrator Level Training Program

Course Description: The administrator level training program is designed to teach the attendees how to use the overall SAPS system combined with training on specific features and controls such as device configuration and system maintenance. This program includes extensive hands on exercises and simulations of events specific to the WTC environment.

Recommended Prerequisite Knowledge: It is recommended that individuals taking this training program have operational familiarity with Microsoft Windows and associated commands, and that they have experience using software programs that run on a Microsoft Windows Operating system.

Training Program Duration: 40 Hours

Curriculum: The curriculum for the administrator training program includes, but is not limited to the following:

- All course material as defined in the operator level training program detailed above
- All course material as defined in the supervisor level training program detailed above
- Basic troubleshooting of SAPS software malfunctions
- Basic troubleshooting of API connectivity
- Upgrade of SAPS software version
- Server failure response and recovery mechanisms
- SAPS database element exploration to external or network attached media
- System maintenance procedures
- Factory diagnostic routines, in-line with manufacturer
- Preparing and generating Administrator level reports

Johnson Controls

2. b.a&b – Warranty & Maintenance Organization

Johnson Controls will deliver warranty and maintenance service to the SAPS system per the specification using a three tiered escalation approach as follows:

- On-Site response from JCI technical expert
- Remote technical support from JCI Security Center of Excellence
- Remote diagnostic support from product manufacturers

SAPS On-Call Process

The Authority will be provided with a toll free call in number, a fax number, and an e-mail address to report maintenance issues 24/7/365. This call will go into the Johnson Control Remote Operations Center (ROC). The ROC will alert the appropriate, trained on-call technician who will contact the Authority's Facility Manager or designee within 30 minutes (in all situations) in order to coordinate the repair work. The technician will report to the SAPS site and sign-in with the Facility Manager or designee before work commences. The technician will provide the Facility Manager with a completed Service Maintenance Form. After completion of the work, and overall system testing, the technician will report the status of the repair to the appropriate Authority official before leaving the site and will follow-up the site visit with written documentation of the reported problem and all actions performed related to the fix within 24 hours of the site visit.

On – Site Response

The on-site response team consists of New York City based trained technicians who will be fully familiar with the system and its maintenance requirements. The lead technician will be involved in the deployment of the phase 1 SAPS solution in an effort to obtain in-depth knowledge of the SAPS system, its interfaces, rules, and overall topology. The lead technician will be backed-up by three (3) fully trained technicians who will provide maintenance in the event that the lead technician is unavailable due to vacation.

Remote JCI Technical Support

Support, if needed, by the on-site technicians will be provided by the Johnson Controls Security Center of Excellence which has offices in Milwaukee, WI, Dallas, TX, and India. The Center of Excellence is comprised of eighteen (18) individuals with a wide array of experience and knowledge of the electronic security and complex software business. Members of the COE team are highly trained and posses the following technical certifications:

- MCITP – Microsoft Certified IT Professional
- MCP – Microsoft Certified Professional

- MSE – Microsoft Certified Systems Engineer
- CCNA – Cisco Certified Network Associate
- CISCO ATP -
- CISSP - Certified Information Systems Security Professional
- Comp TIA - Network +
- CNE – Certified Novell Engineer

In addition, COE staff posses the following industry certifications:

- CPP – Certified Protection Professional
- PSP - Physical Security Professional
- NICET – National Institute for Certifications in Engineering Technologies
- DHS Authorized User – US Department of Homeland Security
- US Government Security Clearance
- FIPS – US Federal Information Processing Standards

Remote Diagnostic Support from Product Manufacturers

In the unlikely event that the Johnson Controls technician cannot troubleshoot and fix the maintenance issue on the SAPS system, we will engage the appropriate product manufacturer who by using the Authority's Remote Access Solution, will troubleshoot the issue and communicate the appropriate fix to the JCI technician.

Maintenance Methodology

Johnson Controls will utilize its maintenance management system which will track preventative and corrective maintenance on the SAPS system. This system will also be used to schedule system maintenance on the SAPS system as outlined in the specification. All information related to corrective maintenance calls will be contained within this system including but not limited to; the date and time of the call, the reported issue, the technician dispatched, response times, problem identified, and corrective actions. Additionally, the maintenance management system will produce trend reports in an effort to identify consistent issues that can be proactively addressed.

Johnson Controls will conform to the maintenance requirements as detailed in the project specification. We will perform maintenance under the warranty clause as detailed below:

- On-Call remedial maintenance utilizing the methodology detailed above.
- Correct defects in the SAPS application and / or configuration.
- Validate and correct the SAPS software within 10 days of a released patch or update from Microsoft or any other vendors software used in the SAPS application.

- Certify, validate, correct, and update the SAPS application within 90 days of a release from a third party software vendor that is integrated into the SAPS application i.e. Lenel, Verint, etc.
- Maintain a current version of the SAPS software in the port Authority Test Lab Environment.
- Provide updated copies of software and installation instructions as patches and/or new versions become available.
- Provide supplemental training class at least once a year.
- Provide 24/7/365 support as detailed above.
- Meet the performance requirement of 99.999% availability.
- Maintain a staffed, local maintenance office within 50 miles of the WTC site as detailed above.

Section D

Additional work in Future Phases will be an add on to the existing SAPS. This work may require additional licensing, agents and/or modules, and connections as required per future needs. The requirements to connect a new system to the SAPS will be clearly identified and communicated to the Authority. A test, rollout and rollback plan will be developed for each new system that clearly defines the process to add a new system to the SAPS and any potential effect on system operation. New connections to the PSIM and PIAM system can be installed and configured on the live system without disrupting system operation. It is possible that some future new connections could require a server reboot to become active. Additional new agents, modules, or new software releases for additional functionality may require system downtime for installation, which will be made clear before implementation. Any new agents, modules, connections or software releases will be installed and tested in the test environment before being deployed on the live system.

Section E

The SAPS will require support as underlying systems require updates and the SAPS itself needs updates or features added. Any Service Packs, Updates and Major Upgrades to the SAPS will be tested in the test environment before implementation on the live system. A test, rollout and rollback plan will be defined for any update to the SAPS or any system the SAPS connects with. Any planned update to the system will be done with as little downtime as possible, and the implementation will be designed to minimize impact to operators.

If there is a SAPS upgrade and a system connected to the SAPS cannot be modified or changed to accommodate this upgrade, the SAPS software manufacturer must make the SAPS upgrade backwards compatible before it is implemented on site.

The PSIM and PIAM manufacturers will provide updates for any of the subsystems to which they connect as required for any software updates or

patches to those subsystems. The PSIM and PIAM manufacturers will advise the Authority if any updates are required to the SAPS, and provide the updates in a timely manner if necessary.

The PSIM and PIAM manufacturers will advise the Authority of any issues with the underlying operating system, databases or support software and any required patches, maintenance or known bugs and fixes to the system.

Day to day support will be handled using the standard support models of the SAPS manufacturers and the local JCI team.

VidSys

VIDSYS, INC.
MASTER SOFTWARE LICENSE AGREEMENT

This Master Software License Agreement ("Agreement") is entered into this ____ day of _____, 200__ (the "Effective Date", to be entered upon VidSys' execution of the Agreement), by and between VidSys, Inc. ("VidSys"), a Delaware corporation, and _____, a _____ corporation ("Customer"), as applicable to the licensing of software products identified in a particular Sales Order ("Products") and certain maintenance services in connection with such Products ("Maintenance") from VidSys by Customer.

1. **General.** In consideration of the terms of this Agreement, including payment, VidSys hereby will provide to Customer the Products and Maintenance each as described on the attached Sales Order(s) or on a statement of work attached to this Agreement or to the VidSys Professional Services Agreement. Each Sales Order executed by the parties and referencing this Agreement shall be incorporated by reference herein. VidSys does not agree to any other terms, including without limitation any terms on Customer's purchase order. Customer's acceptance of Products shall constitute Customer's acceptance of this Agreement. The Customer acknowledges and agrees that VidSys Products and services may be acquired through the VidSys Professional Services Agreement and/or through third-party contractors acting on behalf of the Customer. The Customer further acknowledges and agrees that no matter how acquired, the Products are subject to the terms and conditions of this Agreement, including but not limited to the Section 4 below.

2. **Payment.** VidSys will invoice Customer according to the prices set forth on each Sales Order hereto or, as applicable, on a statement of work attached to this Agreement or to the VidSys Professional Services Agreement. Subject to credit approval, payment by Customer of the full invoice amount will be due within thirty (30) days after the date of such invoice. Customer shall pay all applicable taxes (other than taxes based on VidSys' net income). VidSys reserves the right to charge, and Customer agrees to pay, a late charge equal to one percent (1%) per month on any amount that is not the subject of a good faith dispute that is unpaid on the due date, and on any other outstanding balance.

3. **Delivery and Acceptance; Maintenance.** VidSys shall use its reasonable commercial efforts to deliver the Products requested by Customer as set forth on each Sales Order. Delivery will be deemed completed once VidSys provides Customer access codes that enable Customer to electronically download the applicable Products. Products will be deemed accepted upon VidSys providing Customer access codes to a site that allows electronic downloads and Customer waives all right of revocation. The terms and conditions of any Maintenance provided hereunder are set forth in Exhibit A.

4. **VidSys Software.** Subject to the terms and conditions of this Agreement (including the payment of the applicable fees), VidSys hereby grants to Customer a perpetual, non-exclusive, non-transferable, non-sublicensable license to install and display the software (the "Software") and to use the Software in machine-readable form only and only for Customer's internal business purposes, on the specifically identified types and number of devices fully described in the respective Sales Order and or Statement of Work. Customer may copy the Software only for backup purposes, provided that Customer reproduces all copyright and other proprietary notices that are on the original copy of the Software.

(a) Software Restrictions. Customer agrees not to: (i) use, copy, modify, or transfer the Software, or any copy thereof, in whole or in part, except as expressly provided in this Agreement; (ii) reverse engineer, reverse compile, disassemble, decompile, or translate the Software, or otherwise attempt to derive the source code of the Software; (iii) use of Product to develop a product which is competitive with any of the Product; (iv) permit third-party access to, or use of, the Product, except as expressly permitted herein; (v) distribute or publish keycode(s) to the Product; or (vi) use unauthorized keycode(s) and (vii) that it shall not use the Product except as expressly permitted by this Agreement and Sales Order(s). Customer shall notify VidSys if Customer becomes aware of any unauthorized third party access to, or use of the Product. Customer agrees not to remove or modify any copyright, patent, or other proprietary labels or markings on the products or the packaging provided by VidSys or permit others to do so. Any attempt to transfer any of the rights, duties, or obligations hereunder is void. Customer may not rent, lease, loan, resell for profit, provide access to, or distribute the Software, or any part hereof, including, but not limited to, as a time-share or on an application service basis. Third party software vendors whose technology has been incorporated, in whole or in part, into the Software are third party beneficiaries to the extent permitted by applicable law.

(b) Ownership. The Software is licensed, not sold, to Customer for use only under the terms of this Agreement, and VidSys reserves all rights not expressly granted to Customer.

(c) Term. The Software and accompanying user documentation are protected by United States copyright law and international treaty. Unauthorized reproduction or distribution is subject to civil and criminal penalties. The license granted hereunder will terminate immediately upon such time as Customer no longer uses the Product or, upon notice to Customer, if Customer is in material breach of any term or condition of this Agreement. Customer agrees upon termination to promptly return the Software and all copies. Paragraphs 2, 4(a), 4(b), 4(c), 4(g), 5, 6, 8 and 11 shall survive termination of this Agreement.

(d) Software Warranty Disclaimer. VidSys warrants to Customer that the Software will perform substantially in accordance with its user documentation for the thirty (30) day period immediately following Customer's receipt of the Software (the "Warranty Period"). If Customer notifies VidSys during the Warranty Period that the Software does not perform substantially in accordance with the user documentation and VidSys is able to reproduce such failure then VidSys shall, at VidSys' sole discretion: (i) provide a correction or a workaround for such failure; (ii) replace the Software with conforming Software; or (iii) refund the price of the Product upon return of the product to VidSys. The foregoing warranty shall not apply to failures to conform to the documentation to the extent such failures arise, in whole or in part, from (i) any use of the Products other than in accordance with the documentation, (ii) modification of the Products; or (iii) any combination of the Product with software, hardware or other technology not provided by VidSys under this Agreement, to the extent the combination is the cause of the failure to conform. The forgoing shall be VidSys' sole, entire and exclusive liability and remedy for any breach of any warranty.

THE EXPRESS WARRANTIES IN THIS SECTION 4 ARE IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, QUIET ENJOYMENT, AND NON-INFRINGEMENT. EXCEPT AS EXPRESSLY STATED IN THIS SECTION 4, VIDSYS PROVIDES THE SOFTWARE ON AN "AS IS" BASIS. NO WARRANTY IS MADE BY VIDSYS ON THE BASIS OF TRADE USAGE, COURSE OF DEALING OR COURSE OF TRADE. VIDSYS DOES NOT WARRANT THAT THE PRODUCTS ANY OTHER INFORMATION, MATERIALS, TECHNOLOGY OR SERVICES PROVIDED UNDER THIS AGREEMENT WILL MEET CUSTOMER'S REQUIREMENTS OR THAT THE OPERATION THEREOF WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT ALL ERRORS WILL BE CORRECTED. CUSTOMER ACKNOWLEDGES THAT VIDSYS' OBLIGATIONS UNDER THIS AGREEMENT ARE FOR THE BENEFIT OF CUSTOMER ONLY.

(e) U.S. Government End Users. The Software is a "commercial item" as that term is defined in 48 C.F.R. 2.101, consisting of "commercial computer software" and "commercial computer software documentation" as such terms are used in 48 C.F.R. 12.212. Consistent with 48 C.F.R. 12.212 and 48 C.F.R. 227.7202-1 through 227.7202-4, all U.S. Government end users acquire the Software with only those rights set forth herein.

(f) Export Law. The Software and related technology are subject to U.S. export control laws and may be subject to export or import regulations in other countries. Customer agrees to comply strictly with all such laws and regulations and acknowledges that Customer is solely responsible for obtaining such licenses to export, re-export, or import as may be required.

(g) Audits. VidSys, or VidSys' designated agent, may, upon five (5) days prior written notice to Customer, inspect any Customer facility where the Product is used and audit records for the purpose of confirming Customer's compliance with this Agreement. VidSys may perform only one audit per twelve (12) month period unless a previous audit reveals a discrepancy. VidSys' audit shall be performed at VidSys' sole expense; provided

VidSys

EXHIBIT A

CUSTOMER SUPPORT PROGRAM

Maintenance, support, product enhancements, and warranty services are offered by VidSys to any user of a VidSys Product ("Licensee") who has paid an annual fee for membership in the VidSys Customer Support Program and who is not otherwise in default of any material obligation under a valid Master Software License Agreement. VidSys will provide the services described below to members of the Customer Support Program:

Software and Documentation Updates
The following updates will be provided at no additional charge:

- Product Updates: General releases containing error corrections and incremental feature enhancements. Decimal revision levels (e.g., 1.1 to 1.2) designate product updates.
- Documentation Upgrades: When changes or enhancements are made to the documentation or to supplement updates to the software, VidSys will provide updated documentation.
- Major Upgrades: New versions of the software that significantly enhance functionality. Incremental non-decimal revision levels (e.g., 2.0 to 3.0) designate major upgrades.

The following will be provided at an additional charge:

- New Products: Licensees who wish to obtain such products may do so by paying an upgrade fee to acquire the New Product.

Telephone and Email Assistance
Error reports and requests for assistance with VidSys products may be submitted via telephone, facsimile, and e-mail.

- *Telephone: Telephone support in the use of VidSys products during normal business hours (8:00 a.m. to 8:00 p.m. US Eastern Time,* Monday through Friday) can be obtained at (703) 883-3730 ext 308.
- Facsimile: Facsimile reports and requests for assistance can be submitted to 703-883-3731.
- E-mail: E-mail reports and requests for assistance can be sent to support@VidSys.com.

Correction of Reproducible Errors
Reproducible errors submitted to VidSys will be handled in accordance with the following error definition and problem resolution procedures. Resolution may take the form of a written response, supplementary documentation, work-around, coding change, product patch, postponement to the next release, or other correctional aids. VidSys' response efforts begin when VidSys has received all information from Licensee necessary for VidSys to be able to reproduce the suspected error. Response times are based on the time of receipt of reports received by telephone.

Severity Classifications

- Severity One: Critical Impact. The reported error relates to an VidSys product that is inoperable. VidSys' initial response and description of resolution objectives shall be within four (4) hours and efforts toward resolution shall be continuous until successful.
- Severity Two: Significant Impact. The reported error affects the software to the extent that the operation of an VidSys product is significantly impaired. VidSys' initial response and description of resolution objectives shall be within one (1) business day and efforts toward resolution shall be continuous until successful.
- Severity Three: Some Impact. The reported error impairs Licensee's use of some software functionality, but the software is still operational. VidSys' initial response and description of resolution objectives shall be within two (2) business days and efforts toward resolution shall be reported to Licensee periodically as necessary thereafter.
- Severity Four: Minimal Impact. The report relates to a request for information, clarification, or modifications to the current release or requests for enhancements. VidSys' initial response and description of resolution objectives shall be within five (5) business days and efforts toward resolution shall be reported to Licensee periodically as necessary thereafter. All decisions regarding enhancements, additions, and other software modifications shall be made at VidSys' sole discretion.

VidSys' response times shall be within VidSys' normal support hours (8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday). A report received overnight or on a weekend will be considered received at 9:00 a.m. on the next business day.

Sales Order Dated ?????

VidSys

Sales Order	
Transaction ID	Sales Order Date 9/2/2008
Subject to the terms of Customer Agreement:	
☑ Attached	☐ Effective Date:

Account Rep:

8219 Leesburg Pike - Suite 250
Vienna, VA 22182
http://www.vidsys.com/

Fax: 240-238-9874

Customer Information

Main Contact (Licensee)	Invoice To	Ship To
Company ABC Company		
Address		
Contact		
Title		
Tel		
Fax		

Sales Order Details - VidSys Perpetual Licensing *(Notes 1 and 3)*

Insert Copy of Sales Order for respective customer after the numbers are finalized.

Notes

(1) The discount offered is valid if this order is signed along with the license agreement on or before XXX, 2008.
(2) Maintenance renewals are due at the end of the initial maintenance period, that begins on the date the Sales Order is executed.
(3) All quotes are in US dollars and do not include applicable taxes, tariffs, and shipping.
(4) A minimum of one year maintenance must be purchased for each VidSys perpetual software license.
(5) Installation & Configuration services are based on a day rate of $2,500 and includes all travel expenses, with a two (2) day or $5,000 minimum.
(6) Training services are based on a day rate of $2,000 and includes all travel expenses, with a two (2) day or $4,000 minimum.
(7) Release Migration Service is based on a day rate of $2,500 and includes all travel expenses, with a three (3) day or $7,500 minimum.

Acceptance and Agreement

ACCEPTANCE:
To approve this Sales Order and initiate an order, please sign below and fax to (240) 238-9874, attn: Order Processing.

Accepted by:		Accepted by:	
Company Name:	Effective Date	VidSys, Inc.	Date
Name:		Name:	

Thank you for doing business with the VidSys Team!----------Confidential and Proprietary

QUANTUM SECURE

Quantum Secure, Inc.: End-User License Agreement

BY RECEIVING THE SOFTWARE PROGRAM(S) AND 30 DAYS THEREAFTER,YOU INDICATE YOUR ACCEPTANCE OF THIS LICENSE AGREEMENT AND THE SOFTWARE PROGRAM(S).

THIS LEGAL DOCUMENT IS AN AGREEMENT BETWEEN YOU, THE END USER, AND QUANTUM SECURE. BY INSTALLING THE ENCLOSED SOFTWARE PROGRAM, YOU ARE AGREEING TO BECOME BOUND BY THE TERMS OF THIS AGREEMENT, WHICH INCLUDES THE SOFTWARE LICENSE, CERTAIN OTHER SOFTWARE THAT QUANTUM SECURE MIGHT OEM AND CERTAIN DISCLAIMERS OF WARRANTY (the "Agreement"). THIS AGREEMENT CONSTITUTES THE COMPLETE AGREEMENT BETWEEN YOU AND QUANTUM SECURE, INC.

IF YOU DO NOT AGREE TO THE TERMS OF THIS AGREEMENT, DO NOT INSTALL THE SOFTWARE. PROMPTLY RETURN THE UNOPENED PACKAGE AND THE OTHER ITEMS (INCLUDING WRITTEN MATERIALS, BINDERS OR OTHER CONTAINERS) THAT ARE PART OF THIS PRODUCT TO THE PLACE WHERE YOU OBTAINED THEM FOR A FULL REFUND.

1. OWNERSHIP AND ADMINISTRATION OF SOFTWARE

1.1 **Ownership and Title**. As between the parties, Quantum Secure, and its licensors, own and shall retain all right, title, and interest in and to: (i) the Software including all intellectual property rights embodied therein; (ii) all of the service marks, trademarks, trade names, or any other designations associated with the Software; and (iii) all copyrights, patent rights, trade secret rights, and other proprietary rights relating to the Software. (iv) all "Derivative Work" described as work that is based upon or derived (whether directly or indirectly, or in whole or in substantial part) from product implementation or a copyrighted work, such as a revision, modification, enhancement, translation, portation, abridgment, correction, condensation, addition or expansion of or to the copyrighted work, or any form in which the copyrighted work may be recast, transformed or adapted, which represents an original work of authorship and, if prepared other than in accordance with an express license grant in this Agreement and other express terms of this Agreement, would constitute copyright infringement without limitation, all deliverables, computer programs (source, object and custom code), programming aids and tools, documentation, reports, data, designs, concepts, know-how, and other information, whether copyrightable / patentable or not.

1.2 **Administration of Software**. Quantum Secure may include on the media with the Software additional computer programs which are not currently licensed for use by Licensee. Inclusion of such additional computer programs in no way implies a license from Quantum Secure and access or use of such programs is strictly prohibited unless Licensee procures the right to use any such program and the applicable Enabler Code is provided thereto.

2. LICENSE GRANT

2.1 **Grant**. Quantum Secure grants to Licensee a nonexclusive, nontransferable, non sub-licensable, perpetual, unless terminated in accordance with the provisions of this Agreement, license (the "License") to (i) use the Software installed in accordance with the Documentation and only on the licensed computer solely for its own internal operations; and (ii) move the Software temporarily in case of computer system malfunction. The License granted under this Agreement does not constitute a sale of the Software or any portion or copy of it. Licensee may not use the Software on more than one computer system unless otherwise specifically authorized by an explicit Software product, or additional licenses for additional computers are purchased. Rights not expressly granted are reserved by Quantum Secure.

2.2 **Copies**. Licensee may make copies of the Software provided that any such copy is: (i) created as an essential step in utilization of the Software according to this agreement and is used in no other manner; or

(ii) used for archival purposes to back up the licensed computers. All trademark and copyright notices must be reproduced and included on such copies. Licensee may not make any other copies of the Software.

2.3 **Restrictions on use**. Licensee shall not, and shall not aid, abet, or permit any third party to: (i) decompile, disassemble, or otherwise reverse engineer or attempt to reconstruct or discover any source code or underlying ideas or algorithms of the Software by any means whatsoever; (ii) remove any identification, copyright, or other notices from the Software; (iii) provide, lease, lend, use for timesharing or service bureau purposes; (iv) create a derivative work of any part of the Software; or (v) develop methods to enable unauthorized parties to use the Software. If EC law is applicable, the restrictions in Section 3.3 (i) are limited so that they prohibit such activity only to the maximum extent such activity may be prohibited without violating the EC Directive on the legal protection of computer programs. Notwithstanding the foregoing, prior to decompiling, disassembling, or otherwise reverse engineering any of the Software, Licensee shall request Quantum Secure in writing, to provide Licensee with such information or assistance and Licensee shall refrain from decompiling, disassembling, or otherwise reverse engineering any of the Software unless Quantum Secure cannot or has not complied with such request in a commercially reasonable amount of time.

Licensee will not sell, assign or sub-license this license or sell or otherwise transfer the Software or Documentation (or any portion thereof) to any other party except to an affiliate of the Licensee and except with the written consent of Quantum Secure. Licensee will maintain the Software and Documentation ("Confidential Information") in confidence and not disclose any data or other information contained in the Software or Documentation to any party, except for Licensee's employees and agents who require access to the Software for the purposes of Licensee's internal business and only for use in accordance with the terms of this License Agreement. Customer will not use the Software for the provision of time-sharing services to others.

2.4 **OEM License.** Quantum Secure may OEM or Resell certain software products from third party manufacturers and all such products are subject to strictly this license agreement.

2.5 **Non Disclosure**. Licensee will implement appropriate measures, such as the requirement that employees and others permitted access to the Software enter into appropriate non-disclosure agreements, to satisfy its obligation hereunder and, generally, will treat the Software and Documentation with the same degree of care and confidentiality which Customer provides for its own confidential information. Since unauthorized transfer, use or disclosure of the Software and Documentation would diminish their value to Quantum Secure and its suppliers, who would have no adequate remedy at law if Quantum Secure claims that Customer materially breaches its obligations under this License Agreement, Quantum Secure may be entitled to seek injunctive relief, in addition to such other remedies and relief that would be available to them in the event of such a breach. Confidentiality requirements shall not apply to Confidential Information:

a. Already known by the recipient party without an obligation of confidentiality,
b. Publicly known or becomes publicly known through no unauthorized act of the recipient party,
c. Rightfully received from a third party without obligation of confidentiality,
d. Independently developed by the recipient party without use of the other party's Confidential Information,
e. Disclosed without similar restrictions by the owner of the Confidential Information to a third party (other than an affiliate or customer of the party owning the Confidential Information),
f. Approved by the party owning the Confidential Information, in writing, for disclosure, or
g. Required to be disclosed pursuant to a requirement of a governmental agency or law so long as the recipient party provides the other party with timely prior written notice of such requirement.

2.6 **Purchase Orders.** Nothing contained in any purchase order, acknowledgment, or invoice shall in any way modify the terms or add any additional terms or conditions to this Agreement.

2.7 **Updates**. This section applies if the Software acquired is an update to the original Software (the "**Update**"). An Update does not constitute a legally licensed copy of the Software unless purchased as an

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Update to a previous version of the same Software. The Update may only be used in accordance with the provisions of this Agreement. The Update, together with the original Software, constitutes one (1) legally licensed copy of the Software.

3. SALES, MAINTENANCE AND SUPPORT

3.1 Attached Exhibit A describes the maintenance and support policies of Quantum Secure under this contract.

3.2 Attached Exhibit B describes the sales terms of Quantum Secure under this contract.

4. LIMITED WARRANTY

4.1 **Media and Documentation.** Quantum Secure warrants that if the media or documentations are damaged or physically defective at the time of delivery of the first copy of the Software to Licensee and if defective or damaged product is returned to Quantum Secure within thirty (30) days thereafter, then Quantum Secure will provide Licensee with replacements at no cost.

4.2 **Limited Software Warranty.** Subject to the conditions and limitations of liability stated herein, Quantum Secure warrants for a period of ninety (90) days from the delivery of the first copy of the Software to Licensee that the Software, as delivered, will materially conform to Quantum Secure's then current published Documentation for the Software. This warranty covers only problems reported to Quantum Secure during the warranty period. For customers outside of the United States, this Limited Software Warranty shall be construed to limit the warranty to the minimum warranty required by law. Quantum Secure makes no representations or warranties with respect to third party software and shall not be responsible for any loss of data or other errors resulting from the software's failure to perform.

4.3 **Remedies.** The remedies available to Licensee hereunder for any such Software which does not perform as set out herein shall be either repair or replacement, or, if such remedy is not practicable in Quantum Secure's opinion, refund of the license fees paid by Licensee upon a return of all copies of the Software to Quantum Secure. In the event of a refund this Agreement shall terminate immediately without notice

EXCEPT AS SET FORTH IN THIS SECTION 4, QUANTUM SECURE DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED WITH RESPECT TO THE SOFTWARE OR THE DOCUMENTATION OR THEIR OPERATION OR USE PROVIDED IN CONNECTION THEREWITH *WILL BE UNINTERRUPTED OR IS ERROR FREE, INCLUDING, WITHOUT LIMITATION, ANY* IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR USE. SOME STATES DO NOT ALLOW THE EXCLUSION OF IMPLIED WARRANTEIS, SO THE ABOVE EXCLUSION DOES NOT APPLY IN SUCH STATES. THIS WARRANTY GIVES YOU SPECIFIC LEGAL RIGHTS AND YOU MAY ALSO HAVE OTHER RIGHTS THAT VARY FROM STATE TO STATE.

5. LIMITATION OF LIABILITY

5.1 **Limited Liability.** *QUANTUM SECURE AND ITS SUPPLIERS, EMPLOYEES, AGENTS,* RESELLERS, OEM PARTNERS, DEALERS AND FRANCISEES WILL IN NO EVENT BE LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL, OR OTHER DIRECT OR INDIRECT DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF BUSINESS, LOSS OF PROFITS, BUSINESS INTERRUPTION OR THE LIKE, DAMAGES FOR THE INABILITY TO USE EQUIPMENT OR ACCESS DATA) SUFFERED BY LICENSEE, ANY OF ITS EMPLOYEES OR AGENTS OR ANY OTHER PERSON ARISING OUT OF OR IN CONNECTION WITH THE USE OR INABILITY TO USE THE SOFTWARE OR THE DOCUMENTATION, OR THE MAINTENANCE OR SUPPORT THEREOF

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AND BASED ON ANY THEORY OF LIABILITY INCLUDING BREACH OF CONTRACT, BREACH OF WARRANTY, TORT (INCLUDING NEGLIGENCE), PRODUCT LIABILITY OR OTHERWISE, EVEN IF QUANTUM SECURE OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IF A REMEDY SET FORTH HEREIN IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.

Quantum Secure neither assumes nor authorizes any employee, agent, dealer or franchisee to assume for Quantum Secure any other liability in connection with the license, use of performance of the Software or Documentation.

Licensee is solely responsible for the selection of the Software to achieve Licensee's intended results, for the conformity of the computer on which the Software is run to Quantum Secure's specifications or requirements and for the maintenance of such computer in good working order and repair. Quantum Secure's suppliers do not warrant the Software, assume any liability regarding the use of the Software or undertake to provide any maintenance, support or information regarding the Software.

THE FOREGOING LIMITATIONS ON LIABILITY ARE INTENDED TO APPLY TO THE WARRANTIES AND DISCLAIMERS ABOVE AND ALL OTHER ASPECTS OF THIS EULA.

5. TERM AND TERMINATION

5.1 **Term.** *The term of this Agreement is perpetual unless terminated in accordance with its provisions.*

5.2 **Termination**. Quantum Secure may terminate this Agreement, without notice, upon Licensee's breach of any of the provisions hereof.

5.3 **Effect of Termination**. Upon termination of this Agreement, Licensee agrees to cease all use of the Software and to return to Quantum Secure or destroy the Software and all Documentation and related materials in Licensee's possession, and so certify to Quantum Secure. Except for the License granted herein and as expressly provided herein, the terms of this Agreement shall survive termination.

6. PAYMENT; TAXES

6.1 **Payment**. All amounts payable hereunder are due at net thirty (net 30) term, unless otherwise specified herein. Quantum Secure reserves the right to charge 1.5% / month late fee on any unpaid balance.

6.2 **Increases**. Unless otherwise specified in this agreement, Quantum Secure's fees for maintenance services may be increased on each annual anniversary of the Effective Date provided that the fees after any such increase shall not exceed the lesser of: (i) eight percent (8%) over the amounts charged in the preceding year, or (ii) Quantum Secure's then current standard published charges.

6.3 **Taxes**. Licensee agrees to pay all taxes levied upon the Software and any services based upon their use hereunder, *exclusive, however, of taxes based on Quantum Secure's income, which taxes shall be paid by Quantum Secure.*

7. U.S. GOVERNMENT RIGHTS

7.1 **Restricted Rights.** The Software and Documentation are provided with restricted rights. Use, duplication or disclosure by the U.S. Government is subject to restrictions as set forth in subparagraphs (b)(3)(ii) and (c) (1) (ii) of the Rights in Technical Data and Computer Software Clause of Department of Defense Federal Acquisition Supplement (DFARS) 252.227-7013 or in subparagraph (g) (3) (i) of Federal Acquisition Regulations (FAR) 52.227-14, Alternate III as applicable.

8. MISCELLANEOUS

QUANTUM SECURE

8.1 **Governing Law.** This Agreement shall be governed by the laws of the State of California without regard to the principles of conflict of laws or the United Nations Convention on Contracts for the International Sale of Goods.

8.2 **Export and Import Controls.** Regardless of any disclosure made by Licensee to Quantum Secure of an ultimate destination of the Products, Licensee will not directly or indirectly export or transfer any portion of the Software, or any system containing a portion of the Software, to anyone outside the United States (including further export if Licensee took delivery outside the U.S.) without first complying with any export or import controls that may be imposed on the Software by the U.S. Government or any country or organization of nations within whose jurisdiction Licensee operates or does business. Licensee shall at all times strictly comply with all such laws, regulations, and orders, and agrees to commit no act which, directly or indirectly, would violate any such law, regulation or order.

8.3 **Software Delivery:** Quantum Secure delivers all software and documentation via electronic FTP download.

8.4 **Assignment.** Quantum Secure may assign or otherwise transfer any or all of its rights and obligations under this Agreement upon notice to Licensee.

8.5 **Sole Remedy and Allocation of Risk.** Licensee's sole and exclusive remedies are set forth in this Agreement. This Agreement defines a mutually agreed-upon allocation of risk, and the License price reflects such allocation of risk.

8.6 **Equitable Relief.** The parties agree that a breach of this Agreement adversely affecting Quantum Secure's intellectual property rights in the Software may cause irreparable injury to Quantum Secure for which monetary damages may not be an adequate remedy and Quantum Secure shall be entitled to equitable relief in addition to any remedies it may have hereunder or at law.

8.7 **No Waiver.** Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision, nor will any single or partial exercise of any right or power hereunder preclude further exercise of any other right hereunder.

8.8 **Severability.** If for any reason a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to affect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

8.9 **Audit Rights.** Quantum Secure shall have the right to periodically audit (or to request a report from the Licensee which report will be due fifteen days from the written (letter or email) request from Quantum Secure) the total number of active identities (employees, contractors and physical access cardholders) managed by Quantum Secure software in the records of the Licensee during normal business hours and upon reasonable notice to the Licensee, to verify compliance with the licensing and payment provisions of this Agreement.

8.10 **Publicity / News.** Quantum Secure reserves the right to use Licensee's name or logo in publicity releases, promotional material, advertising, marketing or business generating efforts. Quantum Secure will notify the licensee appropriately.

9. **ENTIRE AGREEMENT**

9.1 This Agreement sets forth the entire understanding and agreement between the parties and may be amended only in a writing signed by authorized representatives of both parties. No vendor, distributor, dealer, retailer, sales person, or other person is authorized by Quantum Secure to modify this Agreement or to make any warranty, representation, or promise which is different than, or in addition to, the warranties,

QUANTUM SECURE

representations, or promises made in this Agreement. No prior agreements, terms or preprinted purchase orders shall in any way modify, replace, or supersede the terms of this Agreement.

IN WITNESS WHEREOF, Quantum Secure and Licensee have each caused this Software License Agreement to be signed and delivered by its duly authorized officer or representative, effective _____

	QUANTUM SECURE
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

QUANTUM SECURE

Exhibit A

Software Support Agreements (SSA) and Software Maintenance

Quantum Secure offers standard software system support coverage for all their products. This Agreement sets forth the terms and conditions under which Quantum Secure shall maintain its Software Products which have been properly purchased, licensed or sub-licensed to the Customer.

1.0 Maintenance of Software
Beginning on the day of the execution of this agreement, Quantum Secure shall provide the following error-correction, bug fixing and software support services:

(a) telephonic support during the defined days and hours of business operation as per below. Such support shall include consultation on the operation and utilization of the Software.

(b) software error / bug correction services, consisting of Quantum Secure's using all reasonable efforts to design, code and implement programming changes to the Software, and modifications to the documentation, to correct reproducible errors therein so that the Software is brought into substantial conformance with the Specification.

(c) copyrighted software patches, updates, new releases and new versions of the Software, including the PACS agents deployed along with other generally available technical material. Under this agreement, Quantum Secure will release the new PACS agent for the newer release of the PACS (Physical Access Control Systems) software within six months of the new version of that PACS being commercially available in the market by the PACS manufacturer.

The Licensee must inform Quantum Secure at least 90 days before any scheduled upgrades to the SAFE connected systems, such as PACS, IDMS, etc. for receiving appropriate software upgrade. In case Quantum Secure cannot get hold of the newer version of the PACS or any other software from the market / from the original manufacturers, then Quantum Secure will be allowed to develop the upgrade of its software against the copy of the new version of the PACS or any other software belonging to the Licensee.

In order to provide timely support under this support agreement, the Licensee must provide a convenient remote access authorization to Quantum Secure support team to the servers where Quantum Secure products are installed. Without an uninterrupted access to these servers, the support process may be delayed and could lead to longer time for problem diagnostics and resolution.

2.0 Exceptions
Quantum Secure Software Support Agreement does not cover operating systems, backup and/or restoration of the Quantum Secure SOFTWARE and/or associated data, reinstallation of the SOFTWARE on a different or repaired computer, SOFTWARE tampering in any form, accounting issues, Database issues, Internet connection issues, viruses, spy ware, networking issues, hardware or any other third party software or device issues. While we will do our best to help, support of these uncovered issues may incur additional charges on a per incident basis. Software updates does not cover any required data conversion; operating systems, hardware, additional training, government initiated changes which require software programming changes, pre-printed form layouts or the conversion and/or adaptation of any Licensee requested modifications or reports.

3.0 Term
This Agreement will be for a period of one year from the first day of the following month the software installation at the Licensee's site begins or the 90 days from the shipment date, whichever comes first and shall be automatically renewed for additional one year terms, unless terminated by the Customer serving thirty days notice in writing to Quantum Secure prior to the end of the then running term. This Agreement

may also be terminated by Quantum Secure if the Customer defaults in the payment of any monies due under this Agreement and fails to remedy the default within 15 days after written notice or in the event of a breach by Customer of any other provision of this Agreement.

4.0 Automatic Renewal
Renewing your Software Support & Maintenance is one of the most cost-effective ways to protect your software investment. It saves you time, it saves you money, and it ensures your uninterrupted access to vital technical support and product upgrades - features that can make a real difference to your bottom line. Automatic or Continuous Renewal safeguards your Software License, Subscription and Support against unintentional lapses.

The Licensee agrees to automatic renewal of the SSA at its anniversary date and will be invoiced based upon the current cost at the time of renewal.

Opting Not to Renew
Quantum Secure recommend all customers to renew their Software Support Agreement to take advantage of continuous product upgrades, research & development and telephonic technical support. But, if Licensee choose NOT to renew it's Software Support Agreement, it must serve thirty days notice of it's intent to terminate the Software Support Agreement in writing to Quantum Secure prior to the end of the then running term. *If at a later date, the Licensee wish to reinstate its Software Support Agreement, it may do so by paying "Software Support Agreement Reinstatement" fees which is 10% of its current year's annual software maintenance cost. In addition, the Licensee will be required to pay all back costs owing Software Maintenance Fees for the entire period elapsed where the support was not in force.*

5.0 Fees & Payments
The support fees will be invoiced annually up to 30 days in advance of the renewal date and invoices are payable 30 days after receipt of invoice by the Customer. In the event that the agreement is not terminated at the end of a running one year term, the Customer is responsible for ensuring that the appropriate customer purchase order is sent to Quantum Secure, if your company requires a PO to pay the invoice.

Late payment after the due date on the invoice or after the start date of the new term may be subject to 1.5% per month late charges. The Support services and benefits are suspended upon the expiration of the current Software Support Agreement term if the payment is not received by that time.

Quantum Secure reserves the right to amend the support fees by giving not less than sixty days notice prior to the end of the then running one year term. The Support Fees will generally increase concomitant with the inflation rate in the economy.

Standard Service is our standard support coverage option. It provides telephone support and assistance from our Customer Support Center during normal support hours (Mon – Fri, 9:00 a.m. – 5:00 p.m. PST) as well as software upgrades if and when available. .

Responses to the Customer's support issues require the Customer to provide adequate information and documentation to enable Quantum Secure to recreate the problem. Quantum may notify the Customer that the problem could not be recreated, located or identified, if such is the case. If the reported problem is unrelated to Quantum Secure's installed products, Quantum Secure may notify Customer that the problem will not be resolved and the reason for this decision. Notwithstanding the provisions of this section, Quantum Secure makes no warranties that the Support Services provided hereunder will be successful in resolving all difficulties or problems or in diagnosing all faults.

Customer must maintain a functional Internet connection and dial-in (or log in via VPN) capabilities during business hours for any on-line support. Customer must make sufficient daily, weekly and monthly backups.

QUANTUM SECURE

NOTE: It is our policy to support the current version of each software product and one full version back. All support calls for products not under Warranty or SSA are subject to T &M charges or will be directed to purchase a SSA.

More details on our support process is available via Quantum Secure published Customer Care documentation which is included (and is downloadable from your customer care site) with the shipment of your products.

The Customer's Role
The provision of the error correction and support services described above shall be expressly contingent upon the Customer's cooperation in providing all relevant information about the errors, promptly reporting any errors in the Software or related documentation to the Quantum Secure's Support Department, providing adequate remote access and not modifying the Software without the written consent from Quantum Secure.

6.0 Limitation of Liability
QUANTUM SECURE AND ITS SUPPLIERS, EMPLOYEES, AGENTS, RESELLERS, OEM PARTNERS, DEALERS AND FRANCISEES WILL IN NO EVENT BE LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL, OR OTHER DIRECT OR INDIRECT DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF BUSINESS, LOSS OF PROFITS, BUSINESS INTERRUPTION OR THE LIKE, DAMAGES FOR THE INABILITY TO USE EQUIPMENT OR ACCESS DATA) SUFFERED BY LICENSEE, ANY OF ITS EMPLOYEES OR AGENTS OR ANY OTHER PERSON ARISING OUT OF OR IN CONNECTION WITH THE USE OR INABILITY TO USE THE SOFTWARE OR THE DOCUMENTATION, OR THE MAINTENANCE OR SUPPORT THEREOF AND BASED ON ANY THEORY OF LIABILITY INCLUDING BREACH OF CONTRACT, BREACH OF WARRANTY, TORT (INCLUDING NEGLIGENCE), PRODUCT LIABILITY OR OTHERWISE, EVEN IF QUANTUM SECURE OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IF A REMEDY SET FORTH HEREIN IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.

Quantum Secure neither assumes nor authorizes any employee, agent, dealer or franchisee to assume for Quantum Secure any other liability in connection with the license, use of performance of the Software or Documentation.

Customer agrees that Quantum Secure shall not in any event be liable to Customer for lost profits or special, consequential, or exemplary damages, under any circumstances, arising from this Agreement, the Software, or Quantum Secure's negligence, or otherwise, and that Quantum Secure shall not be liable for failure to perform any of its obligations under this Agreement if such failure is due to acts of God or the public enemy, acts of government in either its sovereign or contractual capacity, critical materials shortages, fires, floods, strikes, lockouts, freight embargoes, inclement weather, errors or defects in the data supplied by Customer, or any other case or condition beyond Quantum Secure's reasonable control.

Customer shall indemnify and hold harmless Quantum Secure, its respective employees, officers, directors, shareholders and agents (collectively, the "**Indemnitee**") and hold the Indemnitee harmless against any and all losses, costs (including court costs and reasonable attorneys' fees), damages, settlements, suits, actions, expenses, liabilities, and claims sustained by the Indemnitee arising out of or resulting from any material breach by Customer of the terms and conditions of this Agreement.

Quantum Secure will undertake all reasonable efforts to provide technical assistance under this agreement and to rectify or provide solutions to problems where the Software does not function as described in the Software documentation, but Quantum Secure does not guarantee that the problems will be solved or that any item will be error-free. This agreement is only applicable to Quantum Secure's Software running under the certified environments specified in the release notes for that product.

QUANTUM SECURE

Software Support Agreements

Services	Standard
Telephone Support: Mon – Fri, 9:00 a.m. – 5:00 p.m. (PST)	X
If & when available, Software Maintenance and/or Enhancement Release Updates (Software Upgrades)	X

7.0 Software System Support
Standard Software Support Agreement (SSA) coverage, as listed, is in force for the customer after the initial warranty period. In addition, systems integrators opting to purchase support services on an "as needed" basis only, may do so at prevailing **Time and Materials Rates (T&M).** Quantum Secure requires a signed Purchase Order prior to providing T & M support services. If the end user requires on-site *installation of the software upgrades from Quantum Secure, then the end-user may do so at the prevailing* time and material rates from Quantum Secure. Licensee will reimburse Quantum Secure for the reasonable travel and living expenses of the support representative for on-site activity outside of normal support.

8.0 Telephone Technical Support
During the Agreement, Quantum Secure will only accept service calls from the end –user or the employees of the Systems Integrator of Record for the specific installation to which the support inquiry relates. The standard technical support telephone number is (800) 776-3414. The preferred way to report issues is through our web site: http://support.quantumsecure.com/Login.asp

This Agreement may be modified only in writing by authorized representatives of Quantum Secure, Inc. and the Customer.

NOTE: Quantum Secure does not guarantee defects will be fixed in any specific time duration due to the nature of software operating in a multi-vendor environment. It is the goal of Quantum Secure to deliver our best effort to satisfactorily resolve each incident using the best judgment under each circumstance.

QUANTUM SECURE

Exhibit B

Sales Terms

All Terms are subject to this entire License Agreement.

Johnson Controls

Acknowledgment of Addenda for RFP #22113

Johnson Controls is in receipt of Addendums' #1 through and including Addendum #6

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PURCHASING SERVICES DIVISION
ONE MADISON AVENUE 7TH FL.
NEW YORK, NY 10010

Date: 8/12/10

ADDENDUM #1

To prospective proposers on RFP # 22113 for Situational Awareness Platform Software and Integration Services for the World Trade Center Site:

Proposals due back on September 7, 2010, no later than 2:00 PM.

Proposals originally due back on August 20, 2010, no later than 2:00 PM

The following change is hereby made in the documents:

1. **The Proposal due date has been changed to September 7, 2010, no later than 2:00 PM.**

This communication should be initialed by you and annexed to your proposal upon submission. In case any proposer fails to conform to these instructions, its proposal will nevertheless be construed as though this communication had been so physically annexed and initialed.

THE PORT AUTHORITY OF NY & NJ

JANE CETERKO, MANAGER
PURCHASING SERVICES DIVISION

PROPOSER'S FIRM NAME: Johnson Controls Inc
INITIALED: [illegible]
DATE: 12/2/10

QUESTIONS CONCERNING THIS ADDENDUM MAY BE ADDRESSED TO TJ STORCH AND JAMES SUMMERVILLE, WHO CAN BE REACHED AT:

JEANETTE ANDERSON: (212) 435-3930, JEANETTE.ANDERSON@PANYNJ.GOV
JAMES SUMMERVILLE: (212) 435-3954, JSUMMERVILLE@PANYNJ.GOV

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PURCHASING SERVICES DIVISION
ONE MADISON AVENUE 7TH FL.
NEW YORK, NY 10010

Date: 8/17/10

ADDENDUM #2

To prospective proposers on RFP # 22113 for Situational Awareness Platform Software and Integration Services for the World Trade Center Site:

Proposals due back on **September 7, 2010**, no later than 2:00 PM.

The following change is made in the documents:

A. **Under the subsection entitled "Proposal" on page 20 of the RFP, replace the second sentence of the first paragraph with the following sentence: "This information requested in this Section 7 shall be provided for Stage I of the evaluation process."**
B. **Replace Prerequisite C on page 15 of the RFP with the following amended Prerequisite C: "The product(s) proposed for the Situational Awareness Platform Solution must have been installed and must currently be in production and in use in at least three customer sites, with at least one site being in the United States, for a minimum of six months prior to the date of the submission of the proposal**
C. **Replace the second sentence of the first paragraph in Section 3 (Proposer Prerequisites) with the following sentence: "Using Attachment G (Prerequisites) hereto, proposers must demonstrate satisfaction of the following prerequisites."**
D. **Replace original "Attachment G: Prerequisites" to the RFP with the attached "Amended Attachment G: Perquisites".**

QUESTIONS AND ANSWERS

The following information is made available in response to questions submitted by prospective proposers to the Port Authority. It addresses only those questions that the Port Authority of NY & NJ has deemed to require additional information and/or clarification. The fact that information has not been supplied with respect to any questions asked by a Proposer does not mean or imply anything (nor should it be deemed to have any meaning, construction or implication) with respect to the terms and provisions of the RFP, which will be construed without reference to such questions.

The Port Authority makes no representations, warranties or guarantees that the information contained herein is accurate, complete or timely or that such information accurately represents the conditions that would be encountered during the performance of the Contract. The furnishing of such information by the Port Authority shall not create or be deemed to create any obligation or liability upon it for any reason whatsoever and each Proposer, by submitting its proposal, expressly agrees that it has not relied upon the foregoing information, and that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever. Accordingly, nothing contained herein and no representation,

statement or promise, of the Port Authority, its Commissioners, officers, agents, representatives, or employees, orally or in writing, shall impair or limit the effect of the warranties of the Proposer required by this RFP or any resulting contract and the Proposer agrees that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever.

Questions / Requests	Answers
1) Will there be an extension to the Proposal due date?	As stated in Addendum 1 to RFP 22113, the proposal due date has been extended to **2:00 PM on September 7, 2010.**
2) Where will future addenda to the RFP be posted?	Refer regularly to the Port Authority's website (http://www.panynj.gov/business-opportunities/bid-proposal-advertisements.html, under the "World Trade Center Site" tab) for future addenda.
3) Will there be a pre-proposal conference?	No.
4) Clarify which prerequisites on pages 14 and 15 of the RFP apply to the proposer and which apply to the product.	Proposer prerequisites: Sections 3.A and 3.B on page 14 of the RFP. Product prerequisites: Section 3.C on page 15 of the RFP.
5) The requirement for integration leads customization to a degree of the required COTS products to meet all requirements at the World Trade Center site. Explain the apparent contradiction between COTs products and changes required for integration?	Changes (e.g. to API, SDKs or user exits) required to meet the specifications stated in the RFP shall be incorporated in the proposed core system, such that all code remains certified and upgraded in the core COTS product.
6) Will the Contractor choose any of the eleven products for integration (pages 10-11) or will the Port Authority define all sub-products for use by the Contractor, such as video management system, CBRN detection system, radio communication system, vehicle interdiction barrier control software, etc.?	The Contractor will not choose any of the eleven systems. The Port Authority will decide the systems when appropriate. Stage II of the RFP will identify the systems known at the time of RFP issuance.
7) Will the Port Authority provide the SAPS software design (preliminary and critical) review schedules before the proposal due date?	Schedules will be made available in the Stage II of the RFP process.
8) What type of pricing (e.g. cost plus fixed fee, time and materials, fixed price, etc.) will the contract provide?	As specified in Section 5 of the RFP (pg. 16), the Port Authority will provide a detailed cost matrix form in Stage II of the RFP process. Such document will disclose the type of pricing in the contract resulting from the RFP.

Questions / Requests	Answers
9) Clarify the Port Authority's expectations regarding the provision of pricing from proposers in Stage I of the RFP process.	Per Section 7 (pp 22-23) of the RFP, the Port Authority is expecting **only** an "overall cost estimate" in the Stage I proposals. The Port Authority will use such estimates **only** for budgetary (**not** evaluative or comparative) purposes. In Stage II of the RFP process, the Port Authority will provide a detailed cost matrix form to the firms qualified under Stage I. The Port Authority will review and evaluate such forms in Stage II of the RFP process.
10) Will procurement be performed outside of the RFP and become the responsibility of the Port Authority for the recommended SAP hardware and software environments?	Refer to Attachment I (pg. 92) of the RFP to determine the expectations and responsibilities regarding the procurement of the hardware and software environments.
11) Who will maintain the SAPS system?	Expectations and responsibilities regarding maintenance will be provided in Stage II of the RFP process.
12) Will the Port Authority monitor the SAPS system on a 24x7 basis or will the Contractor be responsible for such monitoring?	The Port Authority will operate the SAPS system. As noted in the answer to question 9, above, the Contractor's scope of work regarding warranty, maintenance and support of SAPS will be provided in Stage II of the RFP process.
13) When will Stage II of the RFP begin?	Refer to the information listed under "Stage II" in Section 5 (Evaluation Criteria and Ranking) on pages 16-17 of the RFP.
14) Aside from product descriptions and a rough order of magnitude of pricing for software, shall the proposer provide a bill of materials for hardware configurations?	The proposers shall provide a bill of materials for servers and a typical workstation.
15) Clarify following requirement: "The application shall support full hardware redundancy through compatibility with fault tolerant and hot standby servers, which shall provide for a minimum of 99.999% hardware and software availability."	The SAPS software shall be able to operate in a high-availability server environment, with hot standby server failover.
16) Will the access control system be the central system that sends information to the PSIM system for monitoring and correlating information, etc.?	The SAPS software is responsible for monitoring and correlating information from multiple systems, examples of which are the access control systems.
17) What is the planned initial focus of the rollout -- physical security information management or physical identity access management?	The initial focus of the rollout is both physical security information management and physical identity access management.

Questions / Requests	Answers
18) Will the Contractor (i.e. system integrator) be responsible for integrating the SAPS system to each system mentioned on page 62 of the RFP, or will the Port Authority and/or other vendors perform certain integration work?	The Contractor will integrate subsystems with SAPS.
19) Will the Contractor be responsible for ongoing upgrades and enhancements of the SAPS system? Since the Port Authority will provide all hardware and network capabilities, will the Port Authority administer software releases?	The Contractor shall provide ongoing upgrades and enhancements to the SAPS software and related APIs/SDKs. The Port Authority will maintain operating system software.
20) In addition to being responsible for viewing and PTZ control, will the Port Authority store all video from the individual sites?	The Port Authority will not store video from each individual site. However, SAPS shall store event-related data that may include video segments.
21) Could the Port Authority provide a copy of the RFP to prospective proposers in a text-readable format?	No.
22) Since the Port Authority will not release the implementation schedule until Stage II of the RFP, should Stage I budgetary estimates use 2011 labor rates?	The proposers should include the base labor rate year in their budgetary cost estimates.
23) If a specific system has not been previously integrated into the proposer's SAPS system, will the Port Authority act as an advocate with the system's manufacturer if there is a lack of cooperation?	The Contractor shall ensure system integration required by the contract. With respect to the systems' manufacturer, clarification of the expectations and responsibilities of the parties of the Contract should be provided later.
24) How does the Port Authority intend to participate in the Software Development Life Cycle, i.e., planning, requirements development/review, testing, etc.?	The Port Authority does not anticipate participating in the Software Development Life Cycle. However, the Port Authority anticipates participation in the testing associated with the commissioning of the installed software.
25) Will the SAPS client access be accessible via the main network or does it envision a separate security network that can support the increased bandwidth requirement due to serving out video?	A network will be provided with the bandwidth required to support the SAPS application
26) How many viewer clients does the Port Authority envision?	A final number of clients has not been determined, however, this information is unnecessary to provide a budgetary cost estimate required in the Stage I proposal.
27) Will blueprints for the facilities be made available, so they can be incorporated in the SAPS system?	All required information, including building CAD drawings, will be made available to the Contractor at the appropriate time.
28) Will the Port Authority define the equipment it will furnish and install and expect the Contractor furnish and install any additional equipment it needs?	The Contractor shall provide only the equipment specified in the contract resulting from the RFP.

Questions / Requests	Answers
29) Under the Proposal Submission Requirements, all sections have page allocations except the Proposal section on page 20. Provide an estimated page allocation for the Proposal section. If there is no such allocation, does the Port Authority assume that proposals will meet a 'thoroughness standard' without regard to proposal length?	There is no limitation on proposal page length.
30) Is there a preferred form or format in which to submit the budgetary cost estimate?	No
31) Attachment B, Clause 7 (Insurance Procured by the Contractor) requires the Contractor to add a list of 38 entities as "additional insured" under the Contractor's insurance policy. Clarify the relationship between the Port Authority and these entities and the rationale for this requirement. Will the Port Authority consider deleting this requirement, as the Contractor's work scope is discrete and limited?	Exceptions and/or additions to the RFP's terms and conditions should be included in the firms' proposals. The Port Authority will not consider any such exceptions or additions under this Addendum or subsequent addenda.
32) A Disclaimers/Limitation of Remedies clause preserving and making exclusive the obligations, rights, and remedies of the buyer set forth in the contract and waiving and relieving the seller from other obligations, rights, and remedies of the buyer is common commercial contracting practice, yet the Port Authority does not include such a clause in the RFP. What is the Port Authority's rationale for excluding such a clause? Is the Port Authority willing to consider such a clause?	Exceptions and/or additions to the RFP's terms and conditions should be included in the firms' proposals. The Port Authority will not consider any such exceptions or additions under this Addendum or subsequent addenda.
33) Attachment B, Clause 14 (Indemnification and Risks Assumed by the Contractor) is very broad. It includes losses and damages resulting from negligence of indemnities, and increases the Contractor's liability far beyond what a Contractor would typically be liable for under the law. Is the Port Authority willing to consider changes to the clause that would align the Contractor's liability under the contract with the Contractor's work scope and performance obligations under contract and the liability the Contractor would otherwise have under the law.	Exceptions and/or additions to the RFP's terms and conditions should be included in the firms' proposals. The Port Authority will not consider any such exceptions or additions under this Addendum or subsequent addenda.

Questions / Requests	Answers
34) Shall the proposals to Stage 1 of the RFP identify and describe the roles of all proposed subcontractors? Will Stage 2 of the RFP permit the addition, deletion or substitution of subcontractors by the proposers that qualified under Stage 1 of the RFP?	The Contractor shall select, identify and describe the roles of subcontractors in its Stage I proposal. Stage II of the RFP will permit the addition, deletion or substitution of subcontractors by proposers qualified in Stage I of the RFP process. However, the Port Authority will not permit the proposers (and subsequently, the Contractor) to change the subcontractors used to satisfy the prerequisites listed in Section 3 (pgs 14-15) of the RFP.
35) Does the RFP address just the WTC Security Command Center? Or does it also include other facilities?	As stated in Section 1.A (pg. 7) of the RFP, the "Port Authority may consider similar implementations of the proposed SAPS systems for its other PANYNJ facilities."
36) Regarding prerequisite C (pg. 15 of the RFP), does "in production" mean the same as "in operation"?	Yes.
37) Attachment A (Agreement on Terms of Discussion) states that information provided by the Proposer is not given in confidence. However, it does state that the Proposer may identify information as "proprietary" and that the Port Authority will take reasonable efforts not to disclose such information. Confirm that the Port Authority is differentiating between "proprietary" information and providing information in "confidence", and that marking information as "proprietary" is not considered a deviation of Attachment A	Labeling "proprietary" information as such in the proposal is not a deviation of Attachment A (Agreement on Terms of Discussion).

This communication should be initialed by you and annexed to your proposal upon submission. In case any Proposer fails to conform to these instructions, its proposal will nevertheless be construed as though this communication had been so physically annexed and initialed.

THE PORT AUTHORITY OF NY & NJ

JANE CETERKO, MANAGER
PURCHASING SERVICES DIVISION

PROPOSER'S FIRM NAME: Johnson Controls Inc.
INITIALED: MJ
DATE: 12/2/10

QUESTIONS CONCERNING THIS ADDENDUM MAY BE ADDRESSED TO JEANETTE ANDERSON (JEANETTE.ANDERSON@PANYNJ.GOV, 212-435-3930) OR JAMES SUMMERVILLE (JSUMMERVILLE@PANYNJ.GOV, 212-435-3954)

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PURCHASING SERVICES DIVISION
ONE MADISON AVENUE 7TH FL.
NEW YORK, NY 10010

Date: 11/5/10

ADDENDUM #3

To prospective proposers on RFP # 22113 for Situational Awareness Platform Software and Integration Services for the World Trade Center Site:

Proposals due back on December 1, 2010, no later than 2:00 PM.

Proposals originally due back on November 16, 2010, no later than 2:00 PM

The following CHANGES are hereby made in the documents:

1. ***The Proposal due date has been changed to December 1, 2010, no later than 2:00 PM.***

2. **Replace the original Cost Proposal (Attachment B) of the Stage II RFP with the revised Cost Proposal attached hereto as Attachment B.1. Proposers shall provide and submit their costs only on Attachment B.1.**

QUESTIONS AND ANSWERS

The following information is made available in response to questions submitted **thus far** by prospective proposers to the Port Authority. It addresses only those questions that the Port Authority of NY & NJ has deemed to require additional information and/or clarification. The fact that information has not been supplied with respect to any questions asked by a Proposer does not mean or imply anything (nor should it be deemed to have any meaning, construction or implication) with respect to the terms and provisions of the RFP, which will be construed without reference to such questions.

The Port Authority makes no representations, warranties or guarantees that the information contained herein is accurate, complete or timely or that such information accurately represents the conditions that would be encountered during the performance of the Contract. The furnishing of such information by the Port Authority shall not create or be deemed to create any obligation or liability upon it for any reason whatsoever and each Proposer, by submitting its proposal, expressly agrees that it has not relied upon the foregoing information, and that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever. Accordingly, nothing contained herein and no representation, statement or promise, of the Port Authority, its Commissioners, officers, agents, representatives, or employees, orally or in writing, shall impair or limit the effect of the warranties of the Proposer required by this RFP or any resulting contract and the Proposer agrees that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever.

Question	Answer
1) The functional specification (Scope of Work) includes several requirements related to Identity and credential management application modules and connectors. However, these items are not reflected in the line item pricing of the Cost Proposal matrix (Attachment B of the Stage II RFP). How should proposers reflect pricing for such items?	1) All Cost Proposal line items are inclusive of **all** SAPS requirements (i.e. both PSIM and PIAM) where applicable. For example: • The base software costs should be included in lines 1, 2, and 3 in Section I of the Cost Proposal; lines 53, and 54 in Section II of the Cost Proposal; and lines 112, 113 in Section III of the Cost Proposal, as applicable; • Connection costs should be included in lines 12, 14, and 15 in Section I of the Cost Proposal; lines 64, 66, and 67 in Section II of the Cost Proposal; and lines 120, 121, 122, 124, and 125 in Section III of the Cost Proposal, as applicable; • Training costs are inclusive of all SAPS functional training In the revised Cost Proposal (Attachment B.1 hereto; see Change 2, above), the Authority has added Item 11 (entitled "Other") to Sections I, II and III. Item 11 in these Sections contains six line items in which the Proposer shall identify items not covered elsewhere in the Cost Proposal. The Proposer shall complete Item 11 in each of these Sections according to the following instructions: **Section I**: • Description: Identify the items; • Columns A, B, C, D, and F: complete these columns according to their headings; • Columns C, D, and E: Enter N/C (no cost) if there is no cost associated with the respective item. **Section II**: • Description: Identify the items. The items in Section II shall mirror those in Item 11 of Section I; • Columns A, B, C, D, and F: complete these columns according to their headings; • Columns C, D, and E: Enter N/C (no cost) if there

	is no cost associated with the respective item. **Section III**: • Description: Identify the items. The items in Section III shall mirror those in Item 11 of Sections I and II; • Column A: Proposers shall not alter Column A, as the quantities (one) are fixed for that column. • Columns B, C, D, and F: complete these columns according to their headings • Columns C, D and E: Enter N/C (no cost) if there is no cost associated with the respective item.
2) Provide the SAPS Software Compliance Matrix (Attachment C of the Stage II RFP) in an Excel spreadsheet for completion by the Proposers.	2) See the Excel spreadsheet attached to this Addendum #3.

This communication should be initialed by you and annexed to your proposal upon submission. In case any Proposer fails to conform to these instructions, its proposal will nevertheless be construed as though this communication had been so physically annexed and initialed.

THE PORT AUTHORITY OF NY & NJ

JANE CETERKO, MANAGER
PURCHASING SERVICES DIVISION

PROPOSER'S FIRM NAME: Johnson Controls Inc.
INITIALED: [illegible]
DATE: 12/2/10

QUESTIONS CONCERNING THIS ADDENDUM MAY BE ADDRESSED TO JEANETTE ANDERSON (JEANETTE.ANDERSON@PANYNJ.GOV, 212-435-3930) OR JAMES SUMMERVILLE (JSUMMERVILLE@PANYNJ.GOV, 212-435-3954)

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PURCHASING SERVICES DIVISION
ONE MADISON AVENUE 7TH FL.
NEW YORK, NY 10010

Date: 11/8/10

ADDENDUM #4

To prospective proposers on RFP # 22113 for Situational Awareness Platform Software and Integration Services for the World Trade Center Site:

Proposals due back on December 1, 2010, no later than 2:00 PM.

The following CHANGES are hereby made in the documents:

1. **Correction:**
   Please note that "Automatic Logic" BMS system should read "Automated Logic" on the Cost Proposal, Attachment B.1. See revised Cost Proposal, Attachment B.2 to reflect the change.

QUESTIONS AND ANSWERS

The following information is made available in response to questions submitted **thus far** by prospective proposers to the Port Authority. It addresses only those questions that the Port Authority of NY & NJ has deemed to require additional information and/or clarification. The fact that information has not been supplied with respect to any questions asked by a Proposer does not mean or imply anything (nor should it be deemed to have any meaning, construction or implication) with respect to the terms and provisions of the RFP, which will be construed without reference to such questions.

The Port Authority makes no representations, warranties or guarantees that the information contained herein is accurate, complete or timely or that such information accurately represents the conditions that would be encountered during the performance of the Contract. The furnishing of such information by the Port Authority shall not create or be deemed to create any obligation or liability upon it for any reason whatsoever and each Proposer, by submitting its proposal, expressly agrees that it has not relied upon the foregoing information, and that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever. Accordingly, nothing contained herein and no representation, statement or promise, of the Port Authority, its Commissioners, officers, agents, representatives, or employees, orally or in writing, shall impair or limit the effect of the warranties of the Proposer required by this RFP or any resulting contract and the Proposer agrees that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever.

Question	Answer
1. Attachment A: Scope of Work, Section 2.e page 16 ("all hardware [servers, workstations, network equipment] for this project shall be provided by the Port Authority".) Does this include all test and integration test hardware environments as well as the production environment? Moreover, will the test environments be established at Port Authority facilities at 115 Broadway, as noted, for the on-site support of key personnel or other facilities?	The Port Authority ("Authority") will provide all servers and workstations. The successful proposer shall be responsible for providing the integration and test hardware environment. There is no guarantee that after Contract award, the test environment will remain at the Port Authority office at 1 Madison Avenue, New York, NY 10010. The test environment can be accessed over the network from all Port Authority facilities.
2. Attachment A: Scope of Work, Section 3.a.xiii (Location Where Services Will Be Provided: "key team members, including the Account Manager, shall perform all their work on Authority premises....."). In order to propose cost savings alternatives, clarify whether the Contractor's staff at Authority facilities are provided office space, reproduction capabilities, e-mail access, printing, and computing capability.	The Authority anticipates being able to make a limited number of workstations available for the Contractor's staff at or near the applicable Port Authority facilities.
3. Attachment A: Scope of Work, Section 3.a.xiv (Transition Planning to Future Contractors: "The Contractor will be expected to provide orderly transition to future Contractors..." and "The Maximum transition period shall be 60 days, or less as determined feasible by the Authority".) If proposals to the Stage 1 RFP did not include transition costs, should Proposers include costs in the "documentation of changes" described in Section 7.A of the Stage 2 RFP?	Proposers are not required to include Transition costs in the Cost Proposal. A Work Order will be issued to the Contractor at the time of transition. The Contractor will be requested to provide transition costs in response to such work order.

Question	Answer
4. Attachment A: Scope of Work Section 4.b ("The SAPS software shall be required to inherit the base functionality of each of the base tenant systems, allowing each of those features to be exposed and operated through the SAPS software"). Clarify if "inherit the base functionality" means SAPS has equivalent available functionality (as in the named systems defined in Section 4, sub-sections f, g, h, I, j, k, l, m, n, p) or whether this only implies access and control of said base functionality in the named systems through interfaces and a mechanism to display the relevant alarm and status information from those systems on a SAPS GIS or floor plan capability, including relevant event data. This would support decision and response protocols in the SAPS solution.	The SAPS software shall inherit all functionality as made available through the API/SDK interface to each of the systems defined in Section 4 of the Scope of Work. Additionally, all floor plans and GIS relevant data shall be natively stored and processed within the SAPS database and not retrieved from the stakeholder system.
5. Attachment D Item [iii] under B Policy Management; Pg 104 ("The SAPS software shall be required to enact policies to automatically report modification of access control privileges or access control system data fields"). This section requires elaboration on the type of reporting expected from the system. For example, should a real-time report be created for every unique change to access control privilege, say, for one identity? Or does it mean creation of a scheduled report (e.g. on a daily basis) capturing details of all changes to access control privileges and data fields for all identities?	The SAPS software shall be required to interpret the modification of an access control privilege or access control data field as an alarm input, which could then be used as part of a pre-programmed policy or SAPS response. Additionally, the SAPS software shall be required to run reports for all modifications to access control privilege or data field modifications for a given time period.

Question	Answer
6. Attachment D Item [iii] under C Connection to External Databases and Watch Lists; Pg 104 ("The SAPS software shall be required to connect to a minimum of 6 external databases or watch lists and cross reference individual data fields or credential photographs [if available] with those databases or watch lists"). This section does not provide a list of preferred watch lists to which the system should connect. Will the Authority provide watch lists or will the Contractor decide the minimum 6 watch lists?	The Port Authority will decide which watch lists will be connected to and will provide appropriate data to the Contractor at the time of connection request.
7. Attachment D Item [c] under Software Architecture; Pg 113 ("The software shall not require any software [e.g., applets, plug-ins, third party codes, etc.] to be pre-installed on a workstation in excess of Microsoft Internet Explorer v. 7.0 or greater and the associated operating system software"). This section prohibits installation of additional software. Does this restriction extend to all types of workstations? While end-user workstations do not require any other software than those mentioned above to access SAFE, badging/front desk workstations requiring integration with different types of peripherals (like camera, ID scanner, and printer) require third-party software license(s) on that workstation. These licenses are digitally signed to ensure conformance to customer organization's security guidelines. Please clarify this prohibition.	The requirement stipulates that no additional software or plug-ins shall be required to run the base SAPS software. This requirement does not apply to any drivers or licenses required to support peripheral computer hardware including cameras, ID scanners, and printers. All licenses and drivers should be digitally signed to ensure conformance to security guidelines as stated.

Question	Answer
8. Attachment D Item [f] under Software Architecture; Pg 113 ("The SAPS software shall maintain backwards compatibility for all APIs and SDKs installed at the WTC site starting from the time of original installation, even if those APIs or SDKs are no longer in use by the Port Authority"). While the PIAM part of the proposed SAPS system supports past versions of APIs/SDKs, clarify the objective in asking the Contractor to support the APIs even if they are not in use at the Authority.	The objective is to maintain SAPS compatibility with and support for all installed system versions, even if such versions are not the most current product versions. For example: if a building/entity has a BMS system version 5 and the current version of that BMS system is version 7, then SAPS is required to continue to support that BMS version 5 until the building/entity upgrades their BMS to version 6 or 7.
9. Attachment D 5 SAPS Software Identity Mgmt Requirements; Pg 103: • Is there an existing Access Control System/Person Logging System or an equivalent that holds cardholder & photo IDs? • If yes, will the Contractor migrate this information, including pictures?	There will be an Access Control System/Person Logging System that holds cardholder information and photo IDs. The Contractor is responsible for migrating this information, including pictures. The SAPS software shall be required to migrate this information automatically on a routine basis as changes to stakeholder databases occur.
10. Attachment D 5 SAPS Software Identity Mgmt Requirements; Pg 103: • How many badge printing workstations will there be? • How many badge enrollment stations will there be (if different from above)? • What are the types of peripherals expected to be integrated at the badge workstation, i.e. badge printer, document scanner, DL/passport scanner, camera, signature pad, lighting for camera, biometric enrollment scanners?	This intent of this requirement is to provide the ability for existing stakeholder badging workstations (including all requisite peripheral hardware) to utilize the SAPS software to create badges for that local stakeholder facility. The SAPS software would then populate the local facility access control database and the central SAPS database. This RFP requires badging printing/enrollment stations functionality, however there are no quantities as we are not asking for licenses at this time. If and when, licenses will be purchased on an as needed basis outside of this procurement effort. All noted hardware will likely be included as part of remote badging workstations but is not covered under the scope of this RFP

Question	Answer
11. Attachment D, Visitor Management; Pg 105: • How many visitor enrollment stations (entry points) will there be? • Will there be self-service kiosks? • What are the types of peripherals that are expected to be integrated at the enrollment stations, i.e. badge printer, document scanner, DL/passport scanner, camera, signature pad, lighting for camera, biometric enrollment scanners?	This intent of this requirement is to provide the ability for remote visitor enrollment stations or self-service kiosks (including all requisite peripheral hardware) to utilize the SAPS software to create visitor badges for that local stakeholder facility. The SAPS software would then populate the local facility access control database and the central SAPS database. This RFP requires badging printing/enrollment stations functionality, however there are no quantities as we are not asking for licenses at this time. If and when, licenses will be purchased on an as needed basis outside of this procurement effort. Additionally, licenses for remote visitor and enrollment stations and self service kiosks is not a requirement of this RFP. All noted hardware will likely be included as part of remote badging workstations but is not covered under the scope of this RFP.
12. Section 7.2.AD, Page 11 ("Include updated information in response to Attachment A, Scope of Work") This section asks for responses to specific parts of the scope of work. Does the Authority prefer or require a point-by-point response to the entire scope of work?	The Authority has no additional requirements or preferences other than what is stated in the Stage II RFP. Respond in the manner that meets the requirements and conveys your intent. Note that the Compatibility Matrix – Attachment D – must be addressed line by line as per instructions.
13. Appendix 13 (Load Balancing/Failover Diagram, pg 40): Is the failover architecture supported by any VMWare features, e.g., HA (high availability)?	Yes. The integrated failover architecture is supported by VMware environment. The SAPS shall be compatible with Vmware virtualization technologies (e.g., ESX, vSphere, Vmotion, DRS, etc.)

Question	Answer
14. SAPS Cost Proposal, lines 5 & 6 (SAPS base connectivity to buildings/entities, SAPS Base Connectivity quantity of 4) *Clarify the meaning of this category.* For example, does this represent that the SAPS Application will be connected to video, access control, and other systems in four WTC buildings?	The Cost Proposal Line 5 is only a heading line, and so are lines 7, 11, 16, etc. These lines should not be used to enter costs. In Phase 1 of the Project, SAPS will connect to four (4) entities/buildings. Line 6 of the Cost Proposal can be used to capture any costs associated with these four (4) connections over and above the costs provided in lines 8 through 41g. If all costs associated with entity/building connections are captured in the Cost Proposal lines 8 through 41g, then enter N/C (No Charge) in line 6. The same response applies to Section II and Section III of the Cost Proposal
15. Could the Authority provide the requested information, e.g. the versions, models, etc. While this information is not required for pricing purposes, it can affect the schedule for the awarded Contractor. The SAPS manufacturers will need to confirm or develop the API integration with each manufacturer on the list. This will expedite the requirements gathering and integration planning by the selected vendor.	The requested information cannot be provided at this time. Proposers are requested to include a milestone line item on "Attachment C: SAPS Phase 1 Project and Payment Schedule" submitted in their proposals, indicating the date by which the Authority is expected to submit version information for various systems in Phase 1.

This communication should be initialed by you and annexed to your proposal upon submission. In case any Proposer fails to conform to these instructions, its proposal will nevertheless be construed as though this communication had been so physically annexed and initialed.

THE PORT AUTHORITY OF NY & NJ

JANE CETERKO, MANAGER
PURCHASING SERVICES DIVISION

PROPOSER'S FIRM NAME: Johnson Controls Inc.
INITIALED: [illegible]
DATE: 12/2/10

QUESTIONS CONCERNING THIS ADDENDUM MAY BE ADDRESSED TO JEANETTE ANDERSON (JEANETTE.ANDERSON@PANYNJ.GOV, 212-435-3930) OR JAMES SUMMERVILLE (JSUMMERVILLE@PANYNJ.GOV, 212-435-3954)

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PURCHASING SERVICES DIVISION
ONE MADISON AVENUE 7TH FL.
NEW YORK, NY 10010

Date: 11/24/10

ADDENDUM #5

To prospective proposers on RFP # 22113 for Situational Awareness Platform Software and Integration Services for the World Trade Center Site:

Proposals due back on December 3, 2010, no later than 2:00 PM.

Proposals originally due back on December 1, 2010, no later than 2:00 PM

The following changes are hereby made in the documents:

1. **The Proposal due date has been changed to December 3, 2010, no later than 2:00 PM.**

2. **Delete the following sentence from Section 13.d.ii.1: "These commissioning segments shall occur as part of a pre-determined schedule based on the commissioning of that system by the base facility and subsequent interconnection between SAPS and that system via the API interface.**

3. **Delete the following subsection in its entirety: "Commissioning segments shall not commence until the individual stakeholder systems have been commissioned by their respective construction administration teams and thus presented for use to the SAPS program" (Section 13.d.ii.2).**

QUESTIONS AND ANSWERS

The following information is made available in response to questions submitted by prospective proposers to the Port Authority. It addresses only those questions that the Port Authority of NY & NJ has deemed to require additional information and/or clarification. The fact that information has not been supplied with respect to any questions asked by a Proposer does not mean or imply anything (nor should it be deemed to have any meaning, construction or implication) with respect to the terms and provisions of the RFP, which will be construed without reference to such questions.

The Port Authority makes no representations, warranties or guarantees that the information contained herein is accurate, complete or timely or that such information accurately represents the conditions that would be encountered during the performance of the Contract. The furnishing of such information by the Port Authority shall not create or be deemed to create any obligation or liability upon it for any reason whatsoever and each Proposer, by submitting its proposal, expressly agrees that it has not relied

upon the foregoing information, and that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever. Accordingly, nothing contained herein and no representation, statement or promise, of the Port Authority, its Commissioners, officers, agents, representatives, or employees, orally or in writing, shall impair or limit the effect of the warranties of the Proposer required by this RFP or any resulting contract and the Proposer agrees that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever.

Question	Answer
(1) Attachment A (Scope of Work), Pg. 46, Section 13. This section states the commission of the Situational Awareness Platform Software (SAPS) shall consist of a series of Acceptance Tests. Section 13.d.ii.2 (pg 47) states that "Commissioning segments shall not commence until the individual stakeholder systems have been commissioned by their respective construction administration teams and thus presented for use to the SAPS program." Section 14.a.iii states, "Each item of the System shall be tested in its entirety with the use of simulated inputs and simulated outputs, additional processors, or control equipment, as required in the event that the actual field equipment or conditions cannot be replicated in the lab or to demonstrate requirements for future capabilities." (a) Confirm that connections will be made between the Test Environment SAPS system and live third-party systems during Pre-deployment/Inspection test phase as described above. (b) Explain what simulation is anticipated to be necessary given that live third-party systems are available, aside from load and stress testing.	(a) As stated elsewhere in the RFP, connections will exist to the Port Authority's test environment via the Port Authority Wide Area Network (PAWANET), which is also part of the site connectivity. (b) Simulation shall include the creation of alarms, card reads, video monitoring, and other associated elements as made available through the API/SDK that mirror the base functionality of the specific stakeholder system.

This communication should be initialed by you and annexed to your proposal upon submission. In case any Proposer fails to conform to these instructions, its proposal will nevertheless be construed as though this communication had been so physically annexed and initialed.

THE PORT AUTHORITY OF NY & NJ

JANE CETERKO, MANAGER
PURCHASING SERVICES DIVISION

PROPOSER'S FIRM NAME: Johnson Controls Inc.
INITIALED: M
DATE: 12/2/10

QUESTIONS CONCERNING THIS ADDENDUM MAY BE ADDRESSED TO JEANETTE ANDERSON (JEANETTE.ANDERSON@PANYNJ.GOV, 212-435-3930) OR JAMES SUMMERVILLE (JSUMMERVILLE@PANYNJ.GOV, 212-435-3954)

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PURCHASING SERVICES DIVISION
ONE MADISON AVENUE 7TH FL.
NEW YORK, NY 10010

Date: 12/2/10

ADDENDUM #6

To prospective proposers on RFP # 22113 for Situational Awareness Platform Software and Integration Services for the World Trade Center Site:

Proposals due back on December 3, 2010, no later than 2:00 PM.

QUESTIONS AND ANSWERS

The following information is made available in response to questions submitted by prospective proposers to the Port Authority. It addresses only those questions that the Port Authority of NY & NJ has deemed to require additional information and/or clarification. The fact that information has not been supplied with respect to any questions asked by a Proposer does not mean or imply anything (nor should it be deemed to have any meaning, construction or implication) with respect to the terms and provisions of the RFP, which will be construed without reference to such questions.

The Port Authority makes no representations, warranties or guarantees that the information contained herein is accurate, complete or timely or that such information accurately represents the conditions that would be encountered during the performance of the Contract. The furnishing of such information by the Port Authority shall not create or be deemed to create any obligation or liability upon it for any reason whatsoever and each Proposer, by submitting its proposal, expressly agrees that it has not relied upon the foregoing information, and that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever. Accordingly, nothing contained herein and no representation, statement or promise, of the Port Authority, its Commissioners, officers, agents, representatives, or employees, orally or in writing, shall impair or limit the effect of the warranties of the Proposer required by this RFP or any resulting contract and the Proposer agrees that it shall not hold the Port Authority liable or responsible therefor in any manner whatsoever.

Question	Answer
1) The Pricing Table, labeled Attachment B.2.xlsx, Item 109 and 111 do not allow you to add item 55 to the subtotal, because it is locked and we can't get access to the formulas. Since Items 109 and 111 do not allow the subtotal of item 55 in the table, the calculation of totals is forced to be incorrect. Can you send us an unlocked table, please?	1) The attached Cost Proposal Spreadsheet is unlocked.

This communication should be initialed by you and annexed to your proposal upon submission. In case any Proposer fails to conform to these instructions, its proposal will nevertheless be construed as though this communication had been so physically annexed and initialed.

THE PORT AUTHORITY OF NY & NJ

JANE CETERKO, MANAGER
PURCHASING SERVICES DIVISION

PROPOSER'S FIRM NAME: Johnson Controls Inc.
INITIALED: [illegible]
DATE: 12/2/10

QUESTIONS CONCERNING THIS ADDENDUM MAY BE ADDRESSED TO JEANETTE ANDERSON (JEANETTE.ANDERSON@PANYNJ.GOV, 212-435-3930) OR JAMES SUMMERVILLE (JSUMMERVILLE@PANYNJ.GOV, 212-435-3954)

Johnson Controls

Financial Information

# of Employees:	JCI has a global team of more than 130,000 employees.
Type of Corporation:	C Corp
Federal Employer ID (FEIN):	Johnson Controls, Inc. 39-0380010
Sales & Use Tax Permit No.:	048701
SIC:	2531
Dunn & Bradstreet Number (D&B):	00-609-2860
Dunn & Bradstreet Rating:	5A3
Bank References:	JP Morgan Chase Credit and Confirmation Group Tel: (800) 550-8509 Fax: (817) 345-3794
Name of bonding company:	Liberty Mutual Surety 2800 W. Higgins Road Hoffman Estates, IL 60179-7205 Telephone: (847) 490-2265
Senior Surety Underwriter:	Joseph Clavelli Joseph.clavelli@libertymutual.com
Bonding capacity:	$100,000,000 Single Bond Limit $400,000,000 Aggregate
Name and address agent:	Hays Companies Attn: Kathy Hutson 1200 North Mayfair Road, Suite 100 Milwaukee, WI 53226 Telephone: (414) 290-3583 Fax: (414) 259-8414
Auditors:	Price Waterhouse Coopers 100 East Wisconsin Avenue Suite 1500 Milwaukee, WI 53202

Johnson Controls, Inc. is a public company whose shares are traded on the New York Stock Exchange (NYSE: JCI). A majority of our shares are held in "street name" (beneficial owners) so that we cannot identify the individual shareholder.

Ten most recent contracts the firm has completed. If less than ten, include must recent subcontracts on projects up to that number.

Project	Agency/Owner Contact Person & Telephone No.	Contract No.	Prime or Sub	Design Archand/or Design Engineer	Award Date	Amount	Date Completed
1	Citigroup - LIC Phase 2 Turner Construction - Paul Dorsey 212-229-6000	2306-0004	Sub	Cosentini	Sep-01	$ 1,500,000	Oct-02
2	American Airlines - JFK BMS & Fire Concourse C & Tunnel Magdy Allam -VRH-Torcon- 718-244-1880	1306-0006	Prime Div. 17	McClier	Sep-01	$ 8,000,000	Jul-05
3	American Airlines - JFK BMS & Fire Main A & B Magdy Allam -VRH-Torcon- 718-244-1880	2306-0020	Prime Div. 17	McClier	Sep-01	$ 15,000,000	Jul-08
4	OCME Forensic Biology Laboratory DASNY - Gilbane-TDX ED Wagner DASNY - 212-273-5000	3306-0058	Prime Div. 17	Cosentini	Feb-03	$ 3,900,000	Nov-06
5	*Coney Island Hospital Tower Bldg* DASNY -Skanska	3306-0174	Sub	BR+A	Aug-03	$ 1,350,000	Nov-05
6	Bellevue Hospital Redevelopment DASNY- Turner Construction - Paul Dorsey 212-229-6000	3306-1103	Prime Div. 17	Cosentini	Jul-03	$ 6,945,000	Jul-05
7	MSKCC New Research Building Phase 1 BMS Carlos Martinez Turner Construction	2306-0174	Prime Div. 17	Cosentini	Jul-03	$ 8,000,000	Jul-08
8	MSKCC New Research Building Phase 1 FAS Carlos Martinez Turner Construction	8306-5125	Prime	Cosentini	Nov-97	$ 2,500,000	Oct-99
9	330 Jay Street - BMS & Fire *Emad Latfola - Turner Construction 212-229-6000*	1306-0120	Prime Div. 17	Flack & Kurtz	Jan-01	$ 11,000,000	Aug-04
10	Verizion -140 West Disaster Recovery Verizion - George Famulare-212-587-8346, Justin Goldberg 212-587-0325	2306-0004	Sub	William F. Collins	Sep-01	$ 2,500,000	Oct-02

Major uncompleted construction contracts.

Project	Agency/Owner Contact Person & Telephone No.	Contract No.	Prime or Sub	Design Archand/or Design Engineer	Total $Amount Contract	~ $ Amount Sublet to others	Uncompleted $ Amount of Contract
1	National September 11th Memorial and Museum Bovis Lend Lease - Joe Esposito 212-592-6700	9PA3-0002	Prime Div. 17	JB&B	$ 4,000,000	$ 2,000,000	$ 1,280,000
2	Harlem Hospital DASNY- TDX Bill Goodman 212.939.1201	9PA3-0003	Prime Div. 17	Kallen & Lemelson	$ 3,000,000	$ 1,350,000	$ 2,225,000
3	Empire State Building Jones Lang LaSalle Ted Finnerty 212-736-3100	9PA3-0006	Prime Div. 17	JCI	$ 6,175,000	$ 2,778,750	$ 2,964,000
4	SUNY College of Optometry BMS NYPA/AECOM	3306-0058	Sub	AECOM	$ 1,675,000	$ 753,750	$ 837,500
5	Medgar Evers College *DASNY Turner Construction Robert Thielan 718-467-0340*	2306-0134	Prime Div. 17	Lakhani & Jordan	$ 5,200,000	$ 2,340,000	$ 780,000
6	Staten Island Courthouse DASNY/Jacobs Engineering	0PA3-0003	Prime Div. 17	Lakhani & Jordan	$ 1,675,000	$ 753,750	$ 1,507,500
						Grand Total	**$ 9,594,000**

Note: The NYC Office of Johnson Controls has a current backlog of 79 Million between BMS, Fire and Security with an unrevenued backlog of approximately 19 million.

EX.1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10–K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended September 30, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Transition Period From _____ To

Commission File Number 1-5097

JOHNSON CONTROLS, INC.

(Exact name of registrant as specified in its charter)

Wisconsin *(State of Incorporation)*	*(I.R.S. Employer Identification No.)*
5757 North Green Bay Avenue **Milwaukee, Wisconsin** *(Address of principal executive offices)*	**53209** *(Zip Code)*

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange
Corporate Units	New York Stock Exchange

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

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

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

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

Indicate by check mark 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. 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 ☑

As of March 31, 2010, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately $22.2 billion based on the closing sales price as reported on the New York Stock Exchange. As of October 31, 2010, 674,375,572 shares of the registrant's Common Stock, par value $0.01 7/18 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on January 26, 2011 are incorporated by reference into Part III.

JOHNSON CONTROLS, INC.

Index to Annual Report on Form 10-K

Year Ended September 30, 2010

		Page
CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION		3
	PART I.	
ITEM 1.	BUSINESS	3
ITEM 1A.	RISK FACTORS	8
ITEM 1B.	UNRESOLVED STAFF COMMENTS	13
ITEM 2.	PROPERTIES	13
ITEM 3.	LEGAL PROCEEDINGS	17
ITEM 4.	(REMOVED AND RESERVED)	18
	EXECUTIVE OFFICERS OF THE REGISTRANT	18
	PART II.	
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	19
ITEM 6.	SELECTED FINANCIAL DATA	22
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	51
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	52
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	105
ITEM 9A.	CONTROLS AND PROCEDURES	105
ITEM 9B.	OTHER INFORMATION	106
	PART III.	
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	106
ITEM 11.	EXECUTIVE COMPENSATION	106
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	106
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	107
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	107
	PART IV.	
ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	108
	SIGNATURES	109
	INDEX TO EXHIBITS	110

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

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

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "forecast," "outlook," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" (refer to Part I, Item 1A, of this Annual Report on Form 10-K). We undertake no obligation, and we disclaim any obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1 BUSINESS

General

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

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, we acquired Globe-Union, Inc., a Wisconsin-based manufacturer of automotive batteries for both the replacement and original equipment markets. We entered the automotive seating industry in 1985 with the acquisition of Michigan-based Hoover Universal, Inc.

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

Our automotive experience business is one of the world's largest automotive suppliers, providing innovative interior systems through our design and engineering expertise. Our technologies extend into virtually every area of the interior including seating and overhead systems, door systems, floor consoles, instrument panels, cockpits and integrated electronics. Customers include most of the world's major automakers.

Our 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. We serve both automotive original equipment manufacturers (OEMs) and the general vehicle battery aftermarket. We offer Absorbent Glass Mat (AGM) and lithium-ion battery technologies to power hybrid vehicles.

Financial Information About Business Segments

Accounting Standards Codification (ASC) 280, "Segment Reporting," establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in ASC 280, the

Company has determined that it has ten reportable segments for financial reporting purposes. Certain operating segments are aggregated or combined based on materiality within building efficiency - rest of world and power solutions in accordance with ASC 280. The Company's ten reportable segments are presented in the context of its three primary businesses: building efficiency, automotive experience and power solutions.

Refer to Note 19, "Segment Information," of the notes to the consolidated financial statements in Item 8 of this report for financial information about business segments.

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

Products/Systems and Services

Building efficiency

Building efficiency is a global leader in delivering integrated control systems, mechanical equipment, services and solutions designed to improve the comfort, safety and energy efficiency of non-residential buildings and residential properties with operations in 59 countries. Revenues come from facilities management, technical services and the replacement and upgrade of HVAC controls and mechanical equipment in the existing buildings market, where the Company's large base of current customers leads to repeat business, as well as with installing controls and equipment during the construction of new buildings. Customer relationships often span entire building lifecycles.

Building efficiency sells its control systems, mechanical equipment and services primarily through the Company's extensive global network of sales and service offices. Some building controls and mechanical systems are sold to distributors of air-conditioning, refrigeration and commercial heating systems throughout the world. Approximately 45% of building efficiency's sales are derived from HVAC products and installed control systems for construction and retrofit markets, of which 13% of its total sales are related to new commercial construction. Approximately 55% of its sales originate from its service offerings. In fiscal 2010, building efficiency accounted for 37% of the Company's consolidated net sales.

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

Automotive experience

Automotive experience designs and manufactures interior products and systems for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. The business produces automotive interior systems for OEMs and operates approximately 175 wholly- and majority-owned manufacturing or assembly plants in 27 countries worldwide (see Item 2, "Properties"). Additionally, the business has partially-owned affiliates in Asia, Europe, North America and South America.

Automotive experience products and systems include complete seating systems and components; cockpit systems, including instrument panels and clusters, information displays and body controllers; overhead systems, including headliners and electronic convenience features; floor consoles; and door systems. In fiscal 2010, automotive experience accounted for 49% of the Company's consolidated net sales.

The business operates assembly plants that supply automotive OEMs with complete seats on a "just-in-time/in-sequence" basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line. Certain of the business's other automotive interior systems are also supplied on a "just-in-

time/in-sequence" basis. Foam, metal and plastic seating components, seat covers, seat mechanisms and other components are shipped to these plants from the business's production facilities or outside suppliers.

Power solutions

Power solutions services both automotive OEMs and the battery aftermarket by providing advanced battery technology, coupled with systems engineering, marketing and service expertise. The Company is the largest producer of lead-acid automotive batteries in the world, producing approximately 120 million lead-acid batteries annually in approximately 55 wholly- and majority-owned manufacturing or assembly plants in 18 countries worldwide (see Item 2, "Properties"). Investments in new product and process technology have expanded product offerings to AGM and lithium-ion battery technology to power hybrid vehicles. Approximately 77% of automotive battery sales worldwide in fiscal 2010 were to the automotive replacement market, with the remaining sales to the OEM market.

Sales of automotive batteries generated 14% of the Company's fiscal 2010 consolidated net sales. Batteries and plastic battery containers are manufactured at wholly- and majority-owned plants in North America, South America, Asia and Europe.

Competition

Building efficiency

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

Automotive experience

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

Power solutions

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

Backlog

The Company's backlog relating to the building efficiency business is applicable to its sales of systems and services. At September 30, 2010, the backlog was $4.7 billion, compared with $4.3 billion as of September 30, 2009. The increase in backlog was primarily due to market share gains and conditions in the North America systems, North America service and rest of world markets, partially offset by a decline in Europe. The backlog does not include amounts associated with contracts in the global workplace solutions business because such contracts are typically multi-year service awards, nor does it include unitary products. The backlog amount outstanding at any given time is not necessarily indicative of the amount of revenue to be earned in the upcoming fiscal year.

At September 30, 2010, the Company's automotive experience backlog of net new incremental business for its consolidated and unconsolidated subsidiaries to be executed within the next three fiscal years was approximately $4.0 billion, $1.1 billion of which relates to fiscal 2011. The backlog as of September 30, 2009 was approximately $2.5 billion. The increase in backlog was primarily due to higher industry production volumes in North America, Europe and Asia. The automotive backlog is generally subject to a number of risks and uncertainties, such as related vehicle production volumes, the timing of related production launches and changes in customer development plans.

Raw Materials

Raw materials used by the businesses in connection with their operations, including lead, steel, urethane chemicals, copper, sulfuric acid and polypropylene, were readily available during the year and the Company expects such availability to continue. In fiscal 2011, the Company expects increases in steel, copper, chemicals and resin costs. Lead and other commodity costs are expected to be relatively stable.

Intellectual Property

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

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

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

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

Environmental, Health and Safety Matters

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

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

The Company's operations and facilities have been, and in the future may become, the subject of formal or informal enforcement actions or proceedings for noncompliance with such laws or for the remediation of Company-related

substances released into the environment. Such matters typically are resolved by negotiation with regulatory authorities that result in commitments to compliance, abatement or remediation programs and, in some cases, payment of penalties. Historically, neither such commitments nor such penalties have been material. (See Item 3, "Legal Proceedings," of this report for a discussion of the Company's potential environmental liabilities.)

Environmental Capital Expenditures

The Company's ongoing environmental compliance program often results in capital expenditures. Environmental considerations are a part of all significant capital expenditures; however, expenditures in fiscal 2010 related solely to environmental compliance were not material. It is management's opinion that the amount of any future capital expenditures related solely to environmental compliance will not have a material adverse effect on the Company's financial results or competitive position in any one year.

Employees

As of September 30, 2010, the Company employed approximately 137,000 employees, of whom approximately 93,000 were hourly and 44,000 were salaried.

Seasonal Factors

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

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

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

Financial Information About Geographic Areas

Refer to Note 19, "Segment Information," of the notes to the consolidated financial statements in Item 8 of this report for financial information about geographic areas.

Research and Development Expenditures

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

Available Information

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

ITEM 1A RISK FACTORS

General Risks

General economic, credit and capital market conditions could adversely affect our financial performance, and may affect our ability to grow or sustain our businesses and could negatively affect our ability to access the capital markets.

We compete around the world in various geographic regions and product markets. Global economic conditions affect each of our three primary businesses. As we discuss in greater detail in the specific risk factors for each of our businesses that appear below, any future financial distress in the automotive industry or residential and commercial construction markets could negatively affect our revenues and financial performance in future periods, result in future restructuring charges, and adversely impact our ability to grow or sustain our businesses.

The capital and credit markets provide us with liquidity to operate and grow our businesses beyond the liquidity that operating cash flows provide. A worldwide economic downturn and disruption of the credit markets could reduce our access to capital necessary for our operations and executing our strategic plan. If our access to capital were to become significantly constrained or costs of capital increased significantly due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, then our financial condition, results of operations and cash flows could be adversely affected. The Company's $2.05 billion five-year revolving credit facility expires in December 2011. The Company plans to renew the facility prior to its expiration.

We are subject to pricing pressure from our automotive customers.

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

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

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

In addition, as a result of our global presence, a significant portion of our revenues and expenses is denominated in currencies other than the U.S. dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. Our primary exposures are to the euro, British pound, Japanese yen, Czech koruna, Mexican peso, Swiss franc, Polish zloty, Canadian dollar and Chinese renminbi. While we employ financial instruments to hedge transactional and foreign exchange exposure, these activities do not insulate us completely from those exposures. Exchange rates can be volatile and could adversely impact our financial results.

There are other risks that are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions, laws and regulations, including import, export, labor and environmental laws, and monetary and fiscal policies, protectionist measures that may prohibit acquisitions or joint ventures, unsettled political conditions, natural and man-made disasters, hazards and losses, violence and possible terrorist attacks.

These and other factors may have a material adverse effect on our non-U.S. operations and therefore on our business and results of operations.

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

Due to our global operations, we are subject to many laws governing international relations, including those that prohibit improper payments to government officials and restrict where we can do business, what information or products we can supply to certain countries and what information we can provide to a non-U.S. government, including but not limited to the Foreign Corrupt Practices Act and the U.S. Export Administration Act. Violations of

these laws, which are complex, may result in criminal penalties or sanctions that could have a material adverse effect on our business, financial condition and results of operations.

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

Because of uncertainties associated with environmental regulation and environmental remediation activities at sites where we may be liable, future expenses that we may incur to remediate identified sites could be considerably higher than the current accrued liability on our consolidated statement of financial position, which could have a material adverse effect on our business and results of operations. As of September 30, 2010, we recorded $47 million for environmental liabilities and $84 million in related conditional asset retirement obligations.

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

Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax reserves on our statement of financial position that could materially and adversely affect our results of operations. Additionally, changes in tax laws in the U.S. or in other countries where we have significant operations could materially affect deferred tax assets and liabilities on our consolidated statement of financial position and tax expense.

We are also subject to tax audits by governmental authorities in the U.S. and in non-U.S. jurisdictions. Negative unexpected results from one or more such tax audits could adversely affect our results of operations.

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

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

A downgrade in the ratings of our debt could restrict our ability to access the debt capital markets and increase our interest costs.

Changes in the ratings that rating agencies assign to our debt may ultimately impact our access to the debt capital markets and the costs we incur to borrow funds. If ratings for our debt fall below investment grade, our access to the debt capital markets would become restricted. Tightening in the credit markets and the reduced level of liquidity in many financial markets due to turmoil in the financial and banking industries could affect our access to the debt capital markets or the price we pay to issue debt. Historically, we have relied on our ability to issue commercial paper rather than to draw on our credit facility to support our daily operations, which means that a downgrade in our ratings or continued volatility in the financial markets causing limitations to the debt capital markets could have an adverse effect on our business or our ability to meet our liquidity needs.

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

We are subject to potential insolvency or financial distress of third parties.

We are exposed to the risk that third parties to various arrangements who owe us money or goods and services, or who purchase goods and services from us, will not be able to perform their obligations or continue to place orders due to insolvency or financial distress. If third parties fail to perform their obligations under arrangements with us, we may be forced to replace the underlying commitment at current or above market prices or on other terms that are less favorable to us. In such events, we may incur losses, or our results of operations, financial position or liquidity could otherwise be adversely affected.

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

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

We are subject to business continuity risks associated with centralization of certain administrative functions.

Certain administrative functions, primarily in North America and Europe, have been or are in the process of being regionally centralized to improve efficiency and reduce costs. To the extent that these central locations are disrupted or disabled, key business processes, such as invoicing, payments and general management operations, could be interrupted.

We are in the process of implementing new information technology systems.

We are in the process of implementing a new global financial consolidations software system. We expect to implement this system in the first half of fiscal 2011, and it will replace our existing financial consolidations system. If we do not implement the system successfully, or if the system does not perform in a satisfactory manner, it could be disruptive and/or adversely affect our operations and results of operations, including our ability to report accurate and timely financial results. We are also implementing new enterprise resource planning (ERP) systems in certain of our businesses over a period of several years. As we implement the new ERP systems, the systems may not perform as expected. This could have an adverse effect on our business.

Our business success depends on attracting and retaining qualified personnel.

Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce. Any unplanned turnover or inability to attract and retain key employees could have a negative effect on our results of operations.

Building Efficiency Risks

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

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

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

Commodity prices were highly volatile in the past year, primarily steel, aluminum, copper and fuel costs. Increases in commodity costs negatively impact the profitability of orders in backlog as prices on those orders are fixed; therefore, in the short term we cannot adjust for changes in commodity prices. If we are not able to recover commodity cost increases through price increases to our customers on new orders, then such increases will have an adverse effect on our results of operations. Additionally, unfavorability in our hedging programs during a period of declining commodity prices could result in lower margins as we reduce prices to match the market on a fixed commodity cost level.

Conditions in the residential and commercial new construction markets may adversely affect our results of operations.

HVAC equipment sales in the residential and commercial new construction markets correlate to the number of new homes and buildings that are built. The strength of the residential and commercial markets depends in part on the availability of consumer and commercial financing for our customers, along with inventory and pricing of existing homes and buildings. If economic and credit market conditions worsen, it may result in a decline in the residential housing construction market and construction of new commercial buildings. Such conditions could have an adverse effect on our results of operations and result in potential liabilities or additional costs, including impairment charges.

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

Any of the following could materially and adversely impact the results of operations of our building efficiency business: loss of, or changes in, facility management supply contracts with our major customers; cancellation of, or significant delays in, projects in our backlog; delays or difficulties in new product development; the potential introduction of similar or superior technologies; financial instability or market declines of our major component suppliers; the unavailability of raw materials (primarily steel, copper and electronic components) necessary for production of HVAC equipment; price increases of limited-source components, products and services that we are unable to pass on to the market; unseasonable weather conditions in various parts of the world; changes in energy costs or governmental regulations that would decrease the incentive for customers to update or improve their building control systems; revisions to energy efficiency legislation; a decline in the outsourcing of facility management services; availability of labor to support growth of our service businesses; natural or man-made disasters or losses that impact our ability to deliver facility management and other products and services to our customers; and changes in foreign currency rates, which could adversely impact our profit on imported and exported goods.

Automotive Experience Risks

Conditions in the automotive industry may adversely affect our results of operations.

Our financial performance depends, in part, on conditions in the automotive industry. In fiscal 2010, our largest customers globally were automobile manufacturers Ford Motor Company (Ford), General Motors Corporation (GM) and Daimler AG. The Detroit 3 (Ford Motor Company, General Motors Company and Chrysler LLP) have implemented significant restructuring actions in an effort to improve profitability and are burdened with substantial structural costs, such as pension and healthcare costs, that have impacted their profitability and labor relations. If automakers that compete in North American and European markets experience a decline in the number of new vehicle sales, we may experience reductions in orders from these customers, incur write offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond our current restructuring plans, particularly if any of the automakers cannot adequately fund their operations or experience financial distress.

Financial distress of the original equipment supplier base could harm our results of operations.

Automotive industry conditions could adversely affect the original equipment supplier base. Lower production levels for key customers, increases in certain raw material, commodity and energy costs and global credit market conditions could result in financial distress among many companies within the automotive supply base. Financial distress within the supplier base may lead to commercial disputes and possible supply chain interruptions, which in turn could disrupt our production. In addition, an adverse industry environment may require us to provide financial support to distressed suppliers or take other measures to ensure uninterrupted production, which could involve additional costs or risks. If any of these risks materialize, we are likely to incur losses, or our results of operations, financial position or liquidity could otherwise be adversely affected.

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

Increases in energy costs may shift consumer demand away from motor vehicles that typically have higher interior content that we supply, such as light trucks, cross-over vehicles, minivans and SUVs, to smaller vehicles having less interior content. The loss of business with respect to, or a lack of commercial success of, one or more particular vehicle models for which we are a significant supplier could reduce our sales and harm our profitability, thereby adversely affecting our results of operations.

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

We negotiate sales prices annually with our automotive seating and interiors customers. Cost-cutting initiatives that our customers have adopted generally result in increased downward pressure on pricing. In some cases our customer supply agreements require reductions in component pricing over the period of production. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our results of operations may be adversely affected. In particular, large commercial settlements with our customers may adversely affect our results of operations or cause our financial results to vary on a quarterly basis.

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

Commodity prices can be volatile from year to year. If commodity prices rise, and if we are not able to recover these cost increases from our customers, then these increases will have an adverse effect on our results of operations.

The cyclicality of original equipment automobile production rates may adversely affect the results of operations in our automotive experience business.

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

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

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

Power Solutions Risks

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

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

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

Lead is a major component of our lead-acid batteries. The price of lead has been highly volatile over the last several years. We attempt to manage the impact of changing lead prices through the recycling of used batteries returned to us by our aftermarket customers, commercial terms and commodity hedging programs. Our ability to mitigate the impact of lead price changes can be impacted by many factors, including customer negotiations, inventory level fluctuations and sales volume/mix changes, any of which could have an adverse effect on our results of operations.

Additionally, the prices of other commodities, primarily fuel, acid and resin, have been volatile. If other commodity prices rise, and if we are not able to recover these cost increases through price increases to our customers, then such increases will have an adverse effect on our results of operations.

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

Our financial performance in the power solutions business depends, in part, on conditions in the automotive industry. Sales to OEMs accounted for approximately 23% of the total sales of the power solutions business in fiscal 2010. Declines in the North American and European automotive production levels could reduce our sales and adversely affect our results of operations. In addition, if any OEMs reach a point where they cannot fund their operations, we may incur write offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond our current restructuring plans.

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

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

ITEM 1B UNRESOLVED STAFF COMMENTS

The Company has no unresolved written comments regarding its periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal 2010.

ITEM 2 PROPERTIES

At September 30, 2010, the Company conducted its operations in 63 countries throughout the world, with its world headquarters located in Milwaukee, Wisconsin. The Company's wholly- and majority-owned facilities, which are listed in the table on the following pages by business and location, totaled approximately 95 million square feet of floor space and are owned by the Company except as noted. The facilities primarily consisted of manufacturing, assembly and/or warehouse space. The Company considers its facilities to be suitable and adequate for their current uses. The majority of the facilities are operating at normal levels based on capacity.

Delaware	Newark (1),(4)
Florida	Largo (1),(3)
	Medley (1),(4)
Illinois	Dixon (2),(3)
	Wheeling (1)
Kansas	Wichita (2),(3)
Kentucky	Erlanger (1)
Maryland	Baltimore (1)
	Sparks (1),(4)
Mississippi	Hattiesburg (1)
Missouri	Albany (1)
Oklahoma	Norman (3)
Pennsylvania	Philadelphia (1),(4)
	York (1), (3)
	Waynesboro (3)
Texas	San Antonio
Virginia	Roanoke
Wisconsin	Milwaukee (2),(4)
Austria	Graz (4)
	Vienna (4)
Brazil	Pinhais
	São Paulo (3)
Belgium	Diegem (1),(4)
Canada	Ajax (1),(3)
	Victoria (1),(4)
China	Qingyuan (2),(3)
	Wuxi (1),(3)
Denmark	Aarhus (3)
	Hornslet (2),(4)
	Viby (2),(3)
France	Amiens Glisy (3)
	Colombes (1),(3)
	Nantes (1)
	Saint Quentin Fallavier (1),(3)
Germany	Essen (2),(3)
	Kempen (1),(3)
	Mannheim (1)
Hong Kong	Hong Kong (1)
Italy	Milan (1),(4)
India	Chakan (1),(3)
	Pune (1),(3)
Japan	Tokyo (1),(4)
Mexico	Cienega de Flores (1)
	Durango (1)
	Monterrey (1)
Netherlands	Gorinchem (1),(4)
Poland	Warsaw (1),(3)
Puerto Rico	Carolina (1),(4)
Romania	Bucharest (1),(3)
Russia	Moscow (1),(3)
South Africa	Johannesburg (1),(3)
Spain	Sabadell (1),(3)
Taiwan	Taipei (1),(4)
Turkey	Istanbul (1),(4)
	Izmir (1),(3)
United Arab Emirates	Dubai (2),(3)
United Kingdom	Essex (1),(4)

Automotive Experience

Argentina	Buenos Aires (1)
	Rosario
Australia	Adelaide (1)
	Melbourne
Austria	Graz (1),(3)
	Mandling (3)
Belgium	Geel (3)
	Gent (1),(3)
Brazil	Pouso Alegre
	San Bernardo do Campo (1),(3)
	Santo Andre
	Sao Jose dos Campos
	Sao Jose dos Pinhais (1)
Canada	Milton (1)
	Mississauga (1),(3)
	Orangeville
	Saint Mary's
	Tilsonburg
	Whitby
China	Beijing (3)
Czech Republic	Benatky nad Jizerou (1),(3)
	Mlada Boleslav (1),(3)
	Ni Ebohy (1)
	Straz pod Ralskem (3)
France	Happich (2),(3)
	Rosny (1),(3)
	Strasbourg (3)
Germany	Boblingen (1),(3)
	Bochum (1),(3)
	Bremen (1),(3)
	Burscheid (2),(3)
	Espelkamp (3)
	Hannover (1),(3)
	Holzgerlingen (1),(3)
	Lahnwerk (2),(3)
	Luneburg (2)
	Neustadt (2),(3)
	Peine (1),(3)
	Rastatt (1),(3)
	Remchingen (3)
	Saarlouis (1)
	Uberherrn (1),(3)
	Unterriexingen (2),(3)
	Waghausel (3)
	Wuppertal (1),(3)
	Zwickau (3)
Italy	Cicerale (3)
	Grugliasco (1),(3)
	Melfi (1),(3)
	Rocca D'Evandro (1)
Japan	Ayase (3)
	Hamakita (3)
	Mouka (3)
	Toyotsucho (2),(3)
	Yokosuka (2),(3)
Korea	Ansan (1),(4)
	Asan (3)
	Dangjin (3)
	Namsa (1)
Malaysia	Alor Gajah (1)
	Mukin Hulu Bernam
	Peramu Jaya (1)
	Persiaran Sabak Bernam
Mexico	Monclova (3)
	Naucalpan de Juarez
	Puebla (1)
	Ramos Arizpe (2)
	Saltillo (1)
	Tlaxcala
	Tlazala (1)
	Toluca (1)
Poland	Siemianowice
	Tychy
	Zory (3)
Romania	Mioveni (1),(3)
	Pitesti (1),(3)
	Ploiesti (3)
Russia	St. Petersburg (1),(3)
	Togliatti (1)
Slovak Republic	Bratislava (1),(3)
	Kostany nad Turcom (3)
	Lucenec (1),(3)
	Namestovo (1),(3)
	Trencin (1),(4)
	Zilina (1)
South Africa	East London (1)
	Pretoria (2),(3)
Spain	Alagon (3)
	Madrid (1),(3)
	Valencia (2),(3)
	Valladolid (3)
Sweden	Hamneviksvagen (1),(3)
Thailand	Rayong (3)
Tunisia	Bi'r al Bay (2),(3)
United Kingdom	Burton-Upon-Trent (2),(3)
	Essex (1),(3)
	Leamington Spa (1),(3)
	Redditch (1)
	Speke (3)
	Sunderland
	Telford (2),(3)
	Wednesbury (3)

Automotive Experience (continued)

Alabama	Cottondale (1)
	McCalla (1)
Georgia	Suwanee (1)
	LaGrange (1)
Illinois	Sycamore
Indiana	Kendallville
	Princeton (1)
Kentucky	Cadiz (1)
	Georgetown
	Louisville (1)
	Nicholasville (1)
	Owensboro (1)
	Shelbyville (1)
	Winchester (1)
Louisiana	Shreveport
Michigan	Battle Creek
	Detroit (3)
	Highland Park (1)
	Holland (2),(3)
	Lansing (3)
	Oxford
	Plymouth (2),(3)
	Warren (3)
Mississippi	Madison
Missouri	Earth City (1)
	Jefferson City
	Kansas City (1),(3)
Ohio	Bryan
	Northwood
Tennessee	Columbia (1)
	Pulaski (2)
Texas	El Paso (1)
	San Antonio
Wisconsin	Hudson (1)

Power Solutions

Arizona	Yuma (3)
Delaware	Middletown (3)
Florida	Tampa (2),(3)
Illinois	Geneva (3)
Indiana	Ft. Wayne (3)
Iowa	Red Oak (3)
Kentucky	Florence (3)
Missouri	St. Joseph (2),(3)
Ohio	Toledo (3)
Oregon	Clackamas (1)
	Portland (3)
South Carolina	Florence (3)
	Oconee (2),(3)
Texas	San Antonio (3)
Wisconsin	Milwaukee (4)
Austria	Graz (1),(3)
	Vienna (1),(3)
Brazil	Sorocaba (3)
China	Shanghai (2),(3)
Czech Republic	Ceska Lipa (2),(3)
France	Sarreguemines (3)
Germany	Hannover (3)
	Krautscheid (3)
	Zwickau (2),(3)
Korea	Gumi (3)
Mexico	Celaya
	Cienega de Flores (2)
	Escobedo
	Flores
	Monterrey (2),(3)
	Torreon
Spain	Burgos (3)
	Guadamar del Segura
	Guadalajara
Sweden	Hultsfred

	Corporate
Wisconsin	Milwaukee (4)

(1) Leased facility
(2) Includes both leased and owned facilities
(3) Includes both administrative and manufacturing facilities
(4) Administrative facility only

In addition to the above listing, which identifies large properties (greater than 25,000 square feet), there are approximately 695 building efficiency branch offices and other administrative offices located in major cities throughout the world. These offices vary in size in proportion to the volume of business in the particular locality.

ITEM 3 LEGAL PROCEEDINGS

As noted in Item 1, liabilities potentially arise globally under various Environmental Laws and Worker Safety Laws for activities that are not in compliance with such laws and for the cleanup of sites where Company-related substances have been released into the environment.

Currently, the Company is responding to allegations that it is responsible for performing environmental remediation, or for the repayment of costs spent by governmental entities or others performing remediation, at approximately 44 sites in the U.S. Many of these sites are landfills used by the Company in the past for the disposal of waste materials; others are secondary lead smelters and lead recycling sites where the Company returned lead-containing materials for recycling; a few involve the cleanup of Company manufacturing facilities; and the remaining fall into miscellaneous categories. The Company may face similar claims of liability at additional sites in the future. Where potential liabilities are alleged, the Company pursues a course of action intended to mitigate them.

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Reserves for environmental costs totaled $47 million and $32 million at September 30, 2010 and 2009, 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.

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

The U.S. Department of Justice and the Securities and Exchange Commission previously moved for the dismissal of the Information against York International Corp. (which the Company acquired in 2005) upon the successful completion of the Deferred Prosecution Agreement that York had entered into with the Department of Justice, and on October 7, 2010, the U.S. District Court dismissed the Information against York. In recommending the dismissal of this action, the independent compliance monitor certified that the Company's anti-bribery compliance program, as applied to the legacy York operations, is appropriately designed to ensure compliance with the Foreign Corrupt Practices Act and other applicable anti-corruption laws. As this situation has come to an end, the Company faces no additional liability either from the underlying events or this proceeding. The Company's first disclosure regarding the United Nations "Oil-for-Food Programme" occurred in its Quarterly Report on Form 10-Q for the quarter ended December 31, 2005, and that disclosure has been intermittently updated in the Company's subsequent filings.

ITEM 4 (REMOVED AND RESERVED)

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K, the following list of executive officers of the Company as of November 15, 2010 is included as an unnumbered Item in Part I of this report in lieu of being included in the Company's Proxy Statement relating to the Annual Meeting of Shareholders to be held on January 26, 2011.

Stephen A. Roell, 60, was elected Chief Executive Officer effective in October 2007, Chairman effective in January 2008, and President effective in May 2009. He was first elected to the Board of Directors in October 2004 and served as Executive Vice President from October 2004 through September 2007. Mr. Roell previously served as Chief Financial Officer between 1991 and May 2005, Senior Vice President from September 1998 to October 2004 and Vice President from 1991 to September 1998. Mr. Roell joined the Company in 1982.

Susan F. Davis, 57, was elected Executive Vice President of Human Resources in September 2006. She previously served as Vice President of Human Resources from May 1994 to September 2006 and as Vice President of Organizational Development for automotive experience from August 1993 to April 1994. Ms. Davis joined the Company in 1983.

R. Bruce McDonald, 50, was elected Executive Vice President in September 2006 and Chief Financial Officer in May 2005. He previously served as Corporate Vice President from January 2002 to September 2006, Assistant Chief Financial Officer from October 2004 to May 2005 and Corporate Controller from November 2001 to October 2004. Mr. McDonald joined the Company in 2001.

Beda Bolzenius, 54, was elected a Corporate Vice President in November 2005 and serves as President of the automotive experience business. He previously served as Executive Vice President and General Manager Europe, Africa and South America for automotive experience from November 2004 to November 2005. Dr. Bolzenius joined the Company in November 2004 from Robert Bosch GmbH, a global manufacturer of automotive and industrial technology, consumer goods and building technology, where he most recently served as the president of Bosch's Body Electronics division.

Alex A. Molinaroli, 51, was elected a Corporate Vice President in May 2004 and has served as President of the power solutions business since January 2007. Previously, Mr. Molinaroli served as Vice President and General Manager for North America Systems & the Middle East for the building efficiency business and has held increasing levels of responsibility for controls systems and services sales and operations. Mr. Molinaroli joined the Company in 1983.

C. David Myers, 47, was elected a Corporate Vice President and President of the building efficiency business in December 2005, when he joined the Company in connection with the acquisition of York International Corporation (York). At York, Mr. Myers served as Chief Executive Officer from February 2004 to December 2005, President from June 2003 to December 2005, Executive Vice President and Chief Financial Officer from January 2003 to June 2003 and Vice President and Chief Financial Officer from February 2000 to January 2003.

Jeffrey G. Augustin, 48, was elected a Corporate Vice President in March 2005 and has served as Vice President of Finance for the building efficiency business since December 2005. Previously, Mr. Augustin served as Corporate Controller from March 2005 to March 2007. From 2001 to March 2005, Mr. Augustin was Vice President of Finance and Corporate Controller of Gateway, Inc.

Jeffrey S. Edwards, 48, was elected a Corporate Vice President in May 2004 and serves as Group Vice President and General Manager for Japan and Asia Pacific for the automotive experience business. He previously served as Group Vice President and General Manager for automotive experience North America from August 2002 to May 2004 and Group Vice President and General Manager for product and business development. Mr. Edwards joined the Company in 1984.

Charles A. Harvey, 58, was elected Corporate Vice President of Diversity and Public Affairs in November 2005. He previously served as Vice President of Human Resources for the automotive experience business and in other human resources leadership positions. Mr. Harvey joined the Company in 1991.

Susan M. Kreh, 48, was elected Corporate Vice President in March 2007 and has served as Vice President of Finance for the power solutions business since November 2009. Ms. Kreh served as Corporate Controller from

March 2007 to November 2009. Prior to joining the Company, Ms. Kreh served 22 years at PPG Industries, Inc., including as Corporate Treasurer from January 2002 until March 2007.

Jerome D. Okarma, 58, was elected Vice President, Secretary and General Counsel in November 2004 and was named a Corporate Vice President in September 2003. He previously served as Assistant Secretary from 1990 to November 2004 and as Deputy General Counsel from June 2000 to November 2004. Mr. Okarma joined the Company in 1989.

Colin Boyd, 51, was elected Vice President, Information Technology and Chief Information Officer in October 2008. Mr. Boyd previously served as Chief Information Officer and Corporate Vice President of Sony Ericsson from 2002 to 2008.

Frank A. Voltolina, 50, was elected a Corporate Vice President and Corporate Treasurer in July 2003 when he joined the Company. Prior to joining the Company, Mr. Voltolina was Vice President and Treasurer at ArvinMeritor, Inc.

Jacqueline F. Strayer, 56, was elected Vice President, Corporate Communication in September 2008. She previously served as Vice President, Corporate Communications, for Arrow Electronics, Inc. from 2004 to 2008. Prior to that, she held communication leadership positions at United Technologies Corporation and GE Capital Corporation.

Brian J. Stief, 54, was elected Vice President and Corporate Controller in July 2010 and serves as the Company's Principal Accounting Officer. Prior to joining the Company, Mr. Stief was a partner with PricewaterhouseCoopers LLP, which he joined in 1979 and where he became partner in 1989, and where he served several of the firm's largest clients and also held various office managing partner roles.

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

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

PART II

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

The shares of the Company's common stock are traded on the New York Stock Exchange under the symbol "JCI."

Title of Class	Number of Record Holders as of September 30, 2010
Common Stock, $0.01 7/18 par value	44,627

	Common Stock Price Range		Dividends	
	2010	2009	2010	2009
First Quarter	$ 23.62 - 28.34	$ 13.65 - 30.01	$ 0.13	$ 0.13
Second Quarter	27.21 - 33.60	8.35 - 19.64	0.13	0.13
Third Quarter	25.56 - 35.77	11.78 - 22.65	0.13	0.13
Fourth Quarter	26.07 - 31.14	19.43 - 27.90	0.13	0.13
Year	$ 23.62 - 35.77	$ 8.35 - 30.01	$ 0.52	$ 0.52

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

The Company entered into an Equity Swap Agreement, dated March 18, 2004 and amended March 3, 2006 and May 16, 2006, with Citibank, N.A. (Citibank). The Company settled the Equity Swap Agreement at the beginning of the second quarter of fiscal 2009. The Company entered into a new Swap Agreement, dated March 13, 2009 (Swap Agreement), at the end of the second quarter of fiscal 2009. 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 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 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 Swap Agreement has no stated expiration date. The net effect of the change in fair value of the Swap Agreement and the change in equity compensation liabilities was not material to the Company's earnings for the three months ended September 30, 2010.

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 Swap Agreement during the three months ended September 30, 2010.

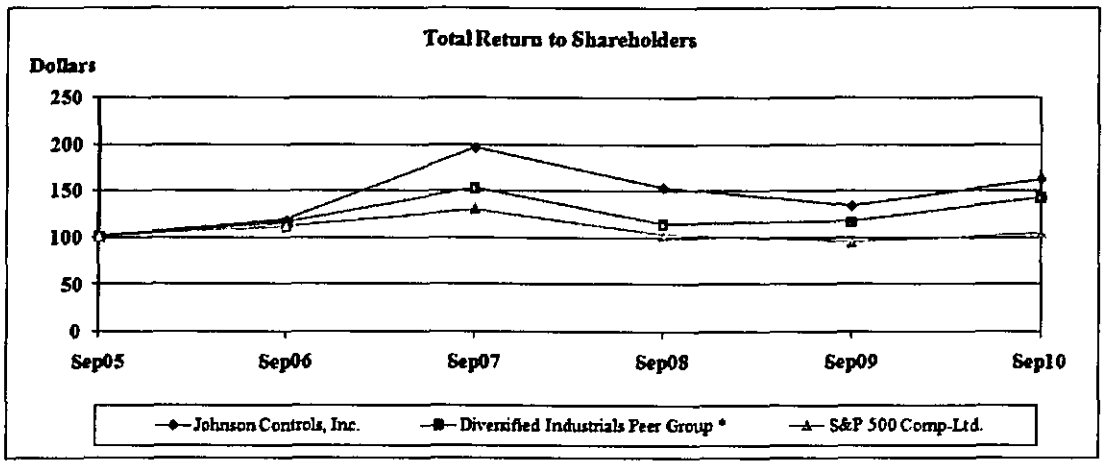
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs
7/1/10 - 7/31/10				
Purchases by Company (1)	-	-	-	$102,394,713
8/1/10 - 8/31/10				
Purchases by Company (1)	-	-	-	$102,394,713
9/1/10 - 9/30/10				
Purchases by Company (1)	-	-	-	$102,394,713
7/1/10 - 7/31/10				
Purchases by Citibank	-	-	-	NA
8/1/10 - 8/31/10				
Purchases by Citibank	-	-	-	NA
9/1/10 - 9/30/10				
Purchases by Citibank	-	-	-	NA

(1) The repurchases of the Company's common stock by the Company are intended to partially offset dilution related to our stock option and restricted stock equity compensation plans and are treated as repurchases of Company common stock for purposes of this disclosure.

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

The line graph below compares the cumulative total shareholder return on our Common Stock with the cumulative total return of companies on the Standard & Poor's (S&P's) 500 Stock Index and companies in our Diversified Industrials Peer Group.* This graph assumes the investment of $100 on September 1, 2005 and the reinvestment of all dividends since that date.

COMPANY/INDEX	Sep05	Sep06	Sep07	Sep08	Sep09	Sep10
Johnson Controls, Inc.	100	117.37	195.32	152.87	133.04	161.75
Diversified Industrials Peer Group *	100	114.47	152.10	113.32	115.66	141.85
S&P 500 Comp-Ltd.	100	110.79	129.44	100.99	94.02	103.57



* The Diversified Industrials Peer Group includes: Danaher Corporation, Dover Corporation, Eaton Corporation, Emerson Electric Corporation, Honeywell International Inc., Illinois Tool Works Inc., Ingersoll-Rand PLC, ITT Corporation, 3M Company, Textron Inc., and United Technologies Corporation.

The Company's transfer agent's contact information is as follows:

Wells Fargo Bank Minnesota, N.A.
Shareowner Services Department
P.O. Box 64856
St. Paul, MN 55164-0856
(877) 602-7397

ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data reflects the results of operations, balance sheet data, and common share information for the fiscal years ended September 30, 2006 through September 30, 2010 (in millions, except per share data and number of employees and shareholders).

	Year ended September 30,				
	2010	2009	2008	2007	2006 (2)
OPERATING RESULTS					
Net sales	$ 34,305	$ 28,497	$ 38,062	$ 34,624	$ 32,235
Segment income (3)	1,933	262	2,077	1,884	1,608
Income (loss) attributable to Johnson Controls, Inc. from continuing operations	1,491	(338)	979	1,295	1,033
Net income (loss) attributable to Johnson Controls, Inc.	1,491	(338)	979	1,252	1,028
Earnings (loss) per share from continuing operations (1)					
Basic	$ 2.22	$ (0.57)	$ 1.65	$ 2.19	$ 1.77
Diluted	2.19	(0.57)	1.63	2.16	1.75
Earnings (loss) per share (1)					
Basic	$ 2.22	$ (0.57)	$ 1.65	$ 2.12	$ 1.76
Diluted	2.19	(0.57)	1.63	2.09	1.74
Return on average shareholders' equity attributable to Johnson Controls, Inc. (4)	16%	-4%	11%	16%	16%
Capital expenditures	$ 777	$ 647	$ 807	$ 828	$ 711
Depreciation and amortization	691	745	783	732	705
Number of employees	137,000	130,000	140,000	140,000	136,000
FINANCIAL POSITION					
Working capital (5)	$ 919	$ 1,147	$ 1,225	$ 1,441	$ 1,357
Total assets	25,743	24,088	24,987	24,105	21,921
Long-term debt	2,652	3,168	3,201	3,255	4,166
Total debt	3,389	3,966	3,944	4,418	4,743
Shareholders' equity attributable to Johnson Controls, Inc.	10,071	9,100	9,406	8,873	7,316
Total debt to total capitalization (6)	25%	30%	30%	33%	39%
Net book value per share (1) (7)	$ 14.95	$ 13.56	$ 15.83	$ 14.94	$ 12.46
COMMON SHARE INFORMATION (1)					
Dividends per share	$ 0.52	$ 0.52	$ 0.52	$ 0.44	$ 0.37
Market prices					
High	$ 35.77	$ 30.01	$ 44.46	$ 43.07	$ 30.00
Low	23.62	8.35	26.00	23.84	20.09
Weighted average shares (in millions)					
Basic	672.0	595.3	593.1	590.6	583.5
Diluted	682.5	595.3	601.4	599.2	589.9
Number of shareholders	44,627	46,460	47,543	47,810	51,240

(1) All share and per share amounts reflect a three-for-one common stock split payable October 2, 2007 to shareholders of record on September 14, 2007.

(2) In December 2005, the Company acquired York International Corporation, significantly expanding the building efficiency business.

(3) Segment income is calculated as income from continuing operations before income taxes and noncontrolling interests excluding net financing charges, debt conversion costs and restructuring costs.

(4) Return on average shareholders' equity attributable to Johnson Controls, Inc. (ROE) represents income from continuing operations divided by average shareholders' equity attributable to Johnson Controls, Inc. Income from continuing operations includes $230 million, $495 million and $197 million of restructuring costs in fiscal year 2009, 2008 and 2006, respectively.

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

(6) Total debt to total capitalization represents total debt divided by the sum of total debt and shareholders' equity attributable to Johnson Controls, Inc.

(7) Net book value per share represents shareholders' equity attributable to Johnson Controls, Inc. divided by the number of common shares outstanding at the end of the period.

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

General

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

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity of the Company for the three-year period ended September 30, 2010. This discussion should be read in conjunction with Item 8, the consolidated financial statements and notes to the consolidated financial statements.

Executive Overview

In fiscal 2010, the Company recorded net sales of $34.3 billion, a 20% increase from the prior year. Net income attributable to Johnson Controls, Inc. was $1.5 billion, $1.8 billion higher than prior year's net loss attributable to Johnson Controls, Inc. of $338 million. The increase is primarily the result of significantly increased industry production volumes in the automotive markets and growth in energy solutions markets. The Company experienced market share gains and improved margins in all three businesses and benefited from cost reduction initiatives. The Company continues to introduce new and enhanced technology applications in all businesses and markets served, while at the same time improving the quality of its products.

Building efficiency business net sales and segment income increased 2% and 70%, respectively, compared to the prior year primarily due to growth in the rest of world and energy solutions markets, modest recovery in construction spending and residential HVAC demand, and the favorable impact of foreign currency translation.

The automotive experience business was favorably impacted by higher automobile production in all segments. Net sales increased 38% from the prior year and segment income increased from a loss of $541 million in the prior year to a profit of $591 million in the current year.

Net sales and segment income for the power solutions business increased by 23% and 65%, respectively, compared to the prior year primarily due to increased demand, higher unit prices resulting from increases in the cost of lead, and the favorable impact of foreign currency translation.

Compared to September 30, 2009, the Company's overall debt decreased by $577 million, decreasing the total debt to capitalization ratio to 25% at September 30, 2010 from 30% at September 30, 2009.

Outlook

In fiscal 2011, the Company anticipates that net sales will grow to approximately $37 billion, an increase of 9% from fiscal 2010 net sales, and earnings will increase to approximately $2.30 - $2.45 per diluted share. Sales, earnings and margin improvements are expected in all three businesses in fiscal 2011. The Company expects moderately higher automotive production in North America, with flat European production, versus fiscal 2010. China automotive production is expected to increase in the coming year, though at a slower pace than in fiscal 2010. The Company expects the global building efficiency market to improve in fiscal 2011 led by recovery in the emerging markets, especially China and the Middle East, offsetting softness in mature geographic markets.

The Company expects building efficiency business net sales to be 8% - 10% higher in fiscal 2011 based on strong backlog and order rate improvements entering the year. The Company expects higher demand in emerging markets and global workplace solutions as well as in its energy efficiency and sustainability (greenhouse gas reduction) offerings. A moderate recovery is anticipated for technical services in non-residential buildings. The Company's residential HVAC business is expected to increase at a double-digit pace for the second consecutive year. Segment margins are expected to increase to 5.6% - 5.8% led by the growth in emerging markets and continued improvements in the residential business. The higher margins will likely be partially offset by investments in growth opportunities including an expansion in sales force and the establishment of dedicated energy solutions resources in Europe and Asia.

The Company expects approximately 5% net sales growth in fiscal 2011 by its automotive experience business, reflecting the impact of new seating and interiors program launches in addition to the slightly higher production volumes. Segment margins are expected to improve to 4.5% - 4.7% in fiscal 2011 resulting from the Company's cost improvement initiatives and improved level of profitability on new business awards, including in China where the Company operates primarily through unconsolidated joint ventures.

Power solutions net sales are expected to increase 10% - 15% due to volume growth across all regions resulting from market share gains and growth in emerging markets. Segment margins are expected to be 13.4% - 13.6%, reflecting manufacturing process efficiencies, the benefits of vertical integration for the recycling of lead and the expansion of local production capacity in China.

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, debt conversion costs and restructuring costs.

FISCAL YEAR 2010 COMPARED TO FISCAL YEAR 2009

Summary

(in millions)	Year Ended September 30, 2010	2009	Change
Net sales	$ 34,305	$ 28,497	20%
Segment income	1,933	262	*

* Measure not meaningful

- The $5.8 billion increase in consolidated net sales was primarily due to higher sales in the automotive experience business ($4.5 billion) as a result of increased industry production levels in all segments, higher sales in the power solutions business ($0.8 billion) reflecting higher sales volumes and the impact of higher lead costs on pricing, the favorable impact of foreign currency translation ($0.5 billion) and a slight increase in building efficiency net sales.

- Excluding the favorable impact of foreign currency translation, consolidated net sales increased 19% as compared to the prior year.
- The $1.7 billion increase in consolidated segment income was primarily due to higher volumes in the automotive experience and power solutions businesses, favorable operating costs in the automotive experience North America segment, favorable overall margin rates in the building efficiency business, impairment charges recorded in the prior year on an equity investment in the building efficiency North America unitary products segment ($152 million), incremental warranty charges recorded in the prior year in the building efficiency North America unitary products segment ($105 million), fixed asset impairment charges recorded in the prior year in the automotive experience North America and Europe segments ($77 million and $33 million, respectively), gain on acquisition of a Korean joint venture net of acquisition costs and related purchase accounting adjustments in the power solutions business ($37 million) and higher equity income in the automotive experience and power solutions businesses, partially offset by higher selling, general and administrative expenses, fixed asset impairment charges recorded in the automotive experience Asia segment ($22 million) and the unfavorable impact of foreign currency translation ($6 million).

Building Efficiency

	Net Sales for the Year Ended September 30,			Segment Income for the Year Ended September 30,		
(in millions)	2010	2009	Change	2010	2009	Change
North America systems	$ 2,142	$ 2,222	-4%	$ 262	$ 251	4%
North America service	2,127	2,168	-2%	103	204	-50%
North America unitary products	787	684	15%	58	(324)	*
Global workplace solutions	3,288	2,832	16%	54	45	20%
Europe	1,897	2,140	-11%	(7)	41	*
Rest of world	2,561	2,447	5%	203	180	13%
	$ 12,802	$ 12,493	2%	$ 673	$ 397	70%

* Measure not meaningful

Net Sales:

- The decrease in North America systems was primarily due to lower volumes of equipment in the commercial construction and replacement markets ($101 million) partially offset by the favorable impact from foreign currency translation ($21 million).
- The decrease in North America service was primarily due to lower truck-based business ($155 million) partially offset by higher volumes in energy solutions ($72 million), the favorable impact of foreign currency translation ($22 million) and incremental sales due to a business acquisition ($20 million).
- The increase in North America unitary products was primarily due to improvement in the U.S. residential replacement markets ($96 million) and the favorable impact of foreign currency translation ($7 million).
- The increase in global workplace solutions was primarily due to a net increase in services to existing customers ($208 million), new business ($151 million) and the favorable impact of foreign currency translation ($97 million).
- The decrease in Europe was primarily due to lower volumes across the region ($290 million) based on declines in commercial and residential construction partially offset by the favorable impact of foreign currency translation ($47 million).
- The increase in rest of world was primarily due to favorable impact of foreign currency translation ($86 million) and volume increases in Asia ($73 million) and Latin America ($13 million), partially offset by volume decreases in Middle East ($33 million) and other global businesses ($25 million).

Segment Income:

- The increase in North America systems was primarily due to favorable margin rates ($33 million), lower selling, general and administrative expenses ($8 million) and the favorable impact of foreign currency translation ($3 million), partially offset by lower volumes ($17 million) and reserves for existing customers ($13 million).
- The decrease in North America service was primarily due to information technology implementation costs and inventory adjustments ($55 million), unfavorable margin rates ($24 million), lower volumes in truck-based services ($18 million) and higher selling, general and administrative expenses ($5 million), partially offset by the favorable impact of foreign currency translation ($2 million).
- The increase in North America unitary products was primarily due to impairment charges recorded on an equity investment in the prior year ($152 million), incremental warranty charges in the prior year ($105 million), favorable volumes and margin rates ($100 million), prior year inventory related charges ($20 million) and lower selling, general, and administrative expenses ($7 million).
- The increase in global workplace solutions was primarily due to higher volumes ($24 million), prior year bad debt expense associated with a customer bankruptcy ($8 million) and the favorable impact of foreign currency translation ($1 million), partially offset by higher selling, general, and administrative expenses ($17 million) primarily related to business development investments and unfavorable margin rates ($7 million).
- The decrease in Europe was primarily due to lower sales volumes ($67 million) partially offset by lower selling, general and administrative expenses ($13 million), favorable margin rates ($8 million) and the favorable impact of foreign currency translation ($2 million).
- The increase in rest of world was primarily due to favorable margin rates ($73 million), higher volumes ($6 million) and the favorable impact of foreign currency translation ($1 million), partially offset by higher selling, general and administrative expenses ($58 million) primarily related to investments in emerging markets and increased engineering spending.

Automotive Experience

	Net Sales for the Year Ended September 30,			Segment Income for the Year Ended September 30,		
(in millions)	2010	2009	Change	2010	2009	Change
North America	$ 6,765	$ 4,631	46%	$ 379	$ (333)	*
Europe	8,019	6,287	28%	105	(212)	*
Asia	1,826	1,098	66%	107	4	*
	$ 16,610	$ 12,016	38%	$ 591	$ (541)	*

* Measure not meaningful

Net Sales:

- The increase in North America was primarily due to higher industry production volumes by the Company's major OEM customers ($2.1 billion) and incremental sales from a business acquisition ($58 million), partially offset by unfavorable commercial settlements and pricing ($36 million).
- The increase in Europe was primarily due to higher production volumes and new customer awards ($1.8 billion) partially offset by unfavorable commercial settlements and pricing ($32 million) and the unfavorable impact of foreign currency translation ($20 million).
- The increase in Asia was primarily due to higher production volumes and new customer awards ($603 million) and the favorable impact of foreign currency translation ($125 million).

Segment Income:

- The increase in North America was primarily due to higher industry production volumes ($478 million), lower operating and selling, general and administration costs ($152 million), an impairment charge on fixed

assets recorded in the prior year ($77 million) and higher equity income ($28 million), partially offset by higher engineering expenses ($22 million).

- The increase in Europe was primarily due to higher production volumes ($350 million), favorable purchasing costs ($64 million), an impairment charge on fixed assets recorded in the prior year ($33 million), higher equity income ($10 million) and favorable operating costs ($8 million), partially offset by higher prior year commercial recoveries ($45 million), higher engineering expenses ($44 million), higher selling, general and administrative costs ($39 million) and the unfavorable impact of foreign currency translation ($19 million).
- The increase in Asia was primarily due to higher production volumes ($90 million), higher equity income at our joint ventures mainly in China ($62 million) and the favorable impact of foreign currency translation ($1 million), partially offset by asset impairment charges in Japan ($22 million), higher engineering expenses ($10 million) and higher selling, general and administrative costs ($17 million).

Power Solutions

(in millions)	Year Ended September 30, 2010	2009	Change
Net sales	$ 4,893	$ 3,988	23%
Segment income	669	406	65%

- Net sales increased primarily due to higher sales volumes ($454 million), the impact of higher lead costs on pricing ($316 million), the favorable impact of foreign currency translation ($69 million), incremental sales due to a business acquisition ($43 million) and favorable price/product mix ($23 million).
- Segment income increased primarily due to higher sales volumes ($164 million), gain on acquisition of a Korean joint venture net of acquisition costs and related purchase accounting adjustments ($37 million) as discussed in Note 2, "Acquisitions," to the accompanying financial statements, higher equity income ($27 million), prior year disposal of a former manufacturing facility in Europe and other assets ($20 million), the favorable impact of foreign currency translation ($3 million) and favorable net lead and other commodity costs and pricing ($56 million), which includes a prior year $62 million out of period adjustment as discussed in Note 1, "Summary of Significant Accounting Policies," to the accompanying financial statements. Partially offsetting these factors were higher selling, general and administrative costs ($46 million).

Restructuring Costs

To better align the Company's cost structure with global automotive market conditions, the Company committed to a restructuring plan (2009 Plan) in the second quarter of fiscal 2009 and recorded a $230 million restructuring charge. The restructuring charge related to cost reduction initiatives in the Company's automotive experience, building efficiency and power solutions businesses and included workforce reductions and plant consolidations. The Company expects to substantially complete the 2009 Plan by the end of 2011. The automotive-related restructuring actions targeted excess manufacturing capacity resulting from lower industry production in the European, North American and Japanese automotive markets. The restructuring actions in building efficiency were primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions focused on optimizing its manufacturing capacity as a result of lower overall demand for original equipment batteries resulting from lower vehicle production levels.

Since the announcement of the 2009 Plan in March 2009, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for automotive experience – Europe of approximately $70 million, of which $42 million was identified in the current fiscal year, due to favorable severance negotiations and the decision to not close previously planned plants in response to increased customer demand. The underspend of the initial 2009 Plan reserves is committed to be utilized for additional costs to be incurred as part of power solutions, automotive experience - Europe and automotive experience - North America's additional cost reduction initiatives. The planned workforce reductions disclosed for the 2009 Plan have been updated for the Company's revised actions.

To better align the Company's resources with its growth strategies while reducing the cost structure of its global operations, the Company committed to a restructuring plan (2008 Plan) in the fourth quarter of fiscal 2008 and recorded a $495 million restructuring charge. The restructuring charge related to cost reduction initiatives in its automotive experience, building efficiency and power solutions businesses and included workforce reductions and plant consolidations. The Company expects to substantially complete the 2008 Plan by the end of 2011. The automotive-related restructuring was in response to the fundamentals of the European and North American automotive markets. The actions targeted reductions in the Company's cost base by decreasing excess manufacturing capacity due to lower industry production and the continued movement of vehicle production to low-cost countries, especially in Europe. The restructuring actions in building efficiency were primarily in Europe where the Company centralized certain functions and rebalanced its resources to target the geographic markets with the greatest potential growth. Power solutions actions focused on optimizing its regional manufacturing capacity.

Since the announcement of the 2008 Plan in September 2008, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for building efficiency – Europe and automotive experience – Europe of approximately $95 million, of which $32 million was identified in the current fiscal year, due to favorable severance negotiations, individuals transferred to open positions within the Company and changes in cost reduction actions from plant consolidation to downsizing of operations. The underspend of the initial 2008 Plan is committed to be utilized for similar additional restructuring actions. The underspend experienced by building efficiency – Europe is committed to be utilized for workforce reductions and plant consolidations in building efficiency – Europe. The underspend experienced by automotive experience – Europe is committed to be utilized for additional plant consolidations for automotive experience – North America and workforce reductions in building efficiency – Europe. Also, in the fourth quarter of fiscal 2010, the Company sold one plant in automotive experience – North America it had planned to close as a part of the 2008 Plan. The loss on the sale of the plant of $12 million was offset by a decrease in the Company's restructuring reserve for employee severance and termination benefits related to the planned workforce reductions which will no longer occur. The planned workforce reductions disclosed for the 2008 Plan have been updated for the Company's revised actions.

The 2008 and 2009 Plans included workforce reductions of approximately 20,400 employees (9,500 for automotive experience – North America, 5,200 for automotive experience – Europe, 1,100 for automotive experience – Asia, 400 for building efficiency – North America, 2,700 for building efficiency – Europe, 700 for building efficiency – rest of world, and 800 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2010, approximately 16,400 of the employees have been separated from the Company pursuant to the 2008 and 2009 Plans. In addition, the 2008 and 2009 Plans included 33 plant closures (14 for automotive experience – North America, 11 for automotive experience – Europe, 3 for automotive experience – Asia, 1 for building efficiency – North America, 1 for building efficiency – rest of world, and 3 for power solutions). As of September 30, 2010, 23 of the 33 plants have been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis.

Net Financing Charges

(in millions)	Year Ended September 30, 2010	2009	Change
Net financing charges	$ 170	$ 239	-29%

- The decrease in net financing charges was primarily due to lower debt levels, including the conversion of the Company's convertible senior notes and Equity Units in September 2009, and lower interest rates in fiscal 2010.

Provision for Income Taxes

The Company's base effective income tax rate for continuing operations for fiscal years 2010 and 2009 was 18.1% and 22.7%, respectively (prior to certain discrete period items as outlined below).

The Company's effective tax rate for fiscal 2010 was less than the base effective tax rate due in part to various items during the year as discussed in detail below.

The Company's effective tax rate for fiscal 2009 was greater than the base effective tax rate due in part to various items during the year as discussed in detail below.

Restructuring Charge

In the second quarter of fiscal year 2009, the Company recorded a $27 million discrete period tax adjustment related to the second quarter 2009 restructuring costs using a blended statutory tax rate of 19.2%. Due to the tax rate change in the third quarter of fiscal 2009, the discrete period tax adjustment decreased by $19 million for a total tax adjustment of $8 million.

Impairment Charges

In the first quarter of fiscal 2009, the Company recorded a $30 million discrete period tax adjustment related to first quarter 2009 impairment costs using a blended statutory tax rate of 12.6%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $4 million for a total tax adjustment of $26 million.

Debt Conversion Costs

In the fourth quarter of fiscal 2009, the Company recorded a $15 million discrete period tax adjustment related to debt conversion costs using an effective tax rate of 36.5%.

Valuation Allowances

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

In fiscal 2010, the Company recorded an overall decrease to its valuation allowances of $87 million. This was comprised of a $111 million decrease in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the fourth quarter of fiscal 2010, the Company performed an analysis related to the realizability of its worldwide deferred tax assets. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets primarily within Mexico would be utilized. Therefore, the Company released $39 million of valuation allowances in the three month period ended September 30, 2010. Further, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in selected entities in Europe. Therefore, the Company recorded $14 million of valuation allowances in the three month period ended September 30, 2010. To the extent the Company improves its underlying operating results in these entities, these valuation allowances, or a portion thereof, could be reversed in future periods.

In the third quarter of fiscal 2010, the Company determined that it was more likely than not that a portion of the deferred tax assets within the Slovakia automotive entity would be utilized. Therefore, the Company released $13 million of valuation allowances in the three month period ended June 30, 2010.

In the first quarter of fiscal 2010, the Company determined that it was more likely than not that a portion of the deferred tax assets within the Brazil automotive entity would be utilized. Therefore, the Company released $69 million of valuation allowances. This was comprised of a $93 million decrease in income tax expense offset by a $24 million reduction in cumulative translation adjustments.

In the fourth quarter of fiscal 2010, the Company increased the valuation allowances by $20 million, which was substantially offset by a decrease in its reserves for uncertain tax positions in a similar amount. These adjustments were based on a review of tax return filing positions taken in these jurisdictions and the established reserves.

In fiscal 2009, the Company recorded an overall increase to its valuation allowances by $245 million. This was comprised of a $252 million increase in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the third quarter of fiscal 2009, the Company determined that it was more likely than not that a portion of the deferred tax assets within the Brazil power solutions entity would be utilized. Therefore, the Company released $10 million of valuation allowances in the three month period ended June 30, 2009. This was comprised of a $3 million decrease in income tax expense with the remaining amount impacting the consolidated statement of financial position because it related to acquired net operating losses.

In the second quarter of fiscal 2009, the Company determined that it was more likely than not that the deferred tax asset associated with a capital loss would be utilized. Therefore, the Company released $45 million of valuation allowances in the three month period ended March 31, 2009.

In the first quarter of fiscal 2009, as a result of the rapid deterioration in the economic environment, several jurisdictions incurred unexpected losses in the first quarter that resulted in cumulative losses over the prior three years. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in several jurisdictions including France, Mexico, Spain and the United Kingdom. Therefore, the Company recorded $300 million of valuation allowances in the three month period ended December 31, 2008. To the extent the Company improves its underlying operating results in these jurisdictions, these valuation allowances, or a portion thereof, could be reversed in future periods.

It is reasonably possible that over the next 12 months, valuation allowances recorded against deferred tax assets in certain jurisdictions of up to $100 million may be adjusted.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. In June 2006, the Financial Accounting Standards Board (FASB) issued guidance prescribing a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company adopted this guidance, which is included in ASC 740, "Income Taxes," as of October 1, 2007. As such, accruals for tax contingencies are provided for in accordance with the requirements of ASC 740.

Based on recently published case law in a non-U.S. jurisdiction and the settlement of a tax audit during the third quarter of fiscal 2010, the Company released net $38 million of reserves for uncertain tax positions, including interest and penalties.

As a result of certain events related to prior year tax planning initiatives during the first quarter of fiscal 2010, the Company increased the reserve for uncertain tax positions by $31 million, including $26 million of interest and penalties.

In the fourth quarter of fiscal 2010, the Company decreased its reserves for uncertain tax positions by $20 million, which was substantially offset by an increase in its valuation allowances in a similar amount. These adjustments were based on a review of tax filing positions taken in jurisdictions with valuation allowances as indicated above.

As a result of certain events in various jurisdictions during the fourth quarter of fiscal year 2009, including the settlement of the fiscal 2002 through fiscal 2003 U.S. federal tax examinations, the Company decreased its total reserve for uncertain tax positions by $32 million. This was comprised of a $55 million decrease to tax expense and a $23 million increase to goodwill.

As a result of various entities exiting business in certain jurisdictions and certain events related to prior tax planning initiatives during the third quarter of fiscal 2009, the Company reduced the reserve for uncertain tax positions by $33 million. This was comprised of a $17 million decrease to tax expense and a $16 million decrease to goodwill.

The Company's federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2010, the Company had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the consolidated statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts accrued for each year.

Change in Tax Status

In the fourth quarter of fiscal 2009, the Company recorded $84 million in discrete period tax benefits related to a change in tax status of a U.S. and a U.K. subsidiary. This is comprised of a $59 million tax expense benefit and a $25 million decrease to goodwill. In the second quarter of fiscal 2009, the Company recorded a $30 million discrete period tax benefit related to a change in tax status of a French subsidiary.

The changes in tax status resulted from voluntary tax elections that produced deemed liquidations for U.S. federal income tax purposes. The Company received tax benefits in the U.S. for the losses from the decrease in value as compared to the original tax basis of its investments. These elections changed, for U.S. federal income tax purposes, the tax status of these entities and are reported as a discrete period tax benefit in accordance with the provision of ASC 740.

Interest Refund Claim

In the second quarter of fiscal 2009, the Company filed a claim for refund with the Internal Revenue Service related to interest computations of prior tax payments and refunds. The refund claim resulted in a tax provision decrease of $6 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

On March 23, 2010, the U.S. President signed into law comprehensive health care reform legislation under the Patient Protection and Affordable Care Act (HR3590). Included among the major provisions of the law is a change in the tax treatment of a portion of Medicare Part D medical payments. The Company recorded a noncash tax charge of approximately $18 million in the second quarter of fiscal year 2010 to reflect the impact of this change. In the fourth quarter of fiscal 2010, the amount decreased by $2 million resulting in an overall impact of $16 million.

During the fiscal year ended September 30, 2010, tax legislation was adopted in various jurisdictions. None of these changes are expected to have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In fiscal 2009, the Company obtained High Tech Enterprise status from the Chinese Tax Bureaus for various Chinese subsidiaries. This status allows the entities to benefit from a 15% tax rate.

In February 2009, Wisconsin enacted numerous changes to Wisconsin income tax law as part of the Budget Stimulus and Repair Bill, Wisconsin Act 2. These changes are effective in the Company's tax year ended September 30, 2010. The major changes included an adoption of corporate unitary combined reporting and an expansion of the related entity expense add back provisions. These Wisconsin tax law changes did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Income Attributable to Noncontrolling Interests

(in millions)	Year Ended September 30, 2010	2009	Change
Income (loss) attributable to noncontrolling interests	$ 75	$ (12)	*

* Measure not meaningful

- The increase in income attributable to noncontrolling interests was primarily due to improved earnings at certain automotive experience joint ventures in North America and Asia and a power solutions joint venture.

Net Income Attributable to Johnson Controls, Inc.

(in millions)	Year Ended September 30, 2010	2009	Change
Net income (loss) attributable to Johnson Controls, Inc.	$ 1,491	$ (338)	*

* Measure not meaningful

- The increase in net income attributable to Johnson Controls, Inc. was primarily due to higher volumes in the automotive experience and power solutions businesses, favorable operating costs in the automotive experience North America segment, favorable overall margin rates in the building efficiency business, impairment charges recorded in the prior year on an equity investment in the building efficiency North America unitary products segment, incremental warranty charges recorded in the prior year in the building efficiency North America unitary products segment, fixed asset impairment charges recorded in the prior year in the automotive experience North America and Europe segments, gain on acquisition of a Korean joint venture in the power solutions business, restructuring charges recorded in the prior year, higher equity income in the automotive experience and power solutions businesses, debt conversion costs incurred in the prior year and lower net financing charges, partially offset by higher selling, general and administrative expenses, fixed asset impairment charges recorded in the automotive experience Asia segment, an increase in the provision for income taxes and higher income attributable to noncontrolling interests. Fiscal 2010 diluted earnings per share was $2.19 compared to prior year's diluted loss per share of $0.57.

FISCAL YEAR 2009 COMPARED TO FISCAL YEAR 2008

Summary

(in millions)	Year Ended September 30, 2009	2008	Change
Net sales	$ 28,497	$ 38,062	-25%
Segment income	262	2,077	-87%

- The $9.6 billion decrease in consolidated net sales was primarily due to lower sales in the automotive experience business ($5.0 billion) as a result of significantly reduced industry production levels by all our major OEM customers primarily in North America and Europe, the unfavorable impact of foreign currency translation ($2.1 billion), lower sales in the power solutions business ($1.6 billion) reflecting the impact of lower lead costs on pricing and lower sales volumes, and lower sales in the building efficiency business ($0.9 billion) as a result of lower sales volumes across all segments.

- Excluding the unfavorable effects of foreign currency translation, consolidated net sales decreased 20% as compared to the prior year.

- The $1.8 billion decrease in segment income was primarily due to lower volumes mainly in the automotive experience business as a result of significantly reduced industry production volumes, lead costs not recovered through pricing, first quarter impairment charges recorded on an equity investment ($152 million) in the building efficiency North American unitary products segment and certain fixed asset impairment charges recorded in the automotive experience North America and Europe segments ($77 million and $33 million, respectively), fourth quarter incremental warranty charges recorded in the building efficiency North American unitary products segment ($105 million) and the unfavorable impact of foreign currency translation ($116 million).

- Excluding the unfavorable effects of foreign currency translation, consolidated segment income decreased 82% as compared to the prior year.

Building Efficiency

(in millions)	Net Sales for the Year Ended September 30, 2009	2008	Change	Segment Income for the Year Ended September 30, 2009	2008	Change
North America systems	$ 2,222	$ 2,282	-3%	$ 251	$ 256	-2%
North America service	2,168	2,409	-10%	204	224	-9%
North America unitary products	684	810	-16%	(324)	2	*
Global workplace solutions	2,832	3,197	-11%	45	59	-24%
Europe	2,140	2,710	-21%	41	114	-64%
Rest of world	2,447	2,713	-10%	180	302	-40%
	$ 12,493	$ 14,121	-12%	$ 397	$ 957	-59%

* Measure not meaningful

Net Sales:

- The decrease in North America systems was primarily due to lower volumes of control systems and equipment in the construction and replacement market ($53 million) and the unfavorable impact of foreign currency translation ($21 million), partially offset by the impact of prior year acquisitions ($14 million).

- The decrease in North America service was primarily due to lower truck-based and specialty business ($259 million) and the unfavorable impact of foreign currency translation ($28 million), partially offset by higher volumes in energy solutions ($46 million).

- The decrease in North America unitary products was primarily due to a depressed U.S. residential market, which continues to impact the demand for HVAC equipment in new housing starts ($117 million), and the unfavorable impact of foreign currency translation ($9 million).

- The decrease in global workplace solutions was primarily due to the unfavorable impact of foreign currency translation ($333 million) and a net decrease in services to existing customers ($137 million), partially offset by new business ($105 million).

- The decrease in Europe was primarily due to the unfavorable impact of foreign currency translation ($302 million) and lower control systems and specialty product demand across the region ($268 million).

- The decrease in rest of world was primarily due to lower volumes mainly in Latin America, Asia and the Middle East ($225 million) and the unfavorable impact of foreign currency translation ($41 million).

Segment Income:

- The decrease in North America systems was primarily due to lower net volumes ($8 million), unfavorable margin rates ($33 million) and the unfavorable impact of foreign currency translation ($3 million), partially offset by lower SG&A expenses ($39 million).

- The decrease in North America service was primarily due to lower net volumes ($62 million) and the unfavorable impact of foreign currency translation ($3 million), partially offset by lower SG&A expenses ($45 million).
- The decrease in North America unitary products was primarily due to an equity investment impairment charge ($152 million), incremental warranty charges ($105 million), lower volumes ($18 million), and unfavorable margin rates ($56 million), partially offset by lower SG&A expenses ($5 million). The incremental warranty charges were due to a specific product issue and an adjustment to the pre-existing warranty accruals based on analysis of recent actual return rates.
- The decrease in global workplace solutions was primarily due to higher bad debt expense associated with a customer bankruptcy ($8 million), the unfavorable impact of foreign currency translation ($7 million) and lower volumes and unfavorable mix in North America ($11 million), partially offset by lower SG&A expenses ($12 million).
- The decrease in Europe was primarily due to lower volumes ($61 million), the unfavorable impact of foreign currency translation ($16 million) and unfavorable margin rates ($37 million), partially offset by lower SG&A costs ($41 million).
- The decrease in rest of world was primarily due to lower volumes ($53 million), prior year gains on sales of a business and investments ($8 million) and higher SG&A costs ($67 million), partially offset by the favorable impact of foreign currency translation ($6 million).

Automotive Experience

(in millions)	Net Sales for the Year Ended September 30, 2009	2008	Change	Segment Income for the Year Ended September 30, 2009	2008	Change
North America	$ 4,631	$ 6,723	-31%	$ (333)	$ 79	*
Europe	6,287	9,854	-36%	(212)	464	*
Asia	1,098	1,514	-27%	4	36	-89%
	$ 12,016	$ 18,091	-34%	$ (541)	$ 579	*

* Measure not meaningful

Net Sales:

- The decrease in North America was primarily due to the significantly reduced industry production volumes by all of the Company's major OEM customers ($2.5 billion), partially offset by the acquisition of the interior product assets of Plastech Engineered Products, Inc. in July 2008, which had a favorable impact of $299 million in fiscal 2009, and net favorable commercial settlements and pricing ($63 million).
- The decrease in Europe was primarily due to lower industry production volumes across all customers ($2.5 billion), the unfavorable impact of foreign currency translation ($1.0 billion) and higher prior year commercial recoveries ($89 million).
- The decrease in Asia was primarily due to lower production volumes mainly in Korea and Japan ($329 million) and the unfavorable impact of foreign currency translation ($87 million).

Segment Income:

- The decrease in North America was primarily due to lower industry production volumes ($517 million), the unfavorable impact of the acquisition of the interior product assets of Plastech Engineered Products, Inc. ($55 million), an impairment charge on fixed assets in the first quarter ($77 million) and lower equity earnings ($44 million). These factors were partially offset by lower operational and SG&A costs ($154 million) including the benefits of cost reduction initiatives, favorable purchasing and commercial costs ($72 million), and lower engineering expenses ($55 million).
- The decrease in Europe was primarily due to lower industry production volumes ($497 million), pricing and material costs ($93 million), higher operational costs ($73 million), the unfavorable impact of foreign

currency translation ($66 million), an impairment charge on fixed assets in the first quarter ($33 million) and higher net direct material purchasing costs ($31 million). These factors were partially offset by lower engineering expenses ($65 million) and SG&A costs ($52 million).

- The decrease in Asia is primarily due to lower volumes ($60 million) and the unfavorable impact of foreign currency translation ($10 million), partially offset by higher equity income at our joint ventures mainly in China ($24 million), lower SG&A costs ($10 million) and lower engineering expenses ($4 million).

Power Solutions

(in millions)	Year Ended September 30, 2009	2008	Change
Net sales	$ 3,988	$ 5,850	-32%
Segment income	406	541	-25%

- Net sales decreased primarily due to the impact of lower lead costs on pricing ($1.5 billion), lower sales volumes ($352 million) and the unfavorable impact of foreign currency translation ($260 million), partially offset by improved price/product mix ($215 million).
- Segment income decreased due to lower volumes ($56 million), the unfavorable impact of foreign currency translation ($17 million), a nonrecurring charge related to the disposal of a manufacturing facility and other assets in Europe ($20 million), other nonrecurring items recorded in the prior year ($11 million), and the negative impact of lead and other commodity costs not fully recovered through pricing ($230 million), which includes a $62 million out of period adjustment as discussed in Note 1, "Summary of Significant Accounting Policies," to the accompanying financial statements. Partially offsetting these factors was improved price/product mix ($192 million) and higher equity income from joint ventures ($7 million).

Restructuring Costs

To better align the Company's cost structure with global market conditions, the Company committed to a restructuring plan (2009 Plan) in the second quarter of fiscal 2009 and recorded a $230 million restructuring charge. The restructuring charge related to cost reduction initiatives in the Company's automotive experience, building efficiency and power solutions businesses and included workforce reductions and plant consolidations. The Company expects to substantially complete the 2009 Plan by the end of 2011. The automotive-related restructuring actions targeted excess manufacturing capacity resulting from lower industry production in the European, North American and Japanese automotive markets. The restructuring actions in building efficiency were primarily in Europe where the Company centralized certain functions and rebalanced its resources to target the geographic markets with the greatest potential growth. Power solutions actions focused on optimizing its manufacturing capacity as a result of lower overall demand for original equipment batteries resulting from lower vehicle production levels.

To better align the Company's resources with its growth strategies while reducing the cost structure of its global operations, the Company committed to a restructuring plan (2008 Plan) in the fourth quarter of fiscal 2008 and recorded a $495 million restructuring charge. The restructuring charge related to cost reduction initiatives in its automotive experience, building efficiency and power solutions businesses and includes workforce reductions and plant consolidations. The Company expects to substantially complete the 2008 Plan in 2011. The automotive-related restructuring was in response to the fundamentals of the European and North American automotive markets. The actions targeted reductions in the Company's cost base by decreasing excess manufacturing capacity due to lower industry production and the continued movement of vehicle production to low-cost countries, especially Europe. The restructuring actions in building efficiency were primarily in Europe where the Company centralized certain functions and rebalanced its resources to target the geographic markets with the greatest potential growth. Power solutions actions focused on optimizing its regional manufacturing capacity.

Refer to Note 16, "Restructuring Costs," to the accompanying financial statements for further disclosure related to the Company's restructuring plans.

Net Financing Charges

(in millions)	Year Ended September 30, 2009	2008	Change
Net financing charges	$ 239	$ 258	-7%

- Net financing charges decreased primarily due to lower interest rates during fiscal 2009 partially offset by higher debt levels.

Provision for Income Taxes

The Company's base effective income tax rate for continuing operations for fiscal years 2009 and 2008 was 22.7% and 21.0%, respectively (prior to certain discrete period items as outlined below).

The Company's effective tax rate for fiscal 2009 was greater than the base effective tax rate due in part to various items during the year as discussed in detail below.

The Company's effective tax rate for fiscal 2008 increased over the base effective tax rate due to the fourth quarter restructuring charge, which was recorded using a blended statutory rate of 12.4% resulting in a $43 million discrete period tax adjustment.

Restructuring Charge

In the second quarter of fiscal 2009, the Company recorded a $27 million discrete period tax adjustment related to the second quarter 2009 restructuring costs using a blended effective tax rate of 19.2%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $19 million for a total tax adjustment of $8 million.

In the fourth quarter of fiscal 2008, the Company recorded a $43 million discrete period tax adjustment related to the fourth quarter 2008 restructuring charge using a blended effective tax rate of 12.4%.

Impairment Charges

In the first quarter of fiscal 2009, the Company recorded a $30 million discrete period tax adjustment related to first quarter 2009 impairment costs using a blended statutory tax rate of 12.6%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $4 million for a total tax adjustment of $26 million.

Debt Conversion Costs

In the fourth quarter of fiscal 2009, the Company recorded a $15 million discrete period tax benefit related to debt conversion costs using an effective tax rate of 36.5%.

Valuation Allowances

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

In fiscal 2009, the Company recorded an overall increase to its valuation allowances by $245 million. This was comprised of a $252 million increase in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the third quarter of fiscal 2009, the Company determined that it was more likely than not that a portion of the deferred tax assets in Brazil would be utilized. Therefore, the Company released $10 million of valuation

allowances. This is comprised of a $3 million decrease in income tax expense with the remaining amount impacting the consolidated statement of financial position because it related to acquired net operating losses.

In the second quarter of fiscal 2009, the Company determined that it was more likely than not that the deferred tax asset associated with a capital loss would be utilized. Therefore, the Company released $45 million of valuation allowances in the three month period ended March 31, 2009.

In the first quarter of fiscal 2009, as a result of the rapid deterioration in the economic environment, several jurisdictions incurred unexpected losses in the first quarter that resulted in cumulative losses over the prior three years. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in several jurisdictions including France, Mexico, Spain and the United Kingdom. Therefore, the Company recorded $300 million of valuation allowances in the three month period ended December 31, 2008. To the extent the Company improves its underlying operating results in these jurisdictions, these valuation allowances, or a portion thereof, could be reversed in future periods.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. In June 2006, the FASB issued guidance prescribing a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company adopted this guidance, which is included in ASC 740, "Income Taxes," as of October 1, 2007. As such, accruals for tax contingencies are provided for in accordance with the requirements of ASC 740.

As a result of certain events in various jurisdictions during the fourth quarter of fiscal year 2009, including the settlement of the fiscal 2002 through fiscal 2003 U.S. federal tax examinations, the Company decreased its total reserve for uncertain tax positions by $32 million. This was comprised of a $55 million decrease to tax expense and a $23 million increase to goodwill.

As a result of various entities exiting business in certain jurisdictions and certain events related to prior tax planning initiatives, during the third quarter of fiscal year 2009 the Company reduced the reserve for uncertain tax positions by $33 million. This is comprised of a $17 million decrease to tax expense and a $16 million decrease to goodwill.

The Company's federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2009, the Company had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the consolidated statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts accrued for each year.

Change in Tax Status

In the fourth quarter of fiscal 2009, the Company recorded $84 million in discrete period tax benefits related to a change in tax status of a U.S. and a U.K. subsidiary. This is comprised of a $59 million tax expense benefit and a $25 million decrease to goodwill. In the second quarter of fiscal 2009, the Company recorded a $30 million discrete period tax benefit related to a change in tax status of a French subsidiary.

The changes in tax status resulted from voluntary tax elections that produced deemed liquidations for U.S. federal income tax purposes. The Company received tax benefits in the U.S. for the losses from the decrease in value as compared to the original tax basis of its investments. These elections changed, for U.S. federal income tax purposes, the tax status of these entities and are reported as a discrete period tax benefit in accordance with the provision of ASC 740.

Interest Refund Claim

In the second quarter of fiscal 2009, the Company filed a claim for refund with the Internal Revenue Service related to interest computations of prior tax payments and refunds. The refund claim resulted in a tax provision decrease of $6 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

In fiscal 2009, the Company obtained High Tech Enterprise status from the Chinese Tax Bureaus for various Chinese subsidiaries. This status allows the entities to benefit from a 15% tax rate.

In February 2009, Wisconsin enacted numerous changes to Wisconsin income tax law as part of the Budget Stimulus and Repair Bill, Wisconsin Act 2. These changes became effective in the Company's tax year ended September 30, 2010. The major changes included an adoption of corporate unitary combined reporting and an expansion of the related entity expense add back provisions. These Wisconsin tax law changes did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Various other tax legislation was adopted in the twelve months ended September 30, 2009. None of these changes had a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Income Attributable to Noncontrolling Interests

	Year Ended September 30,		
(in millions)	2009	2008	Change
Income (loss) attributable to noncontrolling interests	$ (12)	$ 24	*

* Measure not meaningful

- The decrease in income attributable to noncontrolling interests was primarily due to losses at a power solutions joint venture and certain automotive experience joint ventures in North America because of the decline in the global automotive industry.

Net Income Attributable to Johnson Controls, Inc.

	Year Ended September 30,		
(in millions)	2009	2008	Change
Net income (loss) attributable to Johnson Controls, Inc.	$ (338)	$ 979	*

* Measure not meaningful

- Net loss attributable to Johnson Controls, Inc. for fiscal 2009 was $338 million, $1.3 billion less than prior year's net income attributable to Johnson Controls, Inc. of $979 million, primarily due to lower volumes mainly in the automotive experience business, lead costs not recovered through pricing, first quarter impairment charges recorded on an equity investment in the North American unitary products group in building efficiency and certain fixed assets in the automotive experience North America and Europe segments, a second quarter restructuring charge, fourth quarter debt conversion costs, fourth quarter incremental warranty charges recorded in the building efficiency North American unitary products segment, and the unfavorable impact of foreign currency translation, partially offset by lower SG&A costs, a decrease in the provision for income taxes and loss attributable to noncontrolling interests. Fiscal 2009 diluted loss per share was $0.57 compared to the prior year's diluted earnings per share of $1.63.

GOODWILL, LONG-LIVED ASSETS AND OTHER INVESTMENTS

Goodwill at September 30, 2010 was $6.5 billion, $41 million lower than the prior year. The decrease was primarily due to foreign currency translation adjustments partially offset by the impact of current year acquisitions.

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments, using a fair-value method based on management's judgments and assumptions or third party valuations. The fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses to further support the fair value estimates. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal year 2010 indicated 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 September 30, 2010. No reporting unit was determined to be at risk of failing step one of the goodwill impairment test.

At March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience Europe segment due to the continued decline in the automotive market. As a result, the Company performed impairment testing for goodwill and determined that fair value of the reporting unit exceeded its carrying value and no impairment existed at March 31, 2009.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience North America and Europe segments and the building efficiency unitary products group segment due to the rapid declines in the automotive and construction markets. As a result, the Company performed impairment testing for goodwill and determined that fair values of the reporting units exceed their carrying values and no impairment existed at December 31, 2008. To further support the fair value estimates of the automotive experience North America and building efficiency unitary product group segments, the Company prepared a discounted cash flow analysis that also indicated the fair value exceeded the carrying value for each reporting unit. The assumptions supporting the estimated future cash flows of the reporting units, including profit margins, long-term sales forecasts and growth rates, reflect the Company's best estimates. The assumptions related to automotive experience sales volumes reflected the expected continued automotive industry decline with a return to fiscal 2008 volume production levels by fiscal 2013. The assumptions related to the construction market sales volumes reflected steady growth beginning in fiscal 2010.

Indefinite lived other intangible assets are also subject to at least annual impairment testing. A considerable amount of management judgment and assumptions are required in performing the impairment tests. The Company believes the judgments and assumptions used in the impairment tests are reasonable and no impairment existed at September 30, 2010.

The Company reviews the realizability of its deferred tax assets on a quarterly basis. In determining the potential need 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 France, Spain and the U.S., 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.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

In the fourth quarter of fiscal 2010, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the planned relocation of a plant in Japan in the automotive experience Asia segment. As a result, the Company reviewed its long-lived assets for impairment and recorded an $11 million impairment charge within cost of sales in the fourth quarter of fiscal 2010 related to the Asia automotive experience segment. The impairment was measured under a market approach utilizing an appraisal. The inputs utilized in the analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurements and Disclosures."

At September 30, 2010, the Company concluded it did not have any other triggering events requiring assessment of impairment of its long-lived assets.

In the third quarter of fiscal 2010, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the planned relocation of its headquarters building in Japan in the automotive experience Asia segment. As a result, the Company reviewed its long-lived assets for impairment and recorded an $11 million impairment charge within selling, general and administrative expenses in the third quarter of fiscal 2010 related to the Asia automotive experience segment. The impairment was measured under a market approach utilizing an appraisal. The inputs utilized in the analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurements and Disclosures."

In the second quarter of fiscal 2010, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to planned plant closures for the North America automotive experience segment. These closures are a result of the Company's revised restructuring actions to the 2008 Plan. Refer to Note 16, "Restructuring Costs," to the accompanying financial statements for further information regarding the 2008 Plan. As a result, the Company reviewed its long-lived assets for impairment and recorded a $19 million impairment charge in the second quarter of fiscal 2010 related to the North America automotive experience segment. This impairment charge was offset by a decrease in the Company's restructuring reserve related to the 2008 Plan due to lower employee severance and termination benefit cash payments than previously expected, as discussed further in Note 16. The impairment was measured under an income approach utilizing forecasted discounted cash flows for fiscal 2010 through 2014 to determine the fair value of the impaired assets. This method is consistent with the method the Company has employed in prior periods to value other long-lived assets. The inputs utilized in the discounted cash flow analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurements and Disclosures."

In the third quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in light of the restructuring plans in North America announced by Chrysler LLC (Chrysler) and General Motors Corporation (GM) during the quarter as part of their bankruptcy reorganization plans. As a result, the Company reviewed its long-lived assets relating to the Chrysler and GM platforms within the North America automotive experience segment and determined no impairment existed.

In the second quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in conjunction with its restructuring plan announced in March 2009. As a result, the Company reviewed its long-lived assets associated with the plant closures for impairment and recorded a $46 million impairment charge in the second quarter of fiscal 2009, of which $25 million related to the North America automotive experience segment, $16 million related to the Asia automotive experience segment and $5 million related to the Europe automotive experience segment. Refer to Note 16, "Restructuring Costs," to the accompanying financial statements for further information regarding the 2009 restructuring plan. Additionally, at March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of its other long-lived assets within the Europe automotive experience segment due to significant declines in European automotive sales volume. As a result, the Company reviewed its other long-lived assets within the Europe automotive experience segment for impairment and determined no additional impairment existed.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the significant declines in North American and European automotive sales volumes. As a result, the Company reviewed its long-lived assets for impairment and recorded a $110 million impairment charge within cost of sales in the first quarter of fiscal 2009, of which $77 million related to the North America automotive experience segment and $33 million related to the Europe automotive experience segment.

Investments in partially-owned affiliates at September 30, 2010 were $728 million, $10 million higher than the prior year. The increase was primarily due to positive earnings by certain automotive experience and power solutions joint ventures, partially offset by dividends paid by joint ventures and the acquisition of the controlling interest in a formerly unconsolidated Korean joint venture in the power solutions segment.

The Company reviews its equity investments for impairment whenever there is a loss in value of an investment which is other than a temporary decline. The Company conducts its equity investment impairment analyses in accordance with ASC 323, "Investments-Equity Method and Joint Ventures." ASC 323 requires the Company to record an impairment charge for a decrease in value of an investment when the decline in the investment is considered to be other than temporary.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its equity investment in a 48%-owned joint venture with U.S. Airconditioning Distributors, Inc. (U.S. Air) due to the significant decline in North American residential housing construction starts, which had significantly impacted the financial results of the equity investment. The Company reviewed its equity investment in U.S. Air for impairment and as a result, recorded a $152 million impairment charge within equity income (loss) for the building efficiency North America unitary products segment in the first quarter of fiscal 2009. The U.S. Air investment balance included in the consolidated statement of financial position at September 30, 2010 was $53 million. The Company does not anticipate future impairment of this investment as, based on its current forecasts, a further decline in value that is other than temporary is not considered reasonably likely to occur.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

(in millions)	September 30, 2010	September 30, 2009	Change
Working capital	$ 919	$ 1,147	-20%
Accounts receivable	6,095	5,528	10%
Inventories	1,786	1,521	17%
Accounts payable	5,426	4,434	22%

- The Company defines working capital as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt and net assets of discontinued operations. Management believes that this measure of working capital, which excludes financing-related items and discontinued activities, provides a more useful measurement of the Company's operating performance.
- The decrease in working capital at September 30, 2010 as compared to September 30, 2009 was primarily due to higher accounts payable primarily due to increased purchasing activity, partially offset by higher accounts receivable from higher sales volumes, higher inventory levels to support higher sales and a decrease in restructuring reserves.
- The Company's days sales in accounts receivable decreased to 55 at September 30, 2010 from 58 for the prior year primarily due to improved collections. The increase in accounts receivable compared to September 30, 2009 was primarily due to increased sales in the fourth quarter of fiscal 2010 compared to the same quarter in the prior year. There has been no significant adverse change in the level of overdue receivables or changes in revenue recognition methods.
- The Company's inventory turns during fiscal 2010 were slightly lower compared to the prior year primarily due to increased inventory production to meet increased demand.

- Days in accounts payable at September 30, 2010 increased to 74 days from 72 days at September 30, 2009 primarily due to the timing of supplier payments.

Cash Flows

(in millions)	Year Ended September 30, 2010	Year Ended September 30, 2009
Cash provided by operating activities	$ 1,514	$ 917
Cash used by investing activities	(968)	(828)
Cash provided (used) by financing activities	(895)	278
Capital expenditures	(777)	(647)

- The increase in cash provided by operating activities was primarily due to higher net income attributable to Johnson Controls, Inc. and favorable working capital changes in accounts payable, partially offset by unfavorable working capital changes in accounts receivable, inventory and restructuring reserves.
- The increase in cash used by investing activities was primarily due to higher capital expenditures, the impact of settlement of cross-currency interest rate swaps in the prior year and acquisitions of businesses, partially offset by an increase in sales of property, plant and equipment and lower recoverable engineering expenditures in the current period.
- The increase in cash used by financing activities was primarily due to a decrease in overall debt levels partially offset by prior year debt conversion costs.
- The increase in capital expenditures in the current year was primarily due to the timing of payments for investments made across the businesses.

Capitalization

(in millions)	September 30, 2010	September 30, 2009	Change
Total debt	$ 3,389	$ 3,966	-15%
Shareholders' equity attributable to Johnson Controls, Inc.	10,071	9,100	11%
Total capitalization	$ 13,460	$ 13,066	3%
Total debt as a % of total capitalization	25%	30%	

- 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.
- In fiscal 2008, the Company entered into new committed, revolving credit facilities totaling 350 million euro with 100 million euro expiring in May 2009, 150 million euro expiring in May 2011 and 100 million euro expiring in August 2011. In May 2009, the 100 million euro revolving facility expired and the Company entered into a new one year committed, revolving credit facility in the amount of 50 million euro expiring in May 2010. In May 2010, the 50 million euro revolving facility expired and the Company entered into a new one year committed, revolving credit facility in the amount of 50 million euro expiring in May 2011. At September 30, 2010, there were no draws on the revolving credit facilities.
- In January 2009, the Company retired its 24 billion yen, three year, floating rate loan agreement that matured. The Company used proceeds from commercial paper issuances to repay the loan agreement.
- In February 2009, the Company entered into a $50 million, three year, floating rate bilateral loan agreement. The Company drew the entire amount under the loan agreement during the course of the second quarter of fiscal 2009. Also during the second quarter of fiscal 2009, the Company retired approximately $54 million in principal amount of its $800 million fixed rate bonds that mature in January 2011. The Company used proceeds from the $50 million floating rate loan agreement to retire the bonds. The Company retired the loan during the fourth quarter of fiscal 2009.

- In March 2009, the Company closed concurrent public offerings. The Company issued $402.5 million aggregate amount of 6.5% senior, unsecured, fixed rate convertible notes that mature September 30, 2012. The notes are convertible into shares of the Company's common stock at a conversion rate of 89.3855 shares of common stock per $1,000 principal amount of notes, which is equal to a conversion price of approximately $11.19 per share, subject to anti-dilution adjustments. The Company also issued nine million Equity Units (the "Equity Units") each of which has a stated amount of $50 in an aggregate principal amount of $450 million. The Equity Units consist of (i) a forward purchase contract obligating the holder to purchase from the Company for a price in cash of $50, on the purchase contract settlement date of March 31, 2012, subject to early settlement, a certain number of shares of the Company's common stock and (ii) a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.5% subordinated notes due 2042.

- In September 2009, the Company settled the results of its previously announced offer to exchange (a) any and all of its outstanding 6.5% convertible senior notes due 2012 for the following consideration per $1,000 principal amount of convertible senior notes: (i) 89.3855 shares of the Company's common stock, (ii) a cash payment of $120 and (iii) accrued and unpaid interest on the convertible senior notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer, approximately $400 million aggregate principal amount of convertible senior notes were exchanged for approximately 36 million shares of common stock and approximately $61 million in cash ($48 million of debt conversion payments and $13 million of accrued interest on the convertible senior notes). As a result of the exchange, in the fourth quarter of fiscal 2009 the Company recognized approximately $57 million of debt conversion costs within its consolidated statement of income which was comprised of $48 million of debt conversion costs on the exchange and a $9 million charge related to the write-off of unamortized debt issuance costs.

- In September 2009, the Company settled the results of its previously announced offer to exchange up to 8,550,000 of its nine million outstanding Equity Units in the form of Corporate Units (the "Corporate Units") comprised of a purchase contract obligating the holder to purchase from the Company shares of its common stock and a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.50% subordinated notes due 2042, for the following consideration per Corporate Unit: (i) 4.8579 shares of the Company's common stock, (ii) a cash payment of $6.50 and (iii) a distribution consisting of the pro rata share of accrued and unpaid interest on the subordinated notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer, approximately 8,082,085 Corporate Units (consisting of $404 million aggregate principal amount of outstanding 11.50% subordinated notes due 2042) were exchanged for approximately 39 million shares of common stock and approximately $65 million in cash ($52 million of debt conversion payments and $13 million of accrued interest payments on the subordinated notes). As a result of the exchange, in the fourth quarter of fiscal 2009 the Company recognized approximately $54 million of debt conversion costs within its consolidated statement of income which was comprised of $53 million of debt conversion costs on the exchange and a $1 million charge related to the write-off of unamortized debt issuance costs.

- In November 2009, the Company repurchased 670 bonds ($670,000 par value) of its 6.5% convertible notes maturing September 30, 2012. The Company used cash to fund the repurchase.

- In December 2009, the Company repurchased an additional 1,015 bonds ($1,015,000 par value) of its 6.5% convertible notes maturing September 30, 2012. The Company used cash to fund the repurchase.

- In December 2009, the Company retired its 7 billion yen, three year, floating rate loan agreement that was scheduled to mature on January 18, 2011. The Company used cash to repay the note.

- In December 2009, the Company retired its 12 billion yen, three year, floating rate loan agreement that matured. The Company used cash to repay the note.

- In December 2009, the Company retired approximately $13 million in principal amount of its fixed rate bonds that was scheduled to mature on January 15, 2011. The Company used cash to fund the repurchase.

- In February 2010, the Company retired approximately $30 million in principal amount of its fixed rate bonds that was scheduled to mature on January 15, 2011. The Company used cash to fund the repurchase.

- In February 2010, the Company retired its 18 billion yen, three year, floating rate loan agreement that was scheduled to mature on January 18, 2011. The Company used cash to repay the note.

- In March 2010, the Company issued $500 million aggregate principal amount of 5.0% senior unsecured fixed rate notes due in fiscal 2020. Net proceeds from the issue were used for general corporate purposes including the retirement of short-term debt.

- In March 2010, the Company retired approximately $31 million in principal amount of its fixed rate bonds that was scheduled to mature on January 15, 2011. The Company used cash to fund the repurchase.
- In April 2010, a total of 200 bonds ($200,000 par value) of 6.5% convertible senior notes scheduled to mature on September 30, 2012 were redeemed for Johnson Controls, Inc. common stock.
- In May 2010, the Company retired approximately $18 million in principal amount of its fixed rate bonds scheduled to mature on January 15, 2011. The Company used cash to fund the repurchases.
- In September 2010, the Company entered into a new, $100 million committed revolving facility scheduled to mature in December 2011. At September 30, 2010, there were no draws outstanding.
- The Company also selectively makes use of short-term credit lines. The Company estimates that, as of September 30, 2010, it could borrow up to $2.6 billion at its current debt ratings on committed credit lines.
- The Company believes its capital resources and liquidity position at September 30, 2010 are adequate to meet projected needs. The Company believes requirements for working capital, capital expenditures, dividends, minimum pension contributions, debt maturities and any potential acquisitions in fiscal 2011 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 $2.05 billion revolving credit facility, which extends until December 2011. There were no draws on the revolving credit facility as of September 30, 2010. 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 $1.31 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 September 30, 2010, consolidated shareholders' equity attributable to Johnson Controls, Inc. as defined per our covenants was $9.6 billion and there were no outstanding amounts for liens and pledges. 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.

A summary of the Company's significant contractual obligations as of September 30, 2010 is as follows (in millions):

	Total	2011	2012-2013	2014-2015	2016 and Beyond
Contractual Obligations					
Long-term debt (including capital lease obligations)*	$ 3,314	$ 662	$ 450	$ 132	$ 2,070
Interest on long-term debt (including capital lease obligations)*	1,583	160	285	241	897
Operating leases	1,028	296	412	205	115
Purchase obligations	2,934	2,079	714	92	49
Pension and postretirement contributions	550	115	96	98	241
Total contractual cash obligations	$ 9,409	$ 3,312	$ 1,957	$ 768	$ 3,372

* See "Capitalization" for additional information related to the Company's long-term debt.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

Revenue Recognition

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

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

The Company's building efficiency business also sells certain HVAC products and services in bundled arrangements, where multiple products and/or services are involved. In accordance with ASC 605-25, "Multiple-Element Arrangements," the Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative fair value of all elements or the fair value of undelivered elements.

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

Goodwill and Other Intangible Assets

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments, using a fair-value method based on management's judgments and assumptions or third party valuations. The fair value represents the amount at which a reporting unit could be sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses to further support the fair value estimates. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal year 2010 indicated 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 September 30, 2010. No reporting unit was determined to be at risk of failing step one of the goodwill impairment test.

Indefinite lived other intangible assets are also subject to at least annual impairment testing. Other intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired. A considerable amount of management

judgment and assumptions are required in performing the impairment tests. While the Company believes the judgments and assumptions used in the impairment tests are reasonable and no impairment existed at September 30, 2010, different assumptions could change the estimated fair values and, therefore, impairment charges could be required.

Employee Benefit Plans

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

U.S. GAAP requires that companies recognize in its statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or unfunded, or an asset for defined benefit pension and postretirement benefit plans that are overfunded. U.S. GAAP also requires that companies measure the benefit obligations and fair value of plan assets that determine a postretirement benefit plan's funded status as of the date of the employer's fiscal year-end.

The discount rate used by the Company is based on the interest rate of non-callable high-quality corporate bonds, with appropriate consideration of the Company's pension plans' participants' demographics and benefit payment terms. The Company's discount rate on U.S. plans was 5.50% and 6.25% at September 30, 2010 and 2009, respectively. The Company's weighted average discount rate on non-U.S. plans was 4.00% and 4.75% at September 30, 2010 and 2009, respectively.

In estimating the expected return on plan assets, the Company considers the historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plans' invested assets. Reflecting the relatively long-term nature of the plans' obligations, approximately 55% to 65% of the plans' assets are invested in equities, with the balance primarily invested in fixed income instruments. For the years ending September 30, 2010 and 2009, the Company's expected long-term return on U.S. plan assets used to determine net periodic benefit cost was 8.50%. For the years ending September 30, 2010 and 2009, the Company's weighted average expected long-term return on non-U.S. plan assets was 6.00%. The actual rate of return on U.S. plans was slightly below 8.50% in fiscal 2010. Beginning in fiscal 2011 the Company believes the long-term rate of return will approximate 8.50% and 5.50% for U.S. and non-U.S. plans, respectively. Any differences between actual results and the expected long-term asset returns will be reflected in other comprehensive income and amortized to pension expense in future years. If the Company's actual returns on plan assets are less than the Company's expectations, additional contributions may be required.

For purposes of expense recognition, the Company uses a market-related value of assets that recognizes the difference between the expected return and the actual return on plan assets over a three-year period. As of September 30, 2010, the Company had approximately $74 million of unrecognized asset losses associated with its U.S. pension plans, which will be recognized in the calculation of the market-related value of assets and subject to amortization in future periods.

In fiscal 2010, total employer and employee contributions to the defined benefit pension plans were $681 million, of which $509 million were voluntary contributions made by the Company. The Company expects to contribute approximately $250 million in cash to its defined benefit pension plans in fiscal year 2011.

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

Product Warranties

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate of future warranty-related costs based

on actual historical return rates and other known factors. At September 30, 2010, the Company had recorded $337 million of warranty reserves based on an analysis of return rates and other factors. While the Company's warranty costs have historically been within its calculated estimates, 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.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance that primarily represents non-U.S. operating and other loss carryforwards for which utilization is uncertain. Management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company's net deferred tax assets. In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted as appropriate based upon the actual results as compared to those forecasted at the beginning of the fiscal year. In determining the need for a valuation allowance, the historical and projected financial performance of the operation recording the net deferred tax asset is considered along with any other pertinent information. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowance may be necessary. At September 30, 2010, the Company had a valuation allowance of $739 million, of which $492 million relates to net operating loss carryforwards primarily in France and Spain, for which sustainable taxable income has not been demonstrated; and $247 million for other deferred tax assets. The Company does not provide additional U.S. income taxes on undistributed earnings of non-U.S. consolidated subsidiaries included in shareholders' equity attributable to Johnson Controls, Inc. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." ASU No. 2009-17 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This statement is effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010). The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial condition and results of operations.

In October 2009, the FASB issued ASU No. 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force." ASU No. 2009-13 establishes the accounting and reporting guidance for arrangements under which a vendor will perform multiple revenue-generating activities. Specifically, this ASU addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This guidance will be effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010) and, when adopted, will change the Company's accounting treatment for multiple-element revenue arrangements on a prospective basis. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial condition and results of operations.

In December 2008, the FASB issued guidance on an employer's disclosures about plan assets of a defined benefit pension plan. The guidance requires enhanced transparency surrounding the types of plan assets and associated risks, as well as disclosure of information about fair value measurements of plan assets. This guidance is included in ASC 715, "Compensation – Retirement Benefits," and is effective for the Company for the fiscal year ending September 30, 2010. The adoption of this guidance did not impact on the Company's consolidated financial condition and results of operations. Refer to Note 15, "Retirement Plans," for the Company's disclosures of plan assets.

In December 2007, the FASB issued guidance changing the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under this guidance changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. This guidance is included in ASC 805, "Business Combinations," and was adopted by the Company in the first quarter of fiscal 2010 (October 1, 2009). This guidance changes the Company's accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued guidance changing the accounting and reporting for minority interests, which are recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method changes the accounting for transactions with minority interest holders. This guidance is included in ASC 810, "Consolidation," and was adopted by the Company in the first quarter of fiscal 2010 (October 1, 2009). The adoption of this guidance did not have a material impact on the Company's consolidated financial condition and results of operations. Refer to Note 14, "Equity and Noncontrolling Interests," for further discussion.

In September 2006, the FASB issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. This guidance is included in ASC 820, "Fair Value Measurements and Disclosures." The Company adopted this guidance effective October 1, 2008. In February 2008, the FASB delayed the effective date of this guidance for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. The provisions of this guidance for nonfinancial assets and nonfinancial liabilities were effective for the Company in the first quarter of fiscal 2010 (October 1, 2009) and will be applied prospectively to fair value assessments such as the Company's long-lived asset impairment analyses. Refer to Note 17, "Impairment of Long-Lived Assets," for further discussion.

RISK MANAGEMENT

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

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

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

For interest hedges such as interest rate swaps, the Company elected the long haul method and assesses retrospective and prospective effectiveness and measures ineffectiveness on a quarterly basis.

For equity swaps, these derivative instruments are not designated as hedging instruments under ASC 815, "Derivatives and Hedging," and require no assessment of effectiveness on a quarterly basis.

A discussion of the Company's accounting policies for derivative financial instruments is included in Note 1, "Summary of Significant Accounting Policies," to the accompanying financial statements, and further disclosure

relating to derivatives and hedging activities is included in Note 10, "Derivative Instruments and Hedging Activities," and Note 11, "Fair Value Measurements," to the accompanying financial statements.

Foreign Exchange

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

The Company hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. The Company primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. The Company also selectively hedges anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with ASC 815. At September 30, 2010 and 2009, the Company estimates that an unfavorable 10% change in the exchange rates would have decreased net unrealized gains by approximately $107 million and $51 million, respectively.

The Company selectively finances its foreign operations with local, non-U.S. dollar debt. In those instances, the foreign currency denominated debt serves as a natural hedge of the foreign operations' net asset positions. The Company has also entered into foreign currency denominated debt obligations and cross-currency interest rate swaps to selectively hedge portions of its net investment in Japan. The currency effects of the debt obligations and the cross-currency interest rate swaps are reflected in the accumulated other comprehensive income (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. During the first and second quarters of fiscal 2010, the Company retired its foreign currency denominated debt which had previously been designated as a net investment hedge in the Company's net investment in Japan.

Interest Rates

The Company uses interest rate swaps to offset its exposure to interest rate movements. In accordance with ASC 815, outstanding swaps qualify and are designated as fair value hedges. As of September 30, 2010, the Company did not have any interest rate swaps outstanding. A 10% increase or decrease in the average cost of the Company's variable rate debt would result in a change in pre-tax interest expense of approximately $1 million and $4 million at September 30, 2010 and 2009, respectively.

Commodities

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

ENVIRONMENTAL, HEALTH AND SAFETY AND OTHER MATTERS

The Company's global operations are governed by Environmental Laws and Worker Safety Laws. Under various circumstances, these laws impose civil and criminal penalties and fines, as well as injunctive and remedial relief, for noncompliance and require remediation at sites where Company-related substances have been released into the environment.

The Company has expended substantial resources globally, both financial and managerial, to comply with applicable Environmental Laws and Worker Safety Laws, and to protect the environment and workers. The Company believes it is in substantial compliance with such laws and maintains procedures designed to foster and ensure compliance. However, the Company has been, and in the future may become, the subject of formal or informal enforcement actions or proceedings regarding noncompliance with such laws or the remediation of Company-related substances

released into the environment. Such matters typically are resolved by negotiation with regulatory authorities resulting in commitments to compliance, abatement or remediation programs and in some cases payment of penalties. Historically, neither such commitments nor penalties imposed on the Company have been material.

Environmental considerations are a part of all significant capital expenditure decisions; however, expenditures in fiscal 2010 related solely to environmental compliance were not material. At September 30, 2010 and 2009, the Company recorded environmental liabilities of $47 million and $32 million, respectively. A charge to income is recorded when it is probable that a liability has been incurred and the cost can be reasonably estimated. The Company's environmental liabilities do not take into consideration any possible recoveries of future insurance proceeds. Because of the uncertainties associated with environmental remediation activities at sites where the Company may be potentially liable, future expenses to remediate identified sites could be considerably higher than the accrued liability. However, while neither the timing nor the amount of ultimate costs associated with known environmental remediation matters can be determined at this time, the Company does not expect that these matters will have a material adverse effect on its financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the power solutions business. At September 30, 2010 and 2009, the Company recorded conditional asset retirement obligations of $84 million and $85 million, respectively.

Additionally, the Company is involved in a number of product liability and various other casualty lawsuits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management's opinion that none of these will have a materially adverse effect on the Company's financial position, results of operations or cash flows (see Note 20, "Commitments and Contingencies," to the consolidated financial statements). Costs related to such matters were not material to the periods presented.

QUARTERLY FINANCIAL DATA

(in millions, except per share data) (unaudited)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2010					
Net sales	$ 8,408	$ 8,317	$ 8,540	$ 9,040	$ 34,305
Gross profit	1,236	1,223	1,339	1,491	5,289
Net income attributable to Johnson Controls, Inc. (1)	350	274	418	449	1,491
Earnings per share					
Basic (3)	0.52	0.41	0.62	0.67	2.22
Diluted (3)	0.52	0.40	0.61	0.66	2.19
2009					
Net sales	$ 7,336	$ 6,315	$ 6,979	$ 7,867	$ 28,497
Gross profit	685	682	1,039	1,143	3,549
Net income (loss) attributable to Johnson Controls, Inc. (2)	(608)	(193)	163	300	(338)
Earnings (loss) per share					
Basic (3)	(1.02)	(0.33)	0.27	0.50	(0.57)
Diluted (3)	(1.02)	(0.33)	0.26	0.47	(0.57)

(1) The fiscal 2010 third quarter net income includes $11 million of fixed asset impairment charges recorded in the automotive experience Asia segment. The fiscal 2010 fourth quarter net income includes $11 million of fixed asset impairment charges recorded in the automotive experience Asia segment, an $8 million charge related to the divestiture of a joint venture recorded in the automotive experience North America segment and a $37 million gain on acquisition of a Korean joint venture net of acquisition costs and related purchase accounting adjustments recorded in the power solutions segment. The preceding amounts are stated on a pre-tax basis.

(2) The fiscal 2009 first quarter net loss includes $152 million of impairment charges recorded on an equity investment in the building efficiency North American unitary products segment and $110

million of fixed asset impairment charges recorded in the automotive experience North America and Europe segments ($77 million and $33 million, respectively). The fiscal 2009 second quarter net loss includes a $230 million restructuring charge. The fiscal 2009 fourth quarter net income includes $105 million of incremental warranty charges recorded in the building efficiency North American unitary products segment and $111 million of debt conversion costs. The preceding amounts are stated on a pre-tax basis.

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

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Risk Management" included in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm	53
Consolidated Statements of Income for the years ended September 30, 2010, 2009 and 2008	55
Consolidated Statements of Financial Position as of September 30, 2010 and 2009	56
Consolidated Statements of Cash Flows for the years ended September 30, 2010, 2009 and 2008	57
Consolidated Statements of Shareholders' Equity Attributable to Johnson Controls, Inc. for the years ended September 30, 2010, 2009 and 2008	58
Notes to Consolidated Financial Statements	59
Valuation and Qualifying Accounts	105

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Johnson Controls, Inc. and its subsidiaries at September 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 18 to the consolidated financial statements, the Company adopted guidance included in Accounting Standards Codification (ASC) 740, "Income Taxes," prescribing how a company should recognize, measure, present, and disclose uncertain tax positions effective October 1, 2007.

As discussed in Note 14 to the consolidated financial statements, the Company adopted guidance included in Accounting Standards Codification (ASC) 810, "Consolidation," prescribing how a company should account for noncontrolling interests effective October 1, 2009.

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A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
November 23, 2010

Johnson Controls, Inc.
Consolidated Statements of Income

(in millions, except per share data)	Year ended September 30, 2010	2009	2008
Net sales			
Products and systems*	$ 27,204	$ 21,837	$ 30,568
Services*	7,101	6,660	7,494
	34,305	28,497	38,062
Cost of sales			
Products and systems*	23,226	19,618	26,492
Services*	5,790	5,330	6,044
	29,016	24,948	32,536
Gross profit	5,289	3,549	5,526
Selling, general and administrative expenses	(3,610)	(3,210)	(3,565)
Restructuring costs	-	(230)	(495)
Debt conversion costs	-	(111)	-
Net financing charges	(170)	(239)	(258)
Equity income (loss)	254	(77)	116
Income (loss) before income taxes	1,763	(318)	1,324
Provision for income taxes	197	32	321
Net income (loss)	1,566	(350)	1,003
Income (loss) attributable to noncontrolling interests	75	(12)	24
Net income (loss) attributable to Johnson Controls, Inc.	$ 1,491	$ (338)	$ 979
Earnings (loss) per share			
Basic	$ 2.22	$ (0.57)	$ 1.65
Diluted	$ 2.19	$ (0.57)	$ 1.63

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

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

Johnson Controls, Inc.
Consolidated Statements of Financial Position

(in millions, except par value and share data)	September 30, 2010	September 30, 2009
Assets		
Cash and cash equivalents	$ 560	$ 761
Accounts receivable, less allowance for doubtful accounts of $96 and $99, respectively	6,095	5,528
Inventories	1,786	1,521
Other current assets	2,211	2,016
Current assets	10,652	9,826
Property, plant and equipment - net	4,096	3,986
Goodwill	6,501	6,542
Other intangible assets - net	741	746
Investments in partially-owned affiliates	728	718
Other noncurrent assets	3,025	2,270
Total assets	$ 25,743	$ 24,088
Liabilities and Equity		
Short-term debt	$ 75	$ 658
Current portion of long-term debt	662	140
Accounts payable	5,426	4,434
Accrued compensation and benefits	1,122	872
Other current liabilities	2,625	2,612
Current liabilities	9,910	8,716
Long-term debt	2,652	3,168
Postretirement health and other benefits	235	255
Other noncurrent liabilities	2,573	2,610
Long-term liabilities	5,460	6,033
Commitments and contingencies (Note 20)		
Redeemable noncontrolling interests	196	155
Common Stock, $.01 7/18 par value shares authorized: 1,800,000,000 shares issued: 2010 - 676,197,237; 2009 - 673,133,777	9	9
Capital in excess of par value	2,448	2,354
Retained earnings	7,765	6,615
Treasury stock, at cost (2010 - 2,470,565; 2009 - 2,301,073 shares)	(74)	(70)
Accumulated other comprehensive income	(77)	192
Shareholders' equity attributable to Johnson Controls, Inc.	10,071	9,100
Noncontrolling interests	106	84
Total equity	10,177	9,184
Total liabilities and equity	$ 25,743	$ 24,088

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

Johnson Controls, Inc.
Consolidated Statements of Cash Flows

(in millions)	Year Ended September 30, 2010	2009	2008
Operating Activities			
Net income (loss) attributable to Johnson Controls, Inc.	$ 1,491	$ (338)	$ 979
Income (loss) attributable to noncontrolling interests	75	(12)	24
Net income (loss)	1,566	(350)	1,003
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	648	707	745
Amortization of intangibles	43	38	38
Equity in earnings of partially-owned affiliates, net of dividends received	5	237	(15)
Deferred income taxes	(85)	6	(40)
Impairment charges	41	156	43
Fair value adjustment of equity investment	(47)	-	-
Debt conversion costs	-	101	-
Equity-based compensation	49	60	48
Other	63	40	48
Changes in working capital, excluding acquisitions:			
Receivables	(608)	796	281
Inventories	(260)	557	(49)
Other current assets	323	(413)	88
Restructuring reserves	(195)	(83)	388
Accounts payable and accrued liabilities	218	(635)	(694)
Accrued income taxes	(247)	(300)	44
Cash provided by operating activities	1,514	917	1,928
Investing Activities			
Capital expenditures	(777)	(647)	(807)
Sale of property, plant and equipment	47	28	52
Acquisition of businesses, net of cash acquired	(61)	(38)	(277)
Recoverable customer engineering expenditures	(76)	(92)	(46)
Settlement of cross-currency interest rate swaps	-	31	(160)
Changes in long-term investments	(101)	(110)	(32)
Cash used by investing activities	(968)	(828)	(1,270)
Financing Activities			
Increase (decrease) in short-term debt - net	(575)	213	173
Increase in long-term debt	515	883	240
Repayment of long-term debt	(526)	(391)	(935)
Payment of cash dividends	(339)	(309)	(297)
Debt conversion costs	-	(101)	-
Proceeds from the exercise of stock options	52	8	34
Purchase of treasury stock	-	-	(69)
Other	(22)	(25)	(41)
Cash provided (used) by financing activities	(895)	278	(895)
Effect of exchange rate changes on cash and cash equivalents	148	10	(53)
Increase (decrease) in cash and cash equivalents	$ (201)	$ 377	$ (290)

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

Johnson Controls, Inc.
Consolidated Statements of Shareholders' Equity Attributable to Johnson Controls, Inc.

(in millions, except per share data)	Total	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)
At September 30, 2007	$ 8,873	$ 8	$ 1,452	$ 6,664	$ (33)	$ 782
Comprehensive income:						
Net income attributable to Johnson Controls, Inc.	979	-	-	979	-	-
Foreign currency translation adjustments	170	-	-	-	-	170
Realized and unrealized losses on derivatives	(93)	-	-	-	-	(93)
Employee retirement plans	(188)	-	-	-	-	(188)
Other comprehensive loss	(111)					
Comprehensive income	868					
Adjustment to initially adopt FIN 48, net of tax	(68)	-	-	(68)	-	-
Cash dividends						
Common ($0.52 per share)	(309)	-	-	(309)	-	-
Redemption value adjustment attributable to redeemable noncontrolling interests	16	-	-	16	-	-
Other, including options exercised	26	-	95	-	(69)	-
At September 30, 2008	9,406	8	1,547	7,282	(102)	671
Comprehensive loss:						
Net loss attributable to Johnson Controls, Inc.	(338)	-	-	(338)	-	-
Foreign currency translation adjustments	(194)	-	-	-	-	(194)
Realized and unrealized gains on derivatives	41	-	-	-	-	41
Employee retirement plans	(326)	-	-	-	-	(326)
Other comprehensive loss	(479)					
Comprehensive loss	(817)					
Cash dividends						
Common ($0.52 per share)	(309)	-	-	(309)	-	-
Debt conversion (Note 9)	804	1	803	-	-	-
Redemption value adjustment attributable to redeemable noncontrolling interests	(20)	-	-	(20)	-	-
Other, including options exercised	36	-	4	-	32	-
At September 30, 2009	9,100	9	2,354	6,615	(70)	192
Comprehensive income:						
Net income attributable to Johnson Controls, Inc.	1,491	-	-	1,491	-	-
Foreign currency translation adjustments	(115)	-	-	-	-	(115)
Realized and unrealized gains on derivatives	13	-	-	-	-	13
Unrealized gains on marketable common stock	3					3
Employee retirement plans	(170)	-	-	-	-	(170)
Other comprehensive loss	(269)					
Comprehensive income	1,222					
Cash dividends						
Common ($0.52 per share)	(350)	-	-	(350)	-	-
Redemption value adjustment attributable to redeemable noncontrolling interests	9	-	-	9	-	-
Other, including options exercised	90	-	94	-	(4)	-
At September 30, 2010	$ 10,071	$ 9	$ 2,448	$ 7,765	$ (74)	$ (77)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Johnson Controls, Inc. and its domestic and non-U.S. subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany transactions have been eliminated. Investments in partially-owned affiliates are accounted for by the equity method when the Company's interest exceeds 20% and the Company does not have a controlling interest. The financial results for the year ended September 30, 2009 include an out of period adjustment of $62 million made in the first and second quarters of fiscal 2009 to correct an error related to the power solutions segment. The correction of the error, which reduces segment income, primarily originated in fiscal 2007 and 2008 and resulted in the overstatement of inventory and understatement of cost of sales in prior periods. The Company determined that the impact of the error on the originating periods was immaterial, and accordingly a restatement of prior period amounts was not considered necessary. The Company also determined the impact of correcting the error in fiscal 2009 was not material.

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 when it has less than a 50% ownership. In order to determine whether to consolidate a partially-owned affiliate when the Company has less than a 50% ownership, 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. If the entity meets one of these characteristics, the Company then determines if it is the primary beneficiary of the VIE. The party exposed to the majority of the risks and rewards associated with the VIE is the VIE's primary beneficiary and must consolidate the entity.

Based upon the criteria set forth in ASC 810, the Company has determined that for the reporting periods ended September 30, 2010 and 2009 it was the primary beneficiary in two VIE's in which it holds less than 50% ownership as the Company funds the entities' short-term liquidity needs. Both entities are consolidated within the automotive experience North America segment. The Company did not have a significant variable interest in any unconsolidated VIE's for the presented reporting periods. The carrying amounts and classification of assets and liabilities included in the Company's consolidated statements of financial position for consolidated VIE's are as follows (in millions):

	September 30,	
	2010	2009
Current assets	$ 215	$ 146
Noncurrent assets	69	101
Total assets	$ 284	$ 247
Current liabilities	$ 174	$ 103
Noncurrent liabilities	-	-
Total liabilities	$ 174	$ 103

Use of Estimates

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

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The fair value of long-term debt, which was $3.7 billion and $3.4 billion at September 30, 2010 and 2009, respectively, was determined using market quotes. See Note 10, "Derivative Instruments and

Hedging Activities," and Note 11, "Fair Value Measurements," for fair value of financial instruments, including derivative instruments and hedging activities.

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

Pre-Production Costs Related to Long-Term Supply Arrangements

The Company's policy for engineering, research and development, and other design and development costs related to products that will be sold under long-term supply arrangements requires such costs to be expensed as incurred or capitalized if reimbursement from the customer is assured. Customer reimbursements are recorded as an increase in cash and a reduction of selling, general and administrative expense when reimbursement from the customer is received if reimbursement from the customer is not assured. At September 30, 2010 and 2009, the Company recorded within the consolidated statements of financial position approximately $304 million and $282 million, respectively, of engineering and research and development costs for which customer reimbursement is assured. The reimbursable costs are recorded in other current assets if reimbursement will occur in less than one year and in other noncurrent assets if reimbursement will occur beyond one year.

Costs for molds, dies and other tools used to make products that will be sold under long-term supply arrangements are capitalized within property, plant and equipment if the Company has title to the assets or has the non-cancelable right to use the assets during the term of the supply arrangement. Capitalized items, if specifically designed for a supply arrangement, are amortized over the term of the arrangement; otherwise, amounts are amortized over the estimated useful lives of the assets. The carrying values of assets capitalized in accordance with the foregoing policy are periodically reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. At September 30, 2010 and 2009, approximately $72 million and $87 million, respectively, of costs for molds, dies and other tools were capitalized within property, plant and equipment which represented assets to which the Company had title. In addition, at September 30, 2010 and 2009, the Company recorded within the consolidated statements of financial position in other current assets approximately $212 million and $276 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is assured.

Property, Plant and Equipment

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

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

Goodwill and Other Intangible Assets

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments, using a fair-value method based on management's judgments and assumptions or third party valuations. The fair value represents the amount at which a reporting unit could be sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses to further support the fair value estimates. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal year 2010 indicated 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 September 30, 2010. No reporting unit was determined to be at risk of failing step one of the goodwill impairment test.

At March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience Europe segment due to the continued decline in the automotive market. As a result, the Company performed impairment testing for goodwill and determined that fair value of the reporting unit exceeded its carrying value and no impairment existed at March 31, 2009.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring the assessment of impairment of goodwill in the automotive experience North America and Europe segments and the building efficiency unitary products group segment due to the rapid declines in the automotive and construction markets. As a result, the Company performed impairment testing for goodwill and determined that fair values of the reporting units exceed their carrying values and no impairment existed at December 31, 2008. To further support the fair value estimates of the automotive experience North America and building efficiency unitary product group segments, the Company prepared a discounted cash flow analysis that also indicated the fair value exceeded the carrying value for each reporting unit. The assumptions supporting the estimated future cash flows of the reporting units, including profit margins, long-term sales forecasts and growth rates, reflect the Company's best estimates. The assumptions related to automotive experience sales volumes reflected the expected continued automotive industry decline with a return to fiscal 2008 volume production levels by fiscal 2013. The assumptions related to the construction market sales volumes reflected steady growth beginning in fiscal 2010.

Indefinite lived other intangible assets are also subject to at least annual impairment testing. Other intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired. A considerable amount of management judgment and assumptions are required in performing the impairment tests. While the Company believes the judgments and assumptions used in the impairment tests are reasonable and no impairment existed at September 30, 2010, different assumptions could change the estimated fair values and, therefore, impairment charges could be required.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. See Note 17, "Impairment of Long-Lived Assets," for disclosure of the impairment analyses performed by the Company during fiscal 2010 and 2009.

Percentage-of-Completion Contracts

The building efficiency business records certain long-term contracts under the percentage-of-completion method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. The Company records costs and earnings in excess of billings on uncompleted contracts within accounts receivable – net and billings in excess of costs and earnings on uncompleted contracts within other current liabilities in the consolidated statements of financial

position. Amounts included within accounts receivable – net related to these contracts were $683 million and $579 million at September 30, 2010 and 2009, respectively. Amounts included within other current liabilities were $639 million and $601 million at September 30, 2010 and 2009, respectively.

Revenue Recognition

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

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

The Company's building efficiency business also sells certain heating, ventilating and air conditioning (HVAC) products and services in bundled arrangements, where multiple products and/or services are involved. In accordance with ASC 605-25, "Multiple–Element Arrangements," the Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative fair value of all elements or the fair value of undelivered elements.

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

Research and Development Costs

Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statement of income. Such expenditures for the years ended September 30, 2010, 2009 and 2008 were $723 million, $767 million and $829 million, respectively.

A portion of the costs associated with these activities is reimbursed by customers and, for the fiscal years ended September 30, 2010, 2009 and 2008 were $315 million, $431 million and $405 million, respectively.

Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by diluted weighted average shares outstanding. Diluted weighted average shares include the dilutive effect of common stock equivalents which would arise from the exercise of stock options and any outstanding Equity Units and convertible senior notes as of the beginning of the period, for the years ended September 30, 2010 and 2008. However, dilutive shares due to stock options, Equity Units and convertible senior notes were not included in the computation of diluted net loss per common share for the year ended September 30, 2009, since to do so would decrease the loss per share. See Note 13, "Earnings per Share," for the calculation of earnings per share.

Foreign Currency Translation

Substantially all of the Company's international operations use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in non-functional currencies are adjusted to reflect period-end exchange rates. The aggregate transaction gains included in net income for the years ended September 30, 2010, 2009 and 2008 were $19 million, $21 million and $3 million, respectively.

Derivative Financial Instruments

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

The fair values of all derivatives are recorded in the consolidated statements of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction. See Note 10, "Derivative Instruments and Hedging Activities," and Note 11, "Fair Value Measurements," for disclosure of the Company's derivative instruments and hedging activities.

Reclassification

Certain prior year amounts have been revised to conform to the current year's presentation. Redeemable noncontrolling interests are classified as mezzanine equity (temporary equity) in the consolidated statements of financial position. Refer to Note 14, "Equity and Noncontrolling Interests," to the financial statements for further information. Also, certain prior year amounts in Note 18, "Income Taxes," to the financial statements have been reclassified for comparative purposes.

New Accounting Pronouncements

In December 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." ASU No. 2009-17 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. This statement is effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010). The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial condition and results of operations.

In October 2009, the FASB issued ASU No. 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force." ASU No. 2009-13 establishes the accounting and reporting guidance for arrangements under which a vendor will perform multiple revenue-generating activities. Specifically, this ASU addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This guidance will be effective for the Company beginning in the first quarter of fiscal 2011 (October 1, 2010) and, when adopted, will change the Company's accounting treatment for multiple-element revenue arrangements on a prospective basis. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial condition and results of operations.

In December 2008, the FASB issued guidance on an employer's disclosures about plan assets of a defined benefit pension plan. The guidance requires enhanced transparency surrounding the types of plan assets and associated risks, as well as disclosure of information about fair value measurements of plan assets. This guidance is included in ASC 715, "Compensation -- Retirement Benefits," and is effective for the Company for the fiscal year ending September 30, 2010. The adoption of this guidance did not impact on the Company's consolidated financial condition and results of operations. Refer to Note 15, "Retirement Plans," for the Company's disclosures of plan assets.

In December 2007, the FASB issued guidance changing the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under this guidance changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. This guidance is included in ASC 805, "Business Combinations," and was adopted by the Company in the first quarter of fiscal 2010 (October 1, 2009). This guidance changes the Company's accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued guidance changing the accounting and reporting for minority interests, which are recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method changes the accounting for transactions with minority interest holders. This guidance is included in ASC 810, "Consolidation," and was adopted by the Company in the first quarter of fiscal 2010 (October 1, 2009). The adoption of this guidance did not have a material impact on the Company's consolidated financial condition and results of operations. Refer to Note 14, "Equity and Noncontrolling Interests," for further discussion.

In September 2006, the FASB issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. This guidance is included in ASC 820, "Fair Value Measurements and Disclosures." The Company adopted this guidance effective October 1, 2008. In February 2008, the FASB delayed the effective date of this guidance for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. The provisions of this guidance for nonfinancial assets and nonfinancial liabilities were effective for the Company in the first quarter of fiscal 2010 (October 1, 2009) and will be applied prospectively to fair value assessments such as the Company's long-lived asset impairment analyses. Refer to Note 17, "Impairment of Long-Lived Assets," for further discussion.

2. ACQUISITIONS

In July 2010, the Company acquired an additional 40% of a power solutions Korean joint venture. The acquisition increased the Company's ownership percentage to 90%. The remaining 10% was acquired by the local management team. The Company paid approximately $86 million (excluding cash acquired of $57 million) for the additional ownership percentage and incurred approximately $10 million of acquisition costs and related purchase accounting adjustments. As a result of the acquisition, the Company recorded a non-cash gain of $47 million within power solutions equity income to adjust the Company's existing equity investment in the Korean joint venture to fair value. Goodwill of $51 million was recorded as part of the transaction. The purchase price allocation may be subsequently adjusted to reflect final valuation studies.

Also during fiscal 2010, the Company completed three acquisitions for a combined purchase price of $35 million, of which $32 million was paid as of September 30, 2010. 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. The purchase price allocation may be subsequently adjusted to reflect final valuation studies.

During fiscal 2009, the Company completed four acquisitions for a combined purchase price of $43 million, of which $38 million was paid in the twelve months ended September 30, 2009. None of the acquisitions were material to the Company's consolidated financial statements. In connection with these acquisitions, the Company recorded goodwill of $30 million, of which $26 million was recorded during fiscal 2009.

In July 2008, the Company formed a joint venture to acquire the interior product assets of Plastech Engineered Products, Inc. (Plastech). Plastech filed for bankruptcy in February 2008. The Company owns 70% of the newly formed entity and certain Plastech term lenders hold the remaining noncontrolling interest. The Company contributed cash and injection molding plants to the new entity with a fair value of $262 million. The lenders contributed their rights to receive Plastech's interiors business obtained in exchange for certain Plastech debt. The combined equity in the new entity was approximately $375 million. Goodwill of $199 million was recorded as part of the transaction. In the third quarter of fiscal 2009, the Company finalized valuations associated with the acquisition and recorded a $21 million increase to goodwill.

Also in fiscal 2008, the Company completed seven additional acquisitions for a combined purchase price of $108 million, none of which were material to the Company's consolidated financial statements. In connection with these acquisitions, the Company recorded goodwill of $66 million.

3. INVENTORIES

Inventories consisted of the following (in millions):

	September 30,	
	2010	*2009*
Raw materials and supplies	$ 899	$ 712
Work-in-process	278	225
Finished goods	743	674
FIFO inventories	1,920	1,611
LIFO reserve	(134)	(90)
Inventories	$ 1,786	$ 1,521

Inventories valued using the LIFO method of accounting were approximately 22% of total inventories at September 30, 2010 and 2009.

4. PROPERTY, PLANT AND EQUIPMENT

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

	September 30,	
	2010	2009
Buildings and improvements	$ 2,161	$ 2,231
Machinery and equipment	6,342	6,411
Construction in progress	752	423
Land	366	374
Total property, plant and equipment	9,621	9,439
Less accumulated depreciation	(5,525)	(5,453)
Property, plant and equipment - net	$ 4,096	$ 3,986

Interest costs capitalized during the fiscal years ended September 30, 2010, 2009 and 2008 were $21 million, $16 million and $12 million, respectively. Accumulated depreciation related to capital leases at September 30, 2010 and 2009 was $48 million and $107 million, respectively.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill in each of the Company's reporting segments for the fiscal years ended September 30, 2010 and 2009 were as follows (in millions):

	September 30, 2008	Business Acquisitions	Currency Translation and Other	September 30, 2009
Building efficiency				
North America systems	$ 515	$ -	$ 10	$ 525
North America service	657	-	11	668
North America unitary products	481	-	9	490
Global workplace solutions	178	-	(4)	174
Europe	428	-	(20)	408
Rest of world	574	24	(11)	587
Automotive experience				
North America	1,356	21	(1)	1,376
Europe	1,219	2	(10)	1,211
Asia	200	-	23	223
Power solutions	905	-	(25)	880
Total	$ 6,513	$ 47	$ (18)	$ 6,542

	September 30, 2009	Business Acquisitions	Currency Translation and Other	September 30, 2010
Building efficiency				
North America systems	$ 525	$ -	$ (3)	$ 522
North America service	668	8	-	676
North America unitary products	490	-	-	490
Global workplace solutions	174	-	3	177
Europe	408	-	(29)	379
Rest of world	587	-	8	595
Automotive experience				
North America	1,376	-	2	1,378
Europe	1,211	5	(76)	1,140
Asia	223	-	10	233
Power solutions	880	51	(20)	911
Total	$ 6,542	$ 64	$ (105)	$ 6,501

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

	September 30, 2010			September 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets						
Patented technology	$ 277	$ (191)	$ 86	$ 308	$ (190)	$ 118
Customer relationships	373	(70)	303	345	(56)	289
Miscellaneous	68	(31)	37	67	(25)	42
Total amortized intangible assets	718	(292)	426	720	(271)	449
Unamortized intangible assets						
Trademarks	315	-	315	297	-	297
Total intangible assets	$ 1,033	$ (292)	$ 741	$ 1,017	$ (271)	$ 746

Amortization of other intangible assets for the fiscal years ended September 30, 2010, 2009 and 2008 was $43 million, $38 million and $38 million, respectively. Excluding the impact of any future acquisitions, the Company anticipates amortization for fiscal 2011, 2012, 2013, 2014 and 2015 will be approximately $43 million, $37 million, $31 million, $29 million and $27 million, respectively.

6. 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 adequacy of the Company's warranty provisions are adjusted as necessary. While the Company's warranty costs have historically been within its calculated estimates, 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. Accruals related to pre-existing warranties includes incremental warranty charges of $105 million recorded in the fourth quarter of fiscal 2009 by the building efficiency North America unitary products segment, of which $76 million was due to a specific product issue and $29 million was a result of the Company's periodic warranty review process and analysis of return rates. The portion of the incremental charge due to a specific product issue related to the anticorrosive film applied to certain coils used in residential indoor heating, ventilating and air conditioning units as a means to promote flow of condensation and adding to the efficiency of the units.

The Company's product warranty liability is recorded in the consolidated statement 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 for the fiscal years ended September 30, 2010 and 2009 were as follows (in millions):

	Year Ended September 30,	
	2010	2009
Balance at beginning of period	$ 344	$ 204
Accruals for warranties issued during the period	260	238
Accruals from acquisitions	1	-
Accruals related to pre-existing warranties (including changes in estimates)	(18)	115
Settlements made (in cash or in kind) during the period	(245)	(214)
Currency translation	(5)	1
Balance at end of period	$ 337	$ 344

7. LEASES

Certain administrative and production facilities and equipment are leased under long-term agreements. Most leases contain renewal options for varying periods, and certain leases include options to purchase the leased property during or at the end of the lease term. Leases generally require the Company to pay for insurance, taxes and maintenance of the property. Leased capital assets included in net property, plant and equipment, primarily buildings and improvements, were $41 million and $33 million at September 30, 2010 and 2009, respectively.

Other facilities and equipment are leased under arrangements that are accounted for as operating leases. Total rental expense for the fiscal years ended September 30, 2010, 2009 and 2008 was $389 million, $403 million and $399 million, respectively.

Future minimum capital and operating lease payments and the related present value of capital lease payments at September 30, 2010 were as follows (in millions):

	Capital Leases	Operating Leases
2011	$ 7	$ 296
2012	7	241
2013	6	171
2014	5	121
2015	5	84
After 2015	15	115
Total minimum lease payments	45	$ 1,028
Interest	(11)	
Present value of net minimum lease payments	$ 34	

8. SHORT-TERM DEBT AND CREDIT AGREEMENTS

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

	September 30,	
	2010	2009
Bank borrowings and commercial paper	$ 75	$ 658
Weighted average interest rate on short-term debt outstanding	6.2%	1.8%

The Company has a $2.05 billion committed five-year credit facility to support its outstanding commercial paper. The facility expires in December 2011. There were no draws against the committed credit facility during the fiscal years ended September 30, 2010 and 2009. Average outstanding commercial paper for the fiscal year ended September 30, 2010 was $342 million and none was outstanding at September 30, 2010. Average outstanding commercial paper for the fiscal year ended September 30, 2009 was $804 million and $583 million was outstanding at September 30, 2009.

At September 30, 2010, the Company had three euro-denominated revolving credit facilities totaling 300 million euro with 50 million euro expiring in May 2011, 150 million euro expiring in May 2011 and 100 million euro expiring in August 2011. In addition, the Company has a $100 million revolving credit facility expiring in December 2011. At September 30, 2010, there were no draws on the revolving credit facilities.

At September 30, 2009, the Company had three euro-denominated revolving credit facilities totaling 300 million euro with 50 million euro expiring in May 2010, 150 million euro expiring in May 2011 and 100 million euro expiring in August 2011. At September 30, 2009, there were no draws on the revolving credit facilities.

9. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

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

	September 30,	
	2010	2009
Unsecured notes		
5.25% due in 2011 ($654 million 2010 par value, $746 million 2009 par value)	$ 655	$ 750
6.50% due in 2012 (Convertible senior notes)	-	2
5.8% due in 2013 ($100 million par value)	102	100
4.875% due in 2013 ($300 million par value)	327	325
7.7% due in 2015 ($125 million par value)	125	125
5.5% due in 2016 ($800 million par value)	800	799
7.125% due in 2017 ($150 million par value)	167	169
6.0% due in 2036 ($400 million par value)	395	395
11.50% due in 2042 (917,915 equity units)	46	46
6.95% due in 2046 ($125 million par value)	125	125
5.00% due in 2020 ($500 million par value)	498	-
Capital lease obligations	34	29
Foreign-denominated debt		
Euro	27	31
Japanese yen	-	412
Other	13	-
Gross long-term debt	3,314	3,308
Less: current portion	662	140
Net long-term debt	$ 2,652	$ 3,168

At September 30, 2010, the Company's euro-denominated long-term debt was at fixed rates with a weighted-average interest rate of 5.0%. At September 30, 2009, the Company's euro-denominated long-term debt was at fixed rates with a weighted-average interest rate of 5.3% and the Company's yen-denominated debt was at floating rates with a weighted average interest rate of 1.1%.

The installments of long-term debt maturing in subsequent fiscal years are: 2011 — $662 million; 2012 — $5 million; 2013 — $445 million; 2014 — $4 million; 2015 — $128 million; 2016 and thereafter — $2,070 million. The Company's long-term debt includes various financial covenants, none of which are expected to restrict future operations.

Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2010, 2009 and 2008 was $181 million, $358 million and $288 million, respectively. The Company uses financial instruments to manage its interest rate exposure (see Note 10, "Derivative Instruments and Hedging Activities," and Note 11, "Fair Value Measurements"). These instruments affect the weighted average interest rate of the Company's debt and interest expense.

Financing Arrangements

In fiscal 2008, the Company entered into new committed, revolving credit facilities totaling 350 million euro with 100 million euro expiring in May 2009, 150 million euro expiring in May 2011 and 100 million euro expiring in August 2011. In May 2009, the 100 million euro revolving facility expired and the Company entered into a new one year committed, revolving credit facility in the amount of 50 million euro expiring in May 2010. In May 2010, the 50 million euro revolving facility expired and the Company entered into a new one year committed, revolving credit facility in the amount of 50 million euro expiring in May 2011. At September 30, 2010, there were no draws on the revolving credit facilities.

In January 2009, the Company retired its 24 billion yen, three year, floating rate loan agreement that matured. The Company used proceeds from commercial paper issuances to repay amounts due under the loan agreement.

In February 2009, the Company entered into a $50 million, three year, floating rate bilateral loan agreement. The Company drew the entire amount under the loan agreement during the course of the second quarter of fiscal 2009. Also during the second quarter of fiscal 2009, the Company retired approximately $54 million in principal amount of its $800 million fixed rate bonds that mature in January 2011. The Company used proceeds from the $50 million floating rate loan agreement to retire the bonds.

In March 2009, the Company closed concurrent public offerings. The Company issued $402.5 million aggregate amount of 6.5% senior, unsecured, fixed rate convertible notes that mature September 30, 2012. The notes are convertible into shares of the Company's common stock at a conversion rate of 89.3855 shares of common stock per $1,000 principal amount of the notes, which is equal to a conversion price of approximately $11.19 per share, subject to anti-dilution adjustments. The Company also issued nine million Equity Units (the "Equity Units") each of which has a stated amount of $50 in aggregate principal amount of $450 million. The Equity Units consist of (i) a forward purchase contract obligating the holder to purchase from the Company for a price in cash of $50, on the purchase contract settlement date of March 31, 2012, subject to early settlement, a certain number of shares of the Company's common stock and (ii) a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.5% subordinated notes due 2042.

In September 2009, the Company settled the results of its previously announced offer to exchange (a) any and all of its outstanding 6.5% convertible senior notes due 2012 for the following consideration per $1,000 principal amount of convertible senior notes: (i) 89.3855 shares of the Company's common stock, (ii) a cash payment of $120 and (iii) accrued and unpaid interest on the convertible senior notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer, approximately $400 million aggregate principal amount of convertible senior notes were exchanged for approximately 36 million shares of common stock and approximately $61 million in cash ($48 million of debt conversion payments and $13 million of accrued interest payments on the convertible senior notes). As a result of the exchange, the Company recognized approximately $57 million of debt conversion costs within its consolidated statement of income which is comprised of $48 million of debt conversion costs on the exchange and a $9 million charge related to the write-off of unamortized debt issuance costs.

In September 2009, the Company settled the results of its previously announced offer to exchange up to 8,550,000 of its outstanding nine million Equity Units in the form of Corporate Units (the "Corporate Units") comprised of a forward purchase contract obligating the holder to purchase from the Company shares of its common stock and a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of the Company's 11.50% subordinated notes due 2042, for the following consideration per Corporate Unit: (i) 4.8579 shares of the Company's common stock, (ii) a cash payment of $6.50 and (iii) a distribution consisting of the pro rata share of accrued and unpaid interest on the subordinated notes to, but excluding, the settlement date, payable in cash. Upon settlement of the exchange offer 8,082,085 Corporate Units (consisting of $404 million aggregate principal amount of outstanding 11.50% subordinated notes due 2042) were exchanged for approximately 39 million shares of common stock and approximately $65 million in cash ($52 million of debt conversion payments and $13 million of accrued interest payments on the subordinated notes). As a result of the exchange, the Company recognized approximately $54 million of debt conversion costs within its consolidated statement of income which is comprised of $53 million of debt conversion costs on the exchange and a $1 million charge related to the write-off of unamortized debt issuance costs.

During the quarter ended December 31, 2009, the Company retired its 12 billion yen, three year, floating rate loan agreement that matured. Additionally, the Company retired its 7 billion yen, three year, floating rate loan agreement scheduled to mature on January 18, 2011. The Company used cash to repay the notes.

During the quarter ended December 31, 2009, the Company retired approximately $13 million in principal amount of its fixed rate bonds scheduled to mature on January 15, 2011. Additionally, the Company repurchased 1,685 bonds ($1,685,000 par value) of its 6.5% convertible senior notes scheduled to mature on September 30, 2012. The Company used cash to fund the repurchases.

During the quarter ended March 31, 2010, the Company retired its 18 billion yen, three year, floating rate loan agreement scheduled to mature on January 18, 2011. The Company used cash to repay the note.

During the quarter ended March 31, 2010, the Company retired approximately $61 million in principal amount of its fixed rate bonds scheduled to mature on January 15, 2011. The Company used cash to fund the repurchases.

During the quarter ended March 31, 2010, the Company issued $500 million aggregate principal amount of 5.0% senior unsecured fixed rate notes due in fiscal 2020. Net proceeds from the issue were used for general corporate purposes including the retirement of short-term debt.

During the quarter ended June 30, 2010, a total of 200 bonds ($200,000 par value) of the Company's 6.5% convertible senior notes scheduled to mature on September 30, 2012, were redeemed for Johnson Controls, Inc. common stock.

During the quarter ended June 30, 2010, the Company retired approximately $18 million in principal amount of its fixed rate bonds scheduled to mature on January 15, 2011. The Company used cash to fund the repurchases.

During the quarter ended September 30, 2010, the Company entered into a new, $100 million committed revolving credit facility scheduled to mature in December 2011. At September 30, 2010, there were no draws outstanding.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In March 2008, the FASB issued guidance enhancing required disclosures regarding derivatives and hedging activities, including how an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and affect an entity's financial position, financial performance and cash flows. This guidance is included in ASC 815, "Derivatives and Hedging," and was effective for the Company beginning in the second quarter of fiscal 2009 and is applied prospectively.

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 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 11, "Fair Value Measurements," to the 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 foreign currency denominated debt obligations and cross-currency interest rate swaps to selectively hedge portions of its net investment in Japan. The currency effects of the debt obligations and cross-currency interest rate swaps are reflected in the accumulated other comprehensive income (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 September 30, 2009, the Company had 37 billion yen of foreign denominated debt designated as a net investment hedge. During the first quarter of fiscal 2010, the Company retired 19 billion yen of foreign denominated debt which had previously been designated as a net investment hedge in the Company's net investment in Japan. During the second quarter of fiscal 2010, the Company retired the remaining 18 billion yen of foreign denominated debt which has previously been designated as a net investment hedge in the Company's net investment in Japan. In its place, the Company entered into three cross-currency interest rate swaps totaling 20 billion yen. In the fourth quarter of fiscal 2010, a 5 billion yen cross-currency swap expired and the Company replaced it with a new 5 billion yen cross-currency swap. There were no cross-currency interest rate swaps outstanding at September 30, 2009.

The Company uses commodity contracts in the financial derivatives market in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. As 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 or costs related to sales, occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statement of income. The maturities of the commodity contracts coincide with the expected purchase of the commodities. The Company had the following outstanding commodity hedge contracts that hedge forecasted purchases:

		Volume Outstanding as of	
Commodity	Units	September 30, 2010	September 30, 2009
Copper	Pounds	24,550,000	12,180,000
Lead	Metric Tons	18,450	-
Aluminum	Metric Tons	8,276	-

In addition, the Company selectively uses equity swaps to reduce market risk associated with certain of its stock-based compensation plans, such as its deferred compensation plans. 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 September 30, 2010 and 2009, the Company had hedged approximately 3.4 million and 2.8 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 statement of income. In the fourth quarter of fiscal 2009, the Company entered into three fixed to floating interest rate swaps totaling $700 million to hedge the coupons of its 5.25% bonds maturing on January 15, 2011. In the second quarter of fiscal 2010, the Company unwound $100 million of one of the three outstanding interest rate swaps. During the second quarter of fiscal 2010, the Company entered into a fixed to floating interest rate swap totaling $100 million to hedge the coupon of its 5.80% bond maturing November 15, 2012 and two fixed to floating swaps totaling $300 million to hedge the coupon of its 4.875% bond maturing September 15, 2013. In the fourth quarter of fiscal 2010, the Company terminated all of its interest rate swaps.

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

The 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	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Other current assets				
Foreign currency exchange derivatives	$ 19	$ 40	$ 8	$ 36
Commodity derivatives	14	7	-	-
Other noncurrent assets				
Interest rate swaps	-	5	-	-
Equity swap	-	-	104	70
Foreign currency exchange derivatives	1	1	1	1
Total assets	$ 34	$ 53	$ 113	$ 107
Current portion of long-term debt				
Net investment hedges	$ -	$ 134	$ -	$ -
Other current liabilities				
Foreign currency exchange derivatives	19	44	8	27
Commodity derivatives	-	1	-	-
Net investment hedges	17	-	-	-
Long-term debt				
Fixed rate debt swapped to floating	-	704	-	-
Net investment hedges	-	278	-	-
Other noncurrent liabilities				
Foreign currency exchange derivatives	1	1	1	1
Total liabilities	$ 37	$ 1,162	$ 9	$ 28

The following table presents the location and amount of gains and losses on derivative instruments and related hedge items included in the Company's consolidated statements of income for the fiscal year ended September 30, 2010 and the nine months ended September 30, 2009 and gains and losses initially recognized in other comprehensive income (OCI) net of tax or cumulative translation adjustment (CTA) net of tax in the consolidated statements of financial position (in millions):

	As of September 30, 2010	Year Ended September 30, 2010		Year Ended September 30, 2010	
Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Foreign currency exchange derivatives	$ -	Cost of sales	$ (3)	Cost of sales	$ -
Commodity derivatives	10	Cost of sales	(1)	Cost of sales	-
Forward treasury locks	10	Net financing charges	2	Net financing charges	-
Total	$ 20		$ (2)		$ -

	As of September 30, 2009	Nine Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Foreign currency exchange derivatives	$ (3)	Net sales	$ (16)	Net sales	$ -
Commodity derivatives	3	Cost of sales	(80)	Cost of sales	(5)
Forward treasury locks	12	Net financing charges	1	Net financing charges	-
Total	$ 12		$ (95)		$ (5)

Hedging Activities in ASC 815 Net Investment Hedging Relationships	As of September 30, 2010 Amount of Gain (Loss) Recognized in CTA on Outstanding Derivatives (Effective Portion)	As of September 30, 2009 Amount of Gain (Loss) Recognized in CTA on Outstanding Derivatives (Effective Portion)
Net investment hedges	$ (10)	$ (28)
Total	$ (10)	$ (28)

For the fiscal year ended September 30, 2010 and nine months ended September 30, 2009, no gains or losses were reclassified from CTA into income for the Company's outstanding net investment hedges.

Derivatives in ASC 815 Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Year Ended September 30, 2010 Amount of Gain (Loss) Recognized in Income on Derivative	Nine Months Ended September 30, 2009 Amount of Gain (Loss) Recognized in Income on Derivative
Interest rate swap	*Net financing charges*	$ 10	$ 5
Fixed rate debt swapped to floating	Net financing charges	(7)	(4)
Total		$ 3	$ 1

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain (Loss) Recognized in Income on Derivative	Year Ended September 30, 2010 Amount of Gain (Loss) Recognized in Income on Derivative	Nine Months Ended September 30, 2009 Amount of Gain (Loss) Recognized in Income on Derivative
Foreign currency exchange derivatives	Cost of sales	$ 219	$ (81)
Foreign currency exchange derivatives	Net financing charges	(185)	123
Equity swap	Selling, general and administrative expenses	14	28
Commodity derivatives	Cost of sales	1	(4)
Total		$ 49	$ 66

11. FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosures," 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 September 30, 2010 and 2009 (in millions):

	Fair Value Measurements Using:			
	Total as of September 30, 2010	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	$ 27	$ 27	$ -	$ -
Commodity derivatives	14	-	14	-
Other noncurrent assets				
Investments in marketable common stock	31	31	-	-
Equity swap	104	104	-	-
Foreign currency exchange derivatives	2	2	-	-
Total	$ 178	$ 164	$ 14	$ -
Other current liabilities				
Foreign currency exchange derivatives	$ 27	$ 27	$ -	$ -
Cross-currency interest rate swaps	17	-	17	-
Other noncurrent liabilities				
Foreign currency exchange derivatives	2	2	-	-
Total	$ 46	$ 29	$ 17	$ -

	Fair Value Measurements Using:			
	Total as of September 30, 2009	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	$ 76	$ 76	$ -	$ -
Commodity derivatives	7	-	7	-
Other noncurrent assets				
Interest rate swaps	5	-	5	-
Equity swap	70	70	-	-
Foreign currency exchange derivatives	2	2	-	-
Total	$ 160	$ 148	$ 12	$ -
Current portion long-term debt				
Foreign currency denominated debt	$ 134	$ 134	$ -	$ -
Other current liabilities				
Foreign currency exchange derivatives	71	71	-	-
Commodity derivatives	1	-	1	-
Long-term debt				
Fixed rate debt swapped to floating	704	-	704	-
Foreign currency denominated debt	278	278	-	-
Other noncurrent liabilities				
Foreign currency exchange derivatives	2	2	-	-
Total	$ 1,190	$ 485	$ 705	$ -

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, the effective portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of accumulated other comprehensive income 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 statement of income. These contracts are highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2010 and 2009. The fair value of foreign currency exchange derivatives not designated as hedging instruments under ASC 815 are recorded in the consolidated statement 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 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 accumulated other comprehensive income and are subsequently reclassified into earnings when the hedged transactions, typically sales or cost related to sales, occur and affect earnings. Any ineffective portion of the hedge is reflected in the consolidated statement of income. These contracts are highly effective in hedging the variability in future cash flows attributable to changes in commodity price changes at September 30, 2010 and 2009.

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 statement of income. In the fourth quarter of fiscal 2009, the Company entered into three fixed to floating interest rate swaps totaling $700 million to hedge the coupons of its 5.25% bonds maturing on January 15, 2011. In the second quarter of fiscal 2010, the Company terminated a $100 million portion of one of the three interest swaps mentioned above. During the second quarter of fiscal 2010, the Company entered into a fixed to floating interest rate swap totaling $100 million to hedge the coupons of its 5.80% bond maturing November 15, 2012 and two fixed to floating interest rate swaps totaling $300 million to hedge the coupons of its 4.875% bond maturing September 15, 2013. In the fourth quarter of fiscal 2010, the Company terminated all of its interest rate swaps. The fair value adjustments to the related debt will be amortized over the remaining term of the debt.

Investments in marketable common stock – The Company invested in certain marketable common stock during the third quarter of fiscal 2010. The securities are valued under a market approach using publicized share prices. As of September 30, 2010, the Company recorded an unrealized gain of $3 million in accumulated other comprehensive income and no unrealized losses on these investments.

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 based on the Company's stock price at the reporting period date. Changes in fair value on the equity swaps are reflected in the consolidated statement of income within selling, general and administrative expenses.

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 market assumptions. Changes in the market value of the swaps are reflected in the foreign currency translation adjustments component of accumulated other comprehensive income where they offset gains and losses recorded on the Company's net investment in Japan. The Company entered into three cross-currency swaps totaling 20 billion yen during the second quarter of fiscal 2010. In the fourth quarter of fiscal 2010, a 5 billion yen cross-currency swap expired and the Company replaced it with a new 5 billion yen cross-currency swap. These swaps are designated as hedges in the Company's net investment in Japan. There were no cross-currency interest rate swaps outstanding at September 30, 2009.

Foreign currency denominated debt – The Company has entered into certain foreign currency denominated debt obligations to selectively hedge portions of its net investment in Japan. The currency effects of the debt obligations are reflected in the foreign currency translation adjustments component of accumulated other comprehensive income

where they offset gains and losses recorded on the Company's net investment in Japan. At September 30, 2009, the Company had 37 billion yen of foreign denominated debt designated as a net investment hedge. During the first quarter of fiscal 2010, the Company retired 19 billion yen of foreign denominated debt which had previously been designated as a net investment hedge in the Company's net investment in Japan. During the second quarter of fiscal 2010, the Company retired the remaining 18 billion yen of foreign denominated debt which had previously been designated as a net investment hedge in the Company's net investment in Japan. There was no foreign currency denominated debt outstanding at September 30, 2010.

12. STOCK-BASED COMPENSATION

Effective October 1, 2005, the Company adopted ASC 718, "Stock Compensation," using the modified prospective method. The modified prospective method requires compensation cost to be recognized beginning on the effective date (a) for all share-based payments granted after the effective date and (b) for all awards granted to employees prior to the effective date of ASC 718 that remain unvested on the effective date. The cumulative impact of adopting ASC 718 was not significant to the Company's operating results since the Company had previously adopted certain provisions of this guidance.

The Company has three share-based compensation plans, which are described below. The compensation cost charged against income for those plans was approximately $52 million, $27 million and $29 million for the fiscal years ended September 30, 2010, 2009 and 2008, respectively. The total income tax benefit recognized in the consolidated statements of income for share-based compensation arrangements was approximately $21 million, $11 million and $11 million for the fiscal years ended September 30, 2010, 2009 and 2008, respectively.

Prior to the adoption of ASC 718, the Company applied a nominal vesting approach for employee stock-based compensation awards with retirement eligible provisions. Under the nominal vesting approach, the Company recognized compensation cost over the vesting period and, if the employee retired before the end of the vesting period, the Company recognized any remaining unrecognized compensation cost at the date of retirement. For stock-based payments issued after the adoption of ASC 718, the Company applies a non-substantive vesting period approach whereby expense is accelerated for those employees that receive awards and are eligible to retire prior to the award vesting. Had the Company applied the non-substantive vesting period approach prior to the adoption of ASC 718, an approximate $2 million reduction of pre-tax compensation cost would have been recognized for the year ended September 30, 2008. There would have been no impact for the years ended September 30, 2010 and 2009.

Stock Option Plan

The Company's 2007 Stock Option Plan, as amended (the Plan), which is shareholder-approved, permits the grant of stock options to its employees for up to approximately 41 million shares of new common stock as of September 30, 2010. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards vest between two and three years after the grant date and expire ten years from the grant date (approximately 25 million shares of common stock remained available to be granted at September 30, 2010).

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

	Year Ended September 30,		
	2010	2009	2008
Expected life of option (years)	4.3 - 5.0	4.2 - 4.5	4.5 - 5.25
Risk-free interest rate	1.91% - 2.20%	2.57% - 2.68%	4.06% - 4.23%
Expected volatility of the Company's stock	40.00%	28.00%	22.00%
Expected dividend yield on the Company's stock	1.73%	1.52%	1.55%

A summary of stock option activity at September 30, 2010, and changes for the year then ended, is presented below:

	Weighted Average Option Price	Shares Subject to Option	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2009	$ 23.62	33,244,637		
Granted	24.89	5,382,100		
Exercised	18.97	(3,095,823)		
Forfeited or expired	28.58	(372,805)		
Outstanding, September 30, 2010	$ 24.17	35,158,109	5.8	$ 253
Exercisable, September 30, 2010	$ 22.23	24,386,551	4.6	$ 217

The weighted-average grant-date fair value of options granted during the fiscal years ended September 30, 2010, 2009 and 2008 was $7.70, $6.68 and $9.08, respectively.

The total intrinsic value of options exercised during the fiscal years ended September 30, 2010, 2009 and 2008 was approximately $33 million, $4 million and $45 million, respectively.

In conjunction with the exercise of stock options granted, the Company received cash payments for the fiscal years ended September 30, 2010, 2009 and 2008 of approximately $52 million, $8 million and $34 million, respectively.

The Company has elected to utilize the alternative transition method for calculating the tax effects of stock-based compensation. The alternative transition method includes computational guidance to establish the beginning balance of the additional paid-in capital pool (APIC Pool) related to the tax effects of employee stock-based compensation, and a simplified method to determine the subsequent impact on the APIC Pool for employee stock-based compensation awards that are vested and outstanding upon adoption of ASC 718. The tax benefit from the exercise of stock options, which is recorded in capital in excess of par value, was $7 million, $1 million and $19 million for the fiscal years ended September 30, 2010, 2009 and 2008. The Company does not settle equity instruments granted under share-based payment arrangements for cash.

At September 30, 2010, the Company had approximately $26 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 0.8 years.

Stock Appreciation Rights (SARs)

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

The fair value of each SAR award is estimated using a similar method described for option awards. The fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value.

The assumptions used to determine the fair value of the SAR awards at September 30, 2010 were as follows:

Expected life of SAR (years)	0.1 - 3.0
Risk-free interest rate	0.14% - 0.64%
Expected volatility of the Company's stock	40.00%
Expected dividend yield on the Company's stock	1.74%

A summary of SAR activity at September 30, 2010, and changes for the year then ended, is presented below:

	Weighted Average SAR Price	Shares Subject to SAR	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2009	$ 24.69	2,996,198		
Granted	24.87	671,335		
Exercised	20.13	(383,450)		
Forfeited or expired	27.80	(46,970)		
Outstanding, September 30, 2010	$ 25.23	3,237,113	6.4	$ 20
Exercisable, September 30, 2010	$ 23.20	1,909,881	5.0	$ 16

In conjunction with the exercise of SARs granted, the Company made payments of $3 million, $2 million and $5 million during the fiscal years ended September 30, 2010, 2009 and 2008, respectively.

Restricted (Nonvested) Stock

In fiscal year 2002, the Company adopted a restricted stock plan that provides for the award of restricted shares of common stock or restricted share units to certain key employees. Awards under the restricted stock plan typically vest 50% after two years from the grant date and 50% after four years from the grant date. The plan allows for different vesting terms on specific grants with approval by the board of directors.

A summary of the status of the Company's nonvested restricted stock awards at September 30, 2010, and changes for the fiscal year then ended, is presented below:

	Weighted Average Price	Shares/Units Subject to Restriction
Nonvested, September 30, 2009	$ 34.13	956,500
Granted	25.18	440,455
Vested	30.96	(631,500)
Nonvested, September 30, 2010	$ 31.60	765,455

At September 30, 2010, the Company had approximately $10 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the restricted stock plan. That cost is expected to be recognized over a weighted-average period of 1.2 years.

13. Earnings Per Share

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is calculated by dividing net income 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. The treasury stock method assumes that the Company uses the proceeds from the exercise of awards to repurchase common stock at the average market price during the period. The assumed proceeds under the treasury stock method include the purchase price that the grantee will pay in the future, compensation cost for future service that the Company has not yet recognized and any windfall tax benefits that would be credited to 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.

The Company's outstanding Equity Units due 2042 and 6.5% convertible senior notes due 2012 are reflected in diluted earnings per share using the "if-converted" method. Under this method, if dilutive, the common stock is

assumed issued as of the beginning of the reporting period and included in calculating diluted earnings per share. In addition, if dilutive, interest expense, net of tax, related to the outstanding Equity Units and convertible senior notes is added back to the numerator in calculating diluted earnings per share.

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

	Year Ended September 30,		
	2010	2009	2008
Income Available to Common Shareholders			
Basic income (loss) available to common shareholders	$ 1,491	$ (338)	$ 979
Interest expense, net of tax	5	-	-
Diluted income (loss) available to common shareholders	$ 1,496	$ (338)	$ 979
Weighted Average Shares Outstanding			
Basic weighted average shares outstanding	672.0	595.3	593.1
Effect of dilutive securities:			
Stock options	5.9	-	8.3
Equity units	4.5	-	-
Convertible senior notes	0.1	-	-
Diluted weighted average shares outstanding	682.5	595.3	601.4
Antidilutive Securities			
Options to purchase common shares	0.8	2.5	1.1

For the fiscal year ended September 30, 2009, the total weighted average of potential dilutive shares due to stock options, Equity Units and the convertible senior notes was 47.8 million. However, these items were not included in the computation of diluted net loss per common share for the fiscal year ended September 30, 2009, since to do so would decrease the loss per share.

During each of the three months ended September 30, 2010 and 2009, the Company declared a dividend of $0.13 per common share, and during each of the twelve months ended September 30, 2010 and 2009, the Company declared four quarterly dividends totaling $0.52 per common share. The Company paid all dividends in the month subsequent to the end of each fiscal quarter.

14. EQUITY AND NONCONTROLLING INTERESTS

In December 2007, the FASB issued guidance changing the accounting and reporting for minority interests, which are recharacterized as noncontrolling interests and classified as a component of equity or as redeemable noncontrolling interests and classified as mezzanine equity (temporary equity). In addition, the guidance changes the presentation and accounting for noncontrolling interests, and requires that equity presented in the consolidated financial statements include amounts attributable to Johnson Controls, Inc. shareholders and the noncontrolling interests. This guidance is included in ASC 810, "Consolidation," and was effective for the Company October 1, 2009.

The following schedules present changes in consolidated equity attributable to Johnson Controls, Inc. and noncontrolling interests (in millions):

	Equity Attributable to Johnson Controls, Inc.	Equity Attributable to Noncontrolling Interests	Total Equity
At September 30, 2007	$ 8,873	$ 88	$ 8,961
Total comprehensive income:			
Net income	979	25	1,004
Foreign currency translation adjustments	170	8	178
Realized and unrealized losses on derivatives	(93)	-	(93)
Employee retirement plans	(188)	-	(188)
Other comprehensive income (loss)	(111)	8	(103)
Comprehensive income	868	33	901
Other changes in equity:			
Adjustment to initially adopt FIN 48, net of tax	(68)	-	(68)
Cash dividends - common stock ($0.52 per share)	(309)	-	(309)
Dividends attributable to noncontrolling interests	-	(34)	(34)
Redemption value adjustment attributable to redeemable noncontrolling interests	16	-	16
Other, including options exercised	26	-	26
At September 30, 2008	9,406	87	9,493
Total comprehensive income (loss):			
Net income (loss)	(338)	16	(322)
Foreign currency translation adjustments	(194)	3	(191)
Realized and unrealized gains on derivatives	41	-	41
Employee retirement plans	(326)	-	(326)
Other comprehensive income (loss)	(479)	3	(476)
Comprehensive income (loss)	(817)	19	(798)
Other changes in equity:			
Cash dividends - common stock ($0.52 per share)	(309)	-	(309)
Dividends attributable to noncontrolling interests	-	(23)	(23)
Debt conversion	804	-	804
Redemption value adjustment attributable to redeemable noncontrolling interests	(20)	-	(20)
Other, including options exercised	36	1	37
At September 30, 2009	9,100	84	9,184
Total comprehensive income:			
Net income	1,491	43	1,534
Foreign currency translation adjustments	(115)	-	(115)
Realized and unrealized gains on derivatives	13	-	13
Unrealized gains on marketable common stock	3	-	3
Employee retirement plans	(170)	-	(170)
Other comprehensive loss	(269)	-	(269)
Comprehensive income	1,222	43	1,265
Other changes in equity:			
Cash dividends - common stock ($0.52 per share)	(350)	-	(350)
Dividends attributable to noncontrolling interests	-	(22)	(22)
Redemption value adjustment attributable to redeemable noncontrolling interests	9	-	9
Other, including options exercised	90	1	91
At September 30, 2010	$ 10,071	$ 106	$ 10,177

The components of accumulated other comprehensive income were as follows (in millions, net of tax):

	September 30,	
	2010	2009
Foreign currency translation adjustments	$ 743	$ 858
Realized and unrealized gains on derivatives	20	7
Unrealized gains on marketable common stock	3	-
Employee retirement plans	(843)	(673)
Accumulated other comprehensive income (loss)	$ (77)	$ 192

The Company consolidates certain subsidiaries in which the noncontrolling interest party has within their 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.

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

	Year Ended September 30, 2010	Year Ended September 30, 2009	Year Ended September 30, 2008
Beginning balance, September 30	$ 155	$ 167	$ 74
Net income (loss)	32	(28)	(1)
Foreign currency translation adjustments	1	(2)	1
Increase in noncontrolling interest share	17	-	112
Dividends attributable to noncontrolling interests	-	(2)	(3)
Redemption value adjustment	(9)	20	(16)
Ending balance, September 30	$ 196	$ 155	$ 167

15. RETIREMENT PLANS

Pension Benefits

The Company has non-contributory defined benefit pension plans covering most U.S. and certain non-U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. Effective January 1, 2006, certain of the Company's U.S. pension plans were amended to prohibit new participants from entering the plans. Effective September 30, 2009, active participants will continue to accrue benefits under the amended plans until December 31, 2014. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974. Funding for non-U.S. plans observes the local legal and regulatory limits. Also, the Company makes contributions to union-trusteed pension funds for construction and service personnel.

The Company's investment policies employ an approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed income investments. Equity investments are diversified across domestic and non-domestic stocks, as well as growth, value and small to large capitalizations. Fixed income investments include corporate and government issues, with short-, mid- and long-term maturities, with a focus on investment grade when purchased. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews, annual liability measurements and periodic asset/liability studies. The majority of the real estate component of the portfolio is invested in a diversified portfolio of high-quality, operating properties with cash yields greater than the targeted appreciation. Investments in other alternative asset classes, including hedge funds and commodities, are made via mutual funds to diversify the expected investment returns relative to the equity and fixed income investments. As a result of our diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

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

The Company's pension plan asset allocations by asset category for fiscal 2009 are shown below.

	2009
Equity securities:	
U.S. plans	62%
Non-U.S. plans	50%
Fixed income securities:	
U.S. plans	27%
Non-U.S. plans	42%
Real estate/other:	
U.S. plans	10%
Non-U.S. plans	7%
Cash/liquidity:	
U.S. plans	1%
Non-U.S. plans	1%

In December 2008, the FASB issued guidance on an employer's disclosures about plan assets of a defined benefit pension plan. The guidance requires enhanced transparency surrounding the types of plan assets and associated risks, as well as disclosure of information about fair value measurements of plan assets. This guidance is included in ASC 715, "Compensation – Retirement Benefits," is effective for the Company for fiscal 2010 and is applied prospectively.

The Company's pension plan assets at September 30, 2010, by asset category, are as follows (in millions):

	Fair Value Measurements Using:			
Asset Category	Total as of September 30, 2010	Quoted Prices *in Active* Markets (Level 1)	Significant Other *Observable* Inputs (Level 2)	Significant *Unobservable* Inputs (Level 3)
U.S. Pension				
Cash	$ 52	$ 52	$ -	$ -
Equity Securities				
Large-Cap	779	779	-	-
Small-Cap	287	287	-	-
International - Developed	505	505	-	-
Fixed Income Securities				
Government	147	147	-	-
Corporate/Other	469	469	-	-
Hedge Funds	91	-	-	91
Real Estate	141	-	-	141
Total	$ 2,471	$ 2,239	$ -	$ 232
Non-U.S. Pension				
Cash	$ 28	$ 28	$ -	$ -
Equity Securities				
Large-Cap	97	97	-	-
International - Developed	452	452	-	-
International - Emerging	13	13	-	-
Fixed Income Securities				
Government	132	132	-	-
Corporate/Other	412	412	-	-
Commodities	11	11	-	-
Real Estate	71	-	-	71
Total	$ 1,216	$ 1,145	$ -	$ 71

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash: The fair value of cash is valued at cost.

Equity Securities: The fair value of equity securities is determined by indirect quoted market prices. The value of assets held in separate accounts is not published, but the investment managers report daily the underlying holdings. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Fixed Income Securities: The fair value of fixed income securities is determined by indirect quoted market prices. The value of assets held in separate accounts is not published, but the investment managers report daily the underlying holdings. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Commodities: The fair value of the commodities is determined by quoted market prices of the underlying holdings on regulated financial exchanges.

Hedge Funds: The fair value of hedge funds is accounted for by a custodian. The custodian obtains valuations from underlying managers based on market quotes for the most liquid assets and alternative methods for assets that do not have sufficient trading activity to derive prices. The Company and custodian review the methods used by the underlying managers to value the assets. The Company believes this is an appropriate methodology to obtain the fair value of these assets.

Real Estate: The fair value of investment in real estate is valued by the fund managers. The fund managers value the real estate investments via independent third-party appraisals on a periodic basis. Assumptions used to revalue the properties are updated every quarter. The Company believes this is an appropriate methodology to obtain the fair value of these assets. For the component of the real estate portfolio under development, the investments are carried at cost until they are completed and valued by a third-party appraiser.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth a summary of changes in the fair value of assets measured using significant unobservable inputs (Level 3) (in millions):

	Total	Hedge Funds	Real Estate
U.S. Pension			
Asset Value as of September 30, 2009	$ 174	$ 86	$ 88
Additions	59	-	59
Redemptions	(9)	-	(9)
Realized loss	(5)	-	(5)
Unrealized gain	13	5	8
Asset Value as of September 30, 2010	$ 232	$ 91	$ 141
Non-U.S. Pension			
Asset Value as of September 30, 2009	$ 64	$ -	$ 64
Unrealized gain	7	-	7
Asset Value as of September 30, 2010	$ 71	$ -	$ 71

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

For pension plans with accumulated benefit obligations (ABO) that exceed plan assets, the projected benefit obligation (PBO), ABO and fair value of plan assets of those plans were $3,942 million, $3,804 million and $3,169 million, respectively, as of September 30, 2010 and $3,316 million, $3,111 million and $2,219 million, respectively, as of September 30, 2009.

In fiscal 2010, total employer and employee contributions to the defined benefit pension plans were $681 million, of which $509 million were voluntary contributions made by the Company. The Company expects to contribute approximately $250 million in cash to its defined benefit pension plans in fiscal year 2011. Projected benefit payments from the plans as of September 30, 2010 are estimated as follows (in millions):

2011	$ 240
2012	212
2013	222
2014	231
2015	247
2016-2020	1,334

Savings and Investment Plans

The Company sponsors various defined contribution savings plans primarily in the U.S. that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, the Company will contribute to certain savings plans based on the employees' eligible pay and/or will match a percentage of the employee contributions up to certain limits. Matching contributions charged to expense amounted to $42 million, $35 million and $39 million for the fiscal years ended 2010, 2009 and 2008, respectively.

Postretirement Health and Other Benefits

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

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

The September 30, 2010 accumulated postretirement benefit obligation (APBO) for both pre-65 and post-65 years of age employees was determined using assumed medical care cost trend rates of 7.5% and 8% for U.S. plans and non-U.S. plans, respectively, decreasing one half percent each year to an ultimate rate of 5% and prescription drug trend rates of 9.5% and 8% for U.S. plans and non-U.S. plans, respectively, decreasing one half percent each year to an ultimate rate of 6% and 5% for U.S. plans and non-U.S. plans, respectively. The September 30, 2009 APBO for both pre-65 and post-65 years of age employees was determined using medical care cost trend rates of 8.0% and 8.5% for U.S. plans and non-U.S. plans, respectively, decreasing one half percent each year to an ultimate rate of 5% and prescription drug trend rates of 10.0% and 8.5% for U.S. plans and non-U.S. plans, respectively, decreasing one half percent each year to an ultimate rate of 6% and 5% for U.S. plans and non-U.S. plans, respectively. The health care cost trend assumption does not have a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by $1 million and $3 million for U.S. plans and non-U.S. plans, respectively, at September 30, 2010 and the sum of the service and interest costs in fiscal year 2010 by less than $1 million. A one percentage point decrease in the assumed health care cost trend rate would have a negligible impact on the accumulated benefit obligation and service and interest costs for U.S. plans and decreased the accumulated benefit obligation of non-U.S. plans by $2.5 million at September 30, 2010.

The Company expects to contribute approximately $23 million in cash to its postretirement health and other benefit plans in fiscal year 2011. Projected benefit payments from the plans as of September 30, 2010 are estimated as follows (in millions):

2011	$	23
2012		23
2013		23
2014		24
2015		24
2016-2020		101

In December 2003, the U.S. Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) for employers sponsoring postretirement health care plans that provide prescription drug benefits. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans providing a benefit that is at least actuarially equivalent to Medicare Part D.1. Under the Act, the Medicare subsidy amount is received directly by the plan sponsor and not the related plan. Further, the plan sponsor is not required to use the subsidy amount to fund postretirement benefits and may use the subsidy for any valid business purpose. Projected subsidy receipts are estimated to be approximately $3 million per year over the next ten years.

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

	Pension Benefits				Postretirement Health and Other Benefits	
	U.S. Plans		Non-U.S. Plans			
September 30,	2010	2009	2010	2009	2010	2009
Accumulated Benefit Obligation	$ 2,655	$ 2,355	$ 1,622	$ 1,429	$ -	$ -
Change in Projected Benefit Obligation						
Projected benefit obligation at beginning of year	2,512	2,174	1,521	1,334	275	253
Service cost	67	66	38	32	4	4
Interest cost	152	159	68	65	14	18
Plan participant contributions	-	-	5	5	7	-
Acquisitions	-	-	1	9	-	-
Divestitures	-	-	-	(1)	-	-
Plan transfers	-	-	-	39	-	-
Actuarial loss	106	438	146	128	23	41
Amendments made during the year	-	1	(3)	(14)	(44)	(13)
Benefits paid	(120)	(99)	(68)	(55)	(26)	(29)
Estimated subsidy received	-	-	-	-	2	2
Special termination benefits	-	-	-	1	-	-
Curtailment gain	-	(224)	(5)	(4)	-	-
Other	-	(3)	6	-	-	-
Currency translation adjustment	-	-	16	(18)	1	(1)
Projected benefit obligation at end of year	$ 2,717	$ 2,512	$ 1,725	$ 1,521	$ 256	$ 275
Change in Plan Assets						
Fair value of plan assets at beginning of year	$ 1,867	$ 1,772	$ 1,080	$ 960	$ -	$ -
Actual return on plan assets	151	8	64	57	-	-
Plan transfers	-	-	-	38	-	-
Employer and employee contributions	573	188	108	105	26	29
Benefits paid	(120)	(99)	(68)	(55)	(26)	(29)
Other	-	(2)	4	-	-	-
Currency translation adjustment	-	-	28	(25)	-	-
Fair value of plan assets at end of year	$ 2,471	$ 1,867	$ 1,216	$ 1,080	$ -	$ -
Funded status	$ (246)	$ (645)	$ (509)	$ (441)	$ (256)	$ (275)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	$ 7	$ 4	$ 17	$ 23	$ -	$ -
Accrued benefit liability	(253)	(649)	(526)	(464)	(256)	(275)
Net amount recognized	$ (246)	$ (645)	$ (509)	$ (441)	$ (256)	$ (275)
Weighted Average Assumptions (1)						
Discount rate	5.50%	6.25%	4.00%	4.75%	5.50%	6.25%
Rate of compensation increase	3.20%	4.20%	3.00%	3.20%	NA	NA

(1) Plan assets and obligations are determined based on a September 30 measurement date at September 30, 2010 and 2009.

The amounts in accumulated other comprehensive income on the consolidated statement of financial position, exclusive of tax impacts, that have not yet been recognized as components of net periodic benefit cost at September 30, 2010 are as follows (in millions):

	Pension Benefits	Postretirement Health and Other Benefits
Accumulated other comprehensive loss (income)		
Net transition obligation	$ 3	$ -
Net actuarial loss	1,339	22
Net prior service cost (credit)	3	(61)
Total	$ 1,345	$ (39)

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

	Pension Benefits	Postretirement Health and Other Benefits
Amortization of:		
Net actuarial loss	$ 71	$ 2
Net prior service cost (credit)	2	(17)
Total	$ 73	$ (15)

The table that follows contains the components of net periodic benefit cost (in millions):

	Pension Benefits						Postretirement Health and Other Benefits		
	U.S. Plans			Non-U.S. Plans					
Year ended September 30	2010	2009	2008	2010	2009	2008	2010	2009	2008
Components of Net Periodic Benefit Cost:									
Service cost	$ 67	$ 66	$ 79	$ 38	$ 32	$ 39	$ 4	$ 4	$ 5
Interest cost	152	159	140	68	65	73	14	18	17
Expected return on plan assets	(179)	(174)	(166)	(64)	(55)	(67)	-	-	-
Amortization of net actuarial loss (gain)	28	4	6	11	3	6	-	(3)	(2)
Amortization of prior service cost (credit)	1	1	2	-	-	-	(17)	(7)	(7)
Special termination benefits	-	-	-	-	1	2	-	-	-
Curtailment loss (gain)	-	4	4	(1)	(2)	-	-	-	-
Settlement loss	-	-	-	2	-	-	-	-	-
Divestures gain	-	-	-	-	(1)	-	-	-	-
Currency translation adjustment	-	-	-	2	-	(2)	-	-	-
Net periodic benefit cost	$ 69	$ 60	$ 65	$ 56	$ 43	$ 51	$ 1	$ 12	$ 13
Expense Assumptions:									
Discount rate	6.25%	7.50%	6.50%	4.75%	5.50%	4.90%	6.25%	7.50%	6.50%
Expected return on plan assets	8.50%	8.50%	8.50%	6.00%	6.00%	6.10%	NA	NA	NA
Rate of compensation increase	4.20%	4.20%	4.30%	3.20%	3.00%	3.00%	NA	NA	NA

16. RESTRUCTURING COSTS

To better align the Company's cost structure with global automotive market conditions, the Company committed to a restructuring plan (2009 Plan) in the second quarter of fiscal 2009 and recorded a $230 million restructuring charge. The restructuring charge related to cost reduction initiatives in the Company's automotive experience, building efficiency and power solutions businesses and included workforce reductions and plant consolidations. The Company expects to substantially complete the 2009 Plan by the end of 2011. The automotive-related restructuring actions targeted excess manufacturing capacity resulting from lower industry production in the European, North American and Japanese automotive markets. The restructuring actions in building efficiency were primarily in Europe where the Company is centralizing certain functions and rebalancing its resources to target the geographic markets with the greatest potential growth. Power solutions actions focused on optimizing its manufacturing capacity as a result of lower overall demand for original equipment batteries resulting from lower vehicle production levels.

Since the announcement of the 2009 Plan in March 2009, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for automotive experience – Europe of approximately $70 million, of which $42 million was identified in the current fiscal year, due to favorable severance negotiations and the decision to not close previously planned plants in response to increased customer demand. The underspend of the initial 2009 Plan reserves is committed to be utilized for additional costs to be incurred as part of power solutions, automotive experience - Europe and automotive experience - North America's additional cost reduction initiatives. The planned workforce reductions disclosed for the 2009 Plan have been updated for the Company's revised actions.

The following table summarizes the changes in the Company's 2009 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Fixed Asset Impairment	Other	Currency Translation	Total
Original reserve	$ 182	$ 46	$ 2	$ -	$ 230
Noncash adjustment - underspend	(28)	-	-	-	(28)
Noncash adjustment - revised actions	28	-	-	-	28
Utilized - cash	(42)	-	-	-	(42)
Utilized - noncash	-	(46)	-	8	(38)
Balance at September 30, 2009	$ 140	$ -	$ 2	$ 8	$ 150
Noncash adjustment - underspend	(42)	-	-	-	(42)
Noncash adjustment - revised actions	20	-	-	-	20
Utilized - cash	(64)	-	-	-	(64)
Utilized - noncash	-	-	(2)	(6)	(8)
Balance at September 30, 2010	$ 54	$ -	$ -	$ 2	$ 56

To better align the Company's resources with its growth strategies while reducing the cost structure of its global operations, the Company committed to a restructuring plan (2008 Plan) in the fourth quarter of fiscal 2008 and recorded a $495 million restructuring charge. The restructuring charge related to cost reduction initiatives in its automotive experience, building efficiency and power solutions businesses and included workforce reductions and plant consolidations. The Company expects to substantially complete the 2008 Plan by the end of 2011. The automotive-related restructuring was in response to the fundamentals of the European and North American automotive markets. The actions targeted reductions in the Company's cost base by decreasing excess manufacturing capacity due to lower industry production and the continued movement of vehicle production to low-cost countries, especially in Europe. The restructuring actions in building efficiency were primarily in Europe where the Company centralized certain functions and rebalanced its resources to target the geographic markets with the greatest potential growth. Power solutions actions focused on optimizing its regional manufacturing capacity.

Since the announcement of the 2008 Plan in September 2008, the Company has experienced lower employee severance and termination benefit cash payouts than previously calculated for building efficiency – Europe and automotive experience – Europe of approximately $95 million, of which $32 million was identified in the current

fiscal year, due to favorable severance negotiations, individuals transferred to open positions within the Company and changes in cost reduction actions from plant consolidation to downsizing of operations. The underspend of the initial 2008 Plan is committed to be utilized for similar additional restructuring actions. The underspend experienced by building efficiency – Europe is committed to be utilized for workforce reductions and plant consolidations in building efficiency – Europe. The underspend experienced by automotive experience – Europe is committed to be utilized for additional plant consolidations for automotive experience – North America and workforce reductions in building efficiency – Europe. Also, in the fourth quarter of fiscal 2010, the Company sold one plant in automotive experience – North America it had planned to close as a part of the 2008 Plan. The loss on the sale of the plant of $12 million was offset by a decrease in the Company's restructuring reserve for employee severance and termination benefits related to the planned workforce reductions which will no longer occur. The planned workforce reductions disclosed for the 2008 Plan have been updated for the Company's revised actions.

The following table summarizes the changes in the Company's 2008 Plan reserve, included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Fixed Asset Impairment	Other	Currency Translation	Total
Balance at September 30, 2008	$ 435	$ -	$ 9	$ -	$ 444
Noncash adjustment - underspend	(63)	-	-	-	(63)
Noncash adjustment - revised actions	63	-	-	-	63
Utilized - cash	(220)	-	-	-	(220)
Utilized - noncash	-	-	(9)	(18)	(27)
Balance at September 30, 2009	$ 215	$ -	$ -	$ (18)	$ 197
Noncash adjustment - underspend	(32)	-	-	-	(32)
Noncash adjustment - revised actions	23	19	12	-	54
Utilized - cash	(98)	-	-	-	(98)
Utilized - noncash	-	(19)	(12)	(10)	(41)
Balance at September 30, 2010	$ 108	$ -	$ -	$ (28)	$ 80

The 2008 and 2009 Plans included workforce reductions of approximately 20,400 employees (9,500 for automotive experience – North America, 5,200 for automotive experience – Europe, 1,100 for automotive experience – Asia, 400 for building efficiency – North America, 2,700 for building efficiency – Europe, 700 for building efficiency – rest of world, and 800 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2010, approximately 16,400 of the employees have been separated from the Company pursuant to the 2008 and 2009 Plans. In addition, the 2008 and 2009 Plans included 33 plant closures (14 for automotive experience – North America, 11 for automotive experience – Europe, 3 for automotive experience – Asia, 1 for building efficiency – North America, 1 for building efficiency – rest of world, and 3 for power solutions). As of September 30, 2010, 23 of the 33 plants have been closed. The restructuring charge for the impairment of long-lived assets associated with the plant closures was determined using fair value based on a discounted cash flow analysis.

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.

17. IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

In the fourth quarter of fiscal 2010, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the planned relocation of a plant in Japan in the automotive experience Asia segment. As a result, the Company reviewed its long-lived assets for impairment and recorded an $11 million impairment charge within cost of sales in the fourth quarter of fiscal 2010 related to the Asia automotive experience segment. The impairment was measured under a market approach utilizing an appraisal. The inputs utilized in the analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurements and Disclosures."

At September 30, 2010, the Company concluded it did not have any other triggering events requiring assessment of impairment of its long-lived assets.

In the third quarter of fiscal 2010, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the planned relocation of its headquarters building in Japan in the automotive experience Asia segment. As a result, the Company reviewed its long-lived assets for impairment and recorded an $11 million impairment charge within selling, general and administrative expenses in the third quarter of fiscal 2010 related to the Asia automotive experience segment. The impairment was measured under a market approach utilizing an appraisal. The inputs utilized in the analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurements and Disclosures."

In the second quarter of fiscal 2010, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to planned plant closures for the North America automotive experience segment. These closures are a result of the Company's revised restructuring actions to the 2008 Plan. Refer to Note 16, "Restructuring Costs," to the accompanying financial statements for further information regarding the 2008 Plan. As a result, the Company reviewed its long-lived assets for impairment and recorded a $19 million impairment charge in the second quarter of fiscal 2010 related to the North America automotive experience segment. This impairment charge was offset by a decrease in the Company's restructuring reserve related to the 2008 Plan due to lower employee severance and termination benefit cash payments than previously expected, as discussed further in Note 16. The impairment was measured under an income approach utilizing forecasted discounted cash flows for fiscal 2010 through 2014 to determine the fair value of the impaired assets. This method is consistent with the method the Company has employed in prior periods to value other long-lived assets. The inputs utilized in the discounted cash flow analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurements and Disclosures."

In the third quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in light of the restructuring plans in North America announced by Chrysler LLC (Chrysler) and General Motors Corporation (GM) during the quarter as part of their bankruptcy reorganization plans. As a result, the Company reviewed its long-lived assets relating to the Chrysler and GM platforms within the North America automotive experience segment and determined no impairment existed.

In the second quarter of fiscal 2009, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets in conjunction with its restructuring plan announced in March 2009. As a result, the Company reviewed its long-lived assets associated with the plant closures for impairment and recorded a $46 million impairment charge in the second quarter of fiscal 2009, of which $25 million related to the North America automotive experience segment, $16 million related to the Asia automotive experience segment and $5 million related to the Europe automotive experience segment. Refer to Note 16, "Restructuring Costs," to the accompanying financial statements for further information regarding the 2009 restructuring plan. Additionally, at March 31, 2009, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of its other long-lived assets within the Europe automotive experience segment due to significant declines in European automotive sales volume. As a result, the Company reviewed its other long-lived

assets within the Europe automotive experience segment for impairment and determined no additional impairment existed.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its long-lived assets due to the significant declines in North American and European automotive sales volumes. As a result, the Company reviewed its long-lived assets for impairment and recorded a $110 million impairment charge within cost of sales in the first quarter of fiscal 2009, of which $77 million related to the North America automotive experience segment and $33 million related to the Europe automotive experience segment.

The Company reviews its equity investments for impairment whenever there is a loss in value of an investment which is other than a temporary decline. The Company conducts its equity investment impairment analyses in accordance with ASC 323, "Investments-Equity Method and Joint Ventures." ASC 323 requires the Company to record an impairment charge for a decrease in value of an investment when the decline in the investment is considered to be other than temporary.

At December 31, 2008, in conjunction with the preparation of its financial statements, the Company concluded it had a triggering event requiring assessment of impairment of its equity investment in a 48%-owned joint venture with U.S. Airconditioning Distributors, Inc. (U.S. Air) due to the significant decline in North American residential housing construction starts, which had significantly impacted the financial results of the equity investment. The Company reviewed its equity investment in U.S. Air for impairment and as a result, recorded a $152 million impairment charge within equity income (loss) for the building efficiency North America unitary products segment in the first quarter of fiscal 2009. The U.S. Air investment balance included in the consolidated statement of financial position at September 30, 2010 was $53 million. The Company does not anticipate future impairment of this investment as, based on its current forecasts, a further decline in value that is other than temporary is not considered reasonably likely to occur.

18. INCOME TAXES

The more significant components of the Company's income tax provision from continuing operations are as follows (in millions):

	Year Ended September 30,		
	2010	2009	2008
Tax expense (benefit) at federal statutory rate	$ 617	$ (111)	$ 463
State income taxes, net of federal benefit	28	(15)	27
Foreign income tax expense at different rates and foreign losses without tax benefits	(330)	(92)	(148)
U.S. tax on foreign income	(3)	81	(19)
Reserve and valuation allowance adjustments	(138)	180	-
Medicare Part D	16	-	-
Credits	(3)	(11)	(16)
Other	10	-	14
Provision for income taxes	$ 197	$ 32	$ 321

The Company's base effective income tax rate for continuing operations for fiscal years 2010, 2009 and 2008 was 18.1%, 22.7% and 21.0%, respectively. The rate remained below the U.S. statutory rate due to continuing global tax planning initiatives and income in certain non-U.S. jurisdictions with a rate of tax lower than the U.S. statutory tax rate. The Company's base effective tax rates were further adjusted as a result of the following discrete items (in millions):

	Year Ended September 30,		
	2010	2009	2008
Federal, state and foreign income tax expense at base effective income tax rate	$ 319	$ (72)	$ 278
Restructuring charges	-	8	43
Impairment charges	-	26	-
Debt conversion costs	-	(15)	-
Valuation allowance adjustments	(111)	252	
Uncertain tax position adjustments	(27)	(72)	-
Change in tax status of foreign subsidiary	-	(89)	-
Interest refund	-	(6)	-
Medicare Part D	16	-	-
Provision for income taxes	$ 197	$ 32	$ 321

Restructuring Charge

In the second quarter of fiscal year 2009, the Company recorded a $27 million discrete period tax adjustment related to the second quarter 2009 restructuring costs using a blended statutory tax rate of 19.2%. Due to the tax rate change in the third quarter of fiscal 2009, the discrete period tax adjustment decreased by $19 million for a total tax adjustment of $8 million.

In the fourth quarter of fiscal 2008, the Company recorded a $43 million discrete period tax adjustment related to the fourth quarter 2008 restructuring charge using a blended effective tax rate of 12.4%.

Impairment Charges

In the first quarter of fiscal 2009, the Company recorded a $30 million discrete period tax adjustment related to first quarter 2009 impairment costs using a blended statutory tax rate of 12.6%. Due to the change in the base effective tax rate in fiscal 2009, the discrete period tax adjustment decreased by $4 million for a total tax adjustment of $26 million.

Debt Conversion Costs

In the fourth quarter of fiscal 2009, the Company recorded a $15 million discrete period tax adjustment related to debt conversion costs using an effective tax rate of 36.5%.

Valuation Allowances

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

In fiscal 2010, the Company recorded an overall decrease to its valuation allowances of $87 million. This was comprised of a $111 million decrease in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the fourth quarter of fiscal 2010, the Company performed an analysis related to the realizability of its worldwide deferred tax assets. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets primarily within

Mexico would be utilized. Therefore, the Company released $39 million of valuation allowances in the three month period ended September 30, 2010. Further, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in selected entities in Europe. Therefore, the Company recorded $14 million of valuation allowances in the three month period ended September 30, 2010. To the extent the Company improves its underlying operating results in these entities, these valuation allowances, or a portion thereof, could be reversed in future periods.

In the third quarter of fiscal 2010, the Company determined that it was more likely than not that a portion of the deferred tax assets within the Slovakia automotive entity would be utilized. Therefore, the Company released $13 million of valuation allowances in the three month period ended June 30, 2010.

In the first quarter of fiscal 2010, the Company determined that it was more likely than not that a portion of the deferred tax assets within the Brazil automotive entity would be utilized. Therefore, the Company released $69 million of valuation allowances. This was comprised of a $93 million decrease in income tax expense offset by a $24 million reduction in cumulative translation adjustments.

In the fourth quarter of fiscal 2010, the Company increased the valuation allowances by $20 million, which was substantially offset by a decrease in its reserves for uncertain tax positions in a similar amount. These adjustments were based on a review of tax return filing positions taken in these jurisdictions and the established reserves.

In fiscal 2009, the Company recorded an overall increase to its valuation allowances by $245 million. This was comprised of a $252 million increase in income tax expense with the remaining amount impacting the consolidated statement of financial position.

In the third quarter of fiscal 2009, the Company determined that it was more likely than not that a portion of the deferred tax assets within the Brazil power solutions entity would be utilized. Therefore, the Company released $10 million of valuation allowances in the three month period ended June 30, 2009. This was comprised of a $3 million decrease in income tax expense with the remaining amount impacting the consolidated statement of financial position because it related to acquired net operating losses.

In the second quarter of fiscal 2009, the Company determined that it was more likely than not that the deferred tax asset associated with a capital loss would be utilized. Therefore, the Company released $45 million of valuation allowances in the three month period ended March 31, 2009.

In the first quarter of fiscal 2009, as a result of the rapid deterioration in the economic environment, several jurisdictions incurred unexpected losses in the first quarter that resulted in cumulative losses over the prior three years. As a result, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that the deferred tax assets would not be utilized in several jurisdictions including France, Mexico, Spain and the United Kingdom. Therefore, the Company recorded $300 million of valuation allowances in the three month period ended December 31, 2008. To the extent the Company improves its underlying operating results in these jurisdictions, these valuation allowances, or a portion thereof, could be reversed in future periods.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. In June 2006, the Financial Accounting Standards Board (FASB) issued guidance prescribing a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The Company adopted this guidance, which is included in ASC 740, "Income Taxes," as of October 1, 2007. As such, accruals for tax contingencies are provided for in accordance with the requirements of ASC 740.

Upon adoption, the Company increased its existing reserves for uncertain tax positions by $93 million. The increase was recorded as a cumulative effect adjustment to shareholders' equity of $68 million and an increase to goodwill of $25 million related to business combinations in prior years. As of the adoption date, the Company had gross tax effected unrecognized tax benefits of $616 million of which $475 million, if recognized, would affect the effective tax rate. Also as of the adoption date, the Company had accrued interest expense and penalties related to the

unrecognized tax benefits of $75 million (net of tax benefit). The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense or goodwill, when applicable.

At September 30, 2010, the Company had gross tax effected unrecognized tax benefits of $1,262 million of which $1,063 million, if recognized, would impact the effective tax rate. Total net accrued interest at September 30, 2010 was approximately $68 million (net of tax benefit).

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions of dollars)	Year Ended September 30, 2010	Year Ended September 30, 2009	Year Ended September 30, 2008
Beginning balance, September 30	$ 1,049	$ 814	$ 616
Additions for tax positions related to the current year	253	236	186
Additions for tax positions of prior years	257	65	21
Reductions for tax positions of prior years	(158)	(29)	(9)
Settlements	(109)	(37)	-
Statute closings	(30)	-	-
Ending balance, September 30	$ 1,262	$ 1,049	$ 814

The Company is regularly under audit by tax authorities, including major jurisdictions noted below:

Tax Jurisdiction	Statute of Limitations
Austria	5 years
Belgium	3 years
Brazil	5 years
Canada	5 years
China	3 to 5 years
Czech Republic	3 years
France	3 years
Germany	4 to 5 years
Italy	4 years
Japan	5 to 7 years
Mexico	5 years
Spain	4 years
United Kingdom	6 years
United States - Federal	3 years
United States – State	3 to 5 years

In the U.S., the fiscal years 2004 through 2006 are currently under IRS Appeals. Additionally, the Company is currently under exam in the following major foreign jurisdictions:

Tax Jurisdiction	Tax Years Covered
Austria	2003 – 2005
Brazil	2005 – 2008
France	2002 – 2009
Germany	2001 – 2007
Italy	2005 – 2007
Mexico	2003 – 2004
Spain	2006 – 2008

It is reasonably possible that certain tax examinations, appellate proceedings and/or tax litigation will conclude within the next 12 months, the impact of which should not be material to the financial statements.

Based on recently published case law in a non-U.S. jurisdiction and the settlement of a tax audit during the third quarter of fiscal 2010, the Company released net $38 million of reserves for uncertain tax positions, including interest and penalties.

As a result of certain events related to prior year tax planning initiatives during the first quarter of fiscal 2010, the Company increased the reserve for uncertain tax positions by $31 million, including $26 million of interest and penalties.

In the fourth quarter of fiscal 2010, the Company decreased its reserves for uncertain tax positions by $20 million, which was substantially offset by an increase in its valuation allowances in a similar amount. These adjustments were based on a review of tax filing positions taken in jurisdictions with valuation allowances as indicated above.

As a result of certain events in various jurisdictions during the fourth quarter of fiscal year 2009, including the settlement of the fiscal 2002 through fiscal 2003 U.S. federal tax examinations, the Company decreased its total reserve for uncertain tax positions by $32 million. This was comprised of a $55 million decrease to tax expense and a $23 million increase to goodwill.

As a result of various entities exiting business in certain jurisdictions and certain events related to prior tax planning initiatives during the third quarter of fiscal 2009, the Company reduced the reserve for uncertain tax positions by $33 million. This was comprised of a $17 million decrease to tax expense and a $16 million decrease to goodwill.

Change in Tax Status

In the fourth quarter of fiscal 2009, the Company recorded $84 million in discrete period tax benefits related to a change in tax status of a U.S. and a U.K. subsidiary. This is comprised of a $59 million tax expense benefit and a $25 million decrease to goodwill. In the second quarter of fiscal 2009, the Company recorded a $30 million discrete period tax benefit related to a change in tax status of a French subsidiary.

The changes in tax status resulted from voluntary tax elections that produced deemed liquidations for U.S. federal income tax purposes. The Company received tax benefits in the U.S. for the losses from the decrease in value as compared to the original tax basis of its investments. These elections changed, for U.S. federal income tax purposes, the tax status of these entities and are reported as a discrete period tax benefit in accordance with the provision of ASC 740.

Interest Refund Claim

In the second quarter of fiscal 2009, the Company filed a claim for refund with the Internal Revenue Service related to interest computations of prior tax payments and refunds. The refund claim resulted in a tax provision decrease of $6 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

On March 23, 2010, the U.S. President signed into law comprehensive health care reform legislation under the Patient Protection and Affordable Care Act (HR3590). Included among the major provisions of the law is a change in the tax treatment of a portion of Medicare Part D medical payments. The Company recorded a noncash tax charge of approximately $18 million in the second quarter of fiscal year 2010 to reflect the impact of this change. In the fourth quarter of fiscal 2010, the amount decreased by $2 million resulting in an overall impact of $16 million.

During the fiscal year ended September 30, 2010, tax legislation was adopted in various jurisdictions. None of these changes are expected to have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In fiscal 2009, the Company obtained High Tech Enterprise status from the Chinese Tax Bureaus for various Chinese subsidiaries. This status allows the entities to benefit from a 15% tax rate.

In February 2009, Wisconsin enacted numerous changes to Wisconsin income tax law as part of the Budget Stimulus and Repair Bill, Wisconsin Act 2. These changes are effective in the Company's tax year ended September 30, 2010. The major changes included an adoption of corporate unitary combined reporting and an expansion of the

related entity expense add back provisions. These Wisconsin tax law changes did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In December 2007, Canada enacted a new tax law which effectively reduced the income tax rates from 35% to 32%. A Business Flat Tax (IETU) was enacted on October 1, 2007 in Mexico that provides for a tax rate of 17% on a modified tax base with a credit for corporate income tax paid. On December 28, 2007, Italy enacted reductions in regional taxes from 4.25% to 3.9% effective January 1, 2008. These tax law changes did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

Continuing Operations

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

	Year Ended September 30,		
	2010	2009	2008
Current			
Federal	$ 112	$ 53	$ 136
State	29	6	26
Foreign	141	(33)	199
	282	26	361
Deferred			
Federal	145	(276)	13
State	2	(11)	9
Foreign	(232)	293	(62)
	(85)	6	(40)
Provision for income taxes	$ 197	$ 32	$ 321

Consolidated domestic income from continuing operations before income taxes and noncontrolling interests for the fiscal years ended September 30, 2010, 2009 and 2008 was income of $666 million, loss of $263 million and income of $897 million, respectively. Consolidated non-U.S. income from continuing operations before income taxes and noncontrolling interests for the fiscal years ended September 30, 2010, 2009 and 2008 was income of $1,097 million, loss of $55 million and income of $426 million, respectively.

Income taxes paid for the fiscal years ended September 30, 2010, 2009 and 2008 were $535 million, $326 million and $317 million, respectively.

The Company has not provided additional U.S. income taxes on approximately $4.5 billion of undistributed earnings of consolidated non-U.S. subsidiaries included in shareholders' equity attributable to Johnson Controls, Inc. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits. It is not practicable to estimate the amount of unrecognized withholding taxes and deferred tax liability on such earnings.

Deferred taxes were classified in the consolidated statements of financial position as follows (in millions):

	September 30,	
	2010	2009
Other current assets	$ 533	$ 469
Other noncurrent assets	1,436	1,252
Other current liabilities	(1)	(1)
Other noncurrent liabilities	(112)	(66)
Net deferred tax asset	$ 1,856	$ 1,654

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

	September 30,	
	2010	2009
Deferred tax assets		
Accrued expenses and reserves	$ 821	$ 700
Employee and retiree benefits	333	494
Net operating loss and other credit carryforwards	1,731	1,549
Research and development	128	147
	3,013	2,890
Valuation allowances	(739)	(816)
	2,274	2,074
Deferred tax liabilities		
Property, plant and equipment	40	63
Intangible assets	330	310
Other	48	47
	418	420
Net deferred tax asset	$ 1,856	$ 1,654

At September 30, 2010, the Company had available net operating loss carry forwards of approximately $3.4 billion, of which $1.1 billion will expire at various dates between 2011 and 2030, and the remainder has an indefinite carryforward period. The valuation allowance, generally, is for loss carry forwards for which utilization is uncertain because it is unlikely that the losses will be utilized given the lack of sustained profitability and/or limited carryforward periods in certain countries.

19. SEGMENT INFORMATION

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 ten reportable segments for financial reporting purposes. Certain segments are aggregated or combined based on materiality within building efficiency rest of world and power solutions in accordance with the guidance. The Company's ten reportable segments are presented in the context of its three primary businesses – building efficiency, automotive experience and power solutions.

Building efficiency

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.

- North America systems designs, produces, markets and installs mechanical equipment that provides heating and cooling in North American non-residential buildings and industrial applications as well as control systems that integrate the operation of this equipment with other critical building systems.

- North America service provides technical services including inspection, scheduled maintenance, repair and replacement of mechanical and control systems in North America, as well as the retrofit and service components of performance contracts and other solutions.

- North America unitary products designs and produces heating and air conditioning solutions for residential and light commercial applications and markets products to the replacement and new construction markets.

- Global workplace solutions provides on-site staff for complete real estate services, facility operation and management to improve the comfort, productivity, energy efficiency and cost effectiveness of building systems around the globe.

- Europe provides HVAC and refrigeration systems and technical services to the European marketplace.
- Rest of world provides HVAC and refrigeration systems and technical services to markets in Asia, the Middle East and Latin America.

Automotive experience

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

Power solutions

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

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, debt conversion costs and restructuring costs. General Corporate and other overhead expenses are allocated to business segments in determining segment income. Financial information relating to the Company's reportable segments is as follows (in millions):

	Year Ended September 30,		
	2010	2009	2008
Net Sales			
Building efficiency			
North America systems	$ 2,142	$ 2,222	$ 2,282
North America service	2,127	2,168	2,409
North America unitary products	787	684	810
Global workplace solutions	3,288	2,832	3,197
Europe	1,897	2,140	2,710
Rest of world	2,561	2,447	2,713
	12,802	12,493	14,121
Automotive experience			
North America	6,765	4,631	6,723
Europe	8,019	6,287	9,854
Asia	1,826	1,098	1,514
	16,610	12,016	18,091
Power solutions	4,893	3,988	5,850
Total net sales	$ 34,305	$ 28,497	$ 38,062

	Year Ended September 30,		
	2010	2009	2008
Segment Income (Loss)			
Building efficiency			
North America systems	$ 262	$ 251	$ 256
North America service	103	204	224
North America unitary products (1)	58	(324)	2
Global workplace solutions (2)	54	45	59
Europe (3)	(7)	41	114
Rest of world (4)	203	180	302
	673	397	957
Automotive experience			
North America (5)	379	(333)	79
Europe (6)	105	(212)	464
Asia (7)	107	4	36
	591	(541)	579
Power solutions (8)	669	406	541
Total segment income	$ 1,933	$ 262	$ 2,077
Net financing charges	(170)	(239)	(258)
Debt conversion costs	-	(111)	-
Restructuring costs	-	(230)	(495)
Income (loss) before income taxes	$ 1,763	$ (318)	$ 1,324

	September 30,		
	2010	2009	2008
Assets			
Building efficiency			
North America systems	$ 1,489	$ 1,447	$ 1,556
North America service	1,511	1,481	1,621
North America unitary products	1,082	1,014	1,336
Global workplace solutions	1,012	860	797
Europe	1,554	1,625	1,937
Rest of world	2,390	2,062	2,142
	9,038	8,489	9,389
Automotive experience			
North America	3,392	3,259	3,781
Europe	5,390	5,386	5,130
Asia	1,345	1,087	980
	10,127	9,732	9,891
Power solutions	5,478	4,278	4,699
Unallocated	1,100	1,589	1,008
Total	$ 25,743	$ 24,088	$ 24,987

	Year Ended September 30,		
	2010	2009	2008
Depreciation/Amortization			
Building efficiency			
North America systems	$ 24	$ 26	$ 20
North America service	23	19	13
North America unitary products	24	21	21
Global workplace solutions	16	13	13
Europe	21	22	21
Rest of world	30	33	25
	138	134	113
Automotive experience			
North America	147	198	212
Europe	213	220	258
Asia	31	32	32
	391	450	502
Power solutions	162	161	168
Total	$ 691	$ 745	$ 783

	Year Ended September 30,		
	2010	2009	2008
Capital Expenditures			
Building efficiency			
North America systems	$ 29	$ 16	$ 74
North America service	32	55	11
North America unitary products	5	13	28
Global workplace solutions	17	9	11
Europe	8	8	22
Rest of world	28	31	47
	119	132	193
Automotive experience			
North America	123	104	143
Europe	225	235	292
Asia	38	30	27
	386	369	462
Power solutions	272	146	152
Total	$ 777	$ 647	$ 807

(1) Building efficiency – North America unitary products segment income for the year ended September 30, 2008 excludes $5 million of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, North America unitary products segment income includes ($7) million, ($160) million and ($9) million, respectively, of equity loss.

(2) Building efficiency – Global workplace solutions segment income for the years ended September 30, 2009 and September 30, 2008 excludes $1 million and $11 million, respectively, of restructuring costs.

(3) Building efficiency – Europe segment income for the years ended September 30, 2009 and September 30, 2008 excludes $15 million and $88 million, respectively, of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, Europe segment income includes $3 million, $4 million and $5 million, respectively, of equity income.

(4) Building efficiency – Rest of world segment income for the years ended September 30, 2009 and September 30, 2008 excludes $8 million and $5 million, respectively, of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, rest of world segment income includes $8 million, $4 million and $7 million, respectively, of equity income.

(5) Automotive experience – North America segment income for the years ended September 30, 2009 and September 30, 2008 excludes $47 million and $102 million, respectively, of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, North America segment income includes $14 million, ($14) million and $27 million, respectively, of equity income (loss).

(6) Automotive experience – Europe segment income for the years ended September 30, 2009 and September 30, 2008 excludes $86 million and $208 million, respectively, of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, Europe segment income includes $7 million, ($3) million and $9 million, respectively, of equity income (loss).

(7) Automotive experience – Asia segment income for the years ended September 30, 2009 and September 30, 2008 excludes $23 million and $4 million, respectively, of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, Asia segment income includes $132 million, $70 million and $52 million, respectively, of equity income.

(8) Power solutions segment income for the years ended September 30, 2009 and September 30, 2008 excludes $50 million and $72 million, respectively, of restructuring costs. For the years ended September 30, 2010, 2009 and 2008, power solutions segment income includes $97 million, $22 million and $25 million, respectively, of equity income.

The Company has significant sales to the automotive industry. In fiscal years 2010, 2009 and 2008, no customer exceeded 10% of consolidated net sales.

Geographic Segments

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

	Year Ended September 30,		
	2010	2009	2008
Net Sales			
United States	$ 12,892	$ 11,099	$ 13,724
Germany	3,542	2,877	4,009
Mexico	1,428	952	1,514
Other European countries	8,338	7,330	11,118
Other foreign	8,105	6,239	7,697
Total	$ 34,305	$ 28,497	$ 38,062
Long-Lived Assets (Year-end)			
United States	$ 1,573	$ 1,535	$ 1,675
Germany	388	438	607
Mexico	464	403	488
Other European countries	1,071	1,118	1,083
Other foreign	600	492	536
Total	$ 4,096	$ 3,986	$ 4,389

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

20. *COMMITMENTS AND CONTINGENCIES*

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Reserves for environmental costs totaled $47 million and $32 million at September 30, 2010 and 2009, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the power solutions business. At September 30, 2010 and 2009, the Company recorded conditional asset retirement obligations of $84 million and $85 million, respectively.

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

JOHNSON CONTROLS, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Year Ended September 30,	2010	2009	2008
Accounts Receivable - Allowance for Doubtful Accounts			
Balance at beginning of period	$ 99	$ 87	$ 75
Provision charged to costs and expenses	42	51	52
Reserve adjustments	(24)	(11)	(26)
Accounts charged off	(25)	(28)	(15)
Acquisition of businesses	4	-	-
Currency translation	-	-	1
Balance at end of period	$ 96	$ 99	$ 87
Deferred Tax Assets - Valuation Allowance			
Balance at beginning of period	$ 816	$ 373	$ 326
Allowance established for new operating and other loss carryforwards	70	531	110
Acquisition of businesses	-	(19)	(6)
Allowance reversed for loss carryforwards utilized and other adjustments	(147)	(69)	(57)
Balance at end of period	$ 739	$ 816	$ 373

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the company's management has concluded that, as of September 30, 2010, the Company's internal control over financial reporting was effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements and the effectiveness of internal controls over financial reporting as of September 30, 2010 as stated in its report which is included in Item 8 of this Form 10-K and is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

Except as noted below, there has not been any change in the Company's internal control over financial reporting during the quarter ended September 30, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company is undertaking the implementation of a global financial consolidations software system and is maintaining and monitoring appropriate internal controls during the implementation period. The Company believes that the internal control environment will be enhanced as a result of implementation, which is expected to be completed in the first half of fiscal 2011. No significant changes were made to the current system of internal control over financial reporting during the fiscal year ended September 30, 2010.

The Company is also undertaking the implementation of new enterprise resource planning systems in certain businesses over a period of several years. As the phased roll-out occurs, we may experience changes in internal control over financial reporting. No significant changes were made to the current system of internal control over financial reporting during the fiscal year ended September 30, 2010.

ITEM 9B OTHER INFORMATION

None.

PART III

The information required by Part III, Items 10, 11, 13 and 14, and certain of the information required by Item 12, is incorporated herein by reference to the Company's Proxy Statement for its 2011 Annual Meeting of Shareholders (fiscal 2010 Proxy Statement), dated and to be filed with the SEC on or about December 10, 2010, as follows:

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to the sections entitled "Proposal One: Election of Directors," "Q: Where can I find Corporate Governance materials for Johnson Controls?," "Board Information," "Audit Committee Report," and "Beneficial Ownership Reporting Compliance – Section 16(a)," of the fiscal 2010 Proxy Statement. Required information on executive officers of the Company appears at Part I, Item 4 of this report.

ITEM 11 EXECUTIVE COMPENSATION

Incorporated by reference to the sections entitled "Compensation Committee Report," "Compensation Discussion and Analysis," "Director Compensation during Fiscal Year 2010," "Potential Payments and Benefits Upon Termination or Change of Control," "Board Information," and "Shareholder Information Summary" of the fiscal 2010 Proxy Statement.

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

Incorporated by reference to sections entitled "Johnson Controls Share Ownership" and "Schedule 13D and Schedule 13G Filings" of the fiscal 2010 Proxy Statement.

The following table provides information about the Company's equity compensation plans as of September 30, 2010:

	(a)	(b)	(c)
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category			
Equity compensation plans approved by shareholders	35,158,109	$ 24.17	26,513,592
Equity compensation plans not approved by shareholders	-	-	-
Total	35,158,109	$ 24.17	26,513,592

(c) Includes shares of Common Stock that remain available for grant under Company Plans as follows: 25,336,562 shares under the 2007 Stock Option Plan, 1,020,545 shares under the 2001 Restricted Stock Plan, as amended, and 156,485 shares under the 2003 Stock Plan for Outside Directors, as amended and restated.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to sections entitled "Board Information – Related Person Transactions" and "Board Information – Board Independence" of the fiscal 2010 Proxy Statement.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the Audit Committee Report, section entitled "Relationship with Independent Auditors," of the fiscal 2010 Proxy Statement.

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

	Page in Form 10-K
(a) The following documents are filed as part of this Form 10-K:	
(1) Financial Statements	
Report of Independent Registered Public Accounting Firm	53
Consolidated Statements of Income for the years ended September 30, 2010, 2009 and 2008	55
Consolidated Statements of Financial Position at September 30, 2010 and 2009	56
Consolidated Statements of Cash Flows for the years ended September 30, 2010, 2009 and 2008	57
Consolidated Statements of Shareholders' Equity Attributable to Johnson Controls, Inc. for the years ended September 30, 2010, 2009 and 2008	58
Notes to Consolidated Financial Statements	59
(2) Financial Statement Schedule	
For the years ended September 30, 2010, 2009 and 2008:	
Schedule II - Valuation and Qualifying Accounts	105
(3) Exhibits	
Reference is made to the separate exhibit index contained on pages 110 through 113 filed herewith.	

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

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

Other Matters

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JOHNSON CONTROLS, INC.

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

Date: November 23, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of November 23, 2010, by the following persons on behalf of the registrant and in the capacities indicated:

/s/ Stephen A. Roell
Stephen A. Roell
Chairman and
Chief Executive Officer

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

/s/ Brian J. Stief
Brian J. Stief
Vice President and Corporate
Controller (Principal Accounting
Officer)

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

/s/ David Abney
David Abney
Director

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

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

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

/s/ Richard Goodman
Richard Goodman
Director

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

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

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

/s/ Eugenio Clariond Reyes-Retana
Eugenio Clariond Reyes-Retana
Director

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
3.(i)	Restated Articles of Incorporation of Johnson Controls, Inc., as amended through July 25, 2007 (incorporated by reference to Exhibit 3.1 to Johnson Controls, Inc. Current Report on Form 8-K dated July 31, 2007) (Commission File No. 1-5097).
3.(ii)	By-laws of Johnson Controls, Inc., as amended November 19, 2008, and effective December 31, 2008 (incorporated by reference to Exhibit 3.ii to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).
4.A	Miscellaneous long-term debt agreements and financing leases with banks and other creditors and debenture indentures.*
4.B	Miscellaneous industrial development bond long-term debt issues and related loan agreements and leases.*
4.C	Letter of agreement dated December 6, 1990 between Johnson Controls, Inc., LaSalle National Trust, N.A. and Fidelity Management Trust Company which replaces LaSalle National Trust, N.A. as Trustee of the Johnson Controls, Inc. Employee Stock Ownership Plan Trust with Fidelity Management Trust Company as Successor Trustee, effective January 1, 1991 (incorporated by reference to Exhibit 4.F to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 1991) (Commission File No. 1-5097).
4.D	Indenture for debt securities dated January 17, 2006 between Johnson Controls, Inc. and US Bank N.A. as successor trustee to JP Morgan Chase (incorporated by reference to Exhibit 4.1 to Johnson Controls, Inc. Registration Statement on Form S-3ASR [Reg. No. 333-130714]).
4.E	Amended and restated Credit Agreement, dated December 5, 2006, among Johnson Controls, Inc., the financial institutions party thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (incorporated by reference to Exhibit 4.E to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).
4.F	Supplemental Indenture, dated March 16, 2009, between Johnson Controls, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.G	Subordinated Indenture, dated March 16, 2009, between Johnson Controls, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.H	Supplemental Indenture No. 1, dated March 16, 2009, between Johnson Controls, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.3 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.I	Purchase Contract and Pledge Agreement, dated March 16, 2009, among Johnson Controls, Inc., U.S. Bank National Association, as Purchase Contract Agent, and U.S. Bank National Association, as Collateral Agent, Custodial Agent and Securities Intermediary (incorporated by reference to Exhibit 4.4 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.J	Form of Remarketing Agreement among Johnson Controls, Inc., U.S. Bank National Corporation, as the Reset Agent and the Remarketing Agent and U.S. Bank National Corporation, as the Purchase Contract Agent (incorporated by reference to Exhibit 4.5 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
4.K	Form of Corporate Unit (incorporated by reference to Exhibit 4.6 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.L	Form of Treasury Unit (incorporated by reference to Exhibit 4.7 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.M	Form of Subordinated Note (incorporated by reference to Exhibit 4.8 to Johnson Controls, Inc. Current Report on Form 8-K/A dated March 10, 2009) (Commission File No. 1-5907).
4.N	Officer's Certificate, date March 9, 2010 creating 5.000% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to Johnson Controls, Inc. Current Report on Form 8-K dated March 9, 2010) (Commission File No. 1-5907).
10.A	Johnson Controls, Inc. 1992 Stock Option Plan, as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.A to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.B	Johnson Controls, Inc. Common Stock Purchase Plan for Executives as amended November 17, 2004 and effective December 1, 2004 (incorporated by reference to Exhibit 10.B to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2004) (Commission File No. 1-5097).**
10.C	Johnson Controls, Inc. Deferred Compensation Plan for Certain Directors, as amended and restated effective November 18, 2009 (incorporated by reference to Exhibit 10.C to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**
10.D	Johnson Controls, Inc. Executive Survivor Benefits Plan, as amended and restated effective September 15, 2009 (incorporated by reference to Exhibit 10.D to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**
10.E	Form of employment agreement between Johnson Controls, Inc. and all elected officers remains effective for those officers employed before September 15, 2009, as amended and restated January 1, 2008 (incorporated by reference to Exhibit 10.K to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097).**
10.F	Form of employment agreement between Johnson Controls, Inc. and all elected officers and named executives hired between September 15, 2009 and July 28, 2010, as amended and restated effective September 15, 2009, filed herewith .**
10.G	Form of indemnity agreement effective October 16, 2006, between Johnson Controls, Inc. and each of the directors and elected officers, (incorporated by reference to Exhibit 10.L to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097).**
10.H	Johnson Controls, Inc. Director Share Unit Plan, as amended and restated effective September 1, 2009 (incorporated by reference to Exhibit 10.H to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**
10.I	Johnson Controls, Inc. 2000 Stock Option Plan, as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.I to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
10.J	Form of stock option award agreement for Johnson Controls, Inc. 2000 Stock Option Plan, as amended through October 1, 2001, as in use through March 20, 2006 (incorporated by reference to Exhibit 10.1 to Johnson Controls, Inc. Current Report on Form 8-K dated November 17, 2004) (Commission File No. 1-5097).**
10.K	Johnson Controls, Inc. 2001 Restricted Stock Plan, as amended and restated effective March 23, 2010 (incorporated by reference to Exhibit 10.1 to Johnson Controls, Inc. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010) (Commission File No. 1-5097).**
10.L	Form of restricted stock award agreement for Johnson Controls, Inc. 2001 Restricted Stock Plan, as amended March 21, 2006, as in effect since August 1, 2006 (incorporated by reference to Exhibit 10.R to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).**
10.M	Johnson Controls, Inc. Executive Deferred Compensation Plan, as amended and restated effective March 23, 2010 (incorporated by reference to Exhibit 10.2 to Johnson Controls, Inc. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010) (Commission File No. 1-5097) .**
10.N	Johnson Controls, Inc. 2003 Stock Plan for Outside Directors, as amended September 1, 2009 (incorporated by reference to Exhibit 10.N to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**
10.O	Johnson Controls, Inc. Annual Incentive Performance Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.W to Johnson Controls, Inc. Annual Report Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.P	Johnson Controls, Inc. Retirement Restoration Plan, as amended and restated effective November 17, 2009 (incorporated by reference to Exhibit 10.P to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**
10.Q	Compensation Summary for Non-Employee Directors as amended and restated effective October 1, 2009 (incorporated by reference to Exhibit 10.Q to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097).**
10.R	Form of restricted stock award agreement for Johnson Controls, Inc. 2001 Restricted Stock Plan, for grants made on January 3, 2006,(incorporated by reference to Exhibit 10.BB to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).**
10.S	Form of stock option award agreement for Johnson Controls, Inc. 2000 Stock Option Plan, as amended September 16, 2006, as in effect since October 2, 2006 (incorporated by reference to Exhibit 10.CC to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2006) (Commission File No. 1-5097).**
10.T	Johnson Controls, Inc. Long Term Incentive Performance Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.BB to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.U	Johnson Controls, Inc. 2007 Stock Option Plan, amended as of September 14, 2007, (incorporated by reference to Exhibit 10.CC to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2007) (Commission File No. 1-5097).**

Johnson Controls, Inc.
Index to Exhibits

Exhibit	Title
10.V	Form of stock option award agreement for Johnson Controls, Inc. 2007 Stock Option Plan (incorporated by reference to Exhibit 10.1 to Johnson Controls, Inc. Current Report on Form 8-K dated March 21, 2007) (Commission File No. 1-5097).**
10.W	Supplemental Agreement to the Employment Contract between the Company and Dr. Beda Bolzenius dates August 25, 2008 (incorporated by reference to Exhibit 10.EE to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2008) (Commission File No. 1-5097).**
10.X	Johnson Controls, Inc. Executive Compensation Incentive Recoupment Policy effective September 15, 2009 (incorporated by reference to Exhibit 10.X to Johnson Controls, Inc. Annual Report on Form 10-K for the year ended September 30, 2009) (Commission File No. 1-5097) .**
10.Y	Form of employment agreement between Johnson Controls, Inc. and all elected officers and named executives hired after July 28, 2010, as amended and restated July 28, 2010 (incorporated by reference to Exhibit 10.Y to Johnson Controls, Inc. Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010) (Commission File No. 1-5097).**
21	Subsidiaries of the Registrant, filed herewith.
23	Consent of Independent Registered Public Accounting Firm dated November 23, 2010, filed herewith.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
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, filed herewith.
101	The following materials from Johnson Controls, Inc.'s Annual Report on Form 10-K for the year ended September 30, 2010, 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 Cash Flow, (iv) the Consolidated Statements of Shareholders' Equity Attributable to Johnson Controls, Inc. and (v) Notes to Consolidated Financial Statements, furnished herewith.

* These instruments are not being filed as exhibits herewith because none of the long-term debt instruments authorizes the issuance of debt in excess of 10% of the total assets of Johnson Controls, Inc. and its subsidiaries on a consolidated basis. Johnson Controls, Inc. agrees to furnish a copy of each agreement to the Securities and Exchange Commission upon request.

** Denotes a management contract or compensatory plan.