JOHNSON CONTROLS INC
Form DEF 14A
December 07, 2007

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

SCHEDULE 14A

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

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

JOHNSON CONTROLS, INC.

(Name of Registrant as Specified In Its Charter)

JOHNSON CONTROLS, INC.

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

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

Notice of 2008
Annual Meeting
and Proxy Statement

Date of Notice: December 7, 2007

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NOTICE OF THE 2008
ANNUAL MEETING OF SHAREHOLDERS

Johnson Controls, Inc. will hold the Annual Meeting of Shareholders on Wednesday, January 23, 2008, at 1:00 P.M. CST, at Discovery World at Pier Wisconsin, 500 N. Harbor Drive, Milwaukee, Wisconsin. The purposes of the Annual Meeting are as follows:

1. To elect four directors, with the following as the Board s nominees:

Natalie A. Black
Robert A. Cornog
William H. Lacy
Stephen A. Roell

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

3. To transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

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

If you were a shareholder of record at the close of business on November 15, 2007, you are entitled to vote at the Annual Meeting.

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

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

By Order of the Board of Directors

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

December 7, 2007

Dear Shareholder:

The Johnson Controls Annual Shareholders Meeting will convene on Wednesday, January 23, 2008, at 1:00 P.M. CST at Discovery World at Pier Wisconsin, 500 N. Harbor Drive, Milwaukee, Wisconsin. We are mailing our proxy statement, which details the business we will conduct at the Annual Shareholders Meeting, to shareholders on or about December 7, 2007, together with the Company s Annual Report on Form 10-K for fiscal year 2007. Shareholders are not to regard the Annual Report on Form 10-K, which contains our audited financial statements, as proxy solicitation material.

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

Thank you for your continued support of Johnson Controls.

Sincerely,

JOHNSON CONTROLS, INC.

John M. Barth Chairman	Stephen A. Roell Chief Executive Officer

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* *Agenda items for the Annual Meeting*

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QUESTIONS AND ANSWERS

Q: What am I voting on?

A: You are voting on TWO proposals:

1. Election of four directors for a term of three years, with the following as the Board s nominees:
   Natalie A. Black
   Robert A. Cornog
   William H. Lacy
   Stephen A. Roell
2. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

Q: What are the voting recommendations of the Board?

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

FOR each of the director nominees; and

FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

Q: Will any other matters be voted on?

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

Q: Who can vote?

A: If you hold shares of our Common Stock, CUSIP No. 478366107, as of the close of business on November 15, 2007, then you are entitled to one vote per share at the Annual Meeting. There is no cumulative voting.

Q: How do I vote?

A: There are four ways to vote:

by Internet at **http://www.eproxy.com/jci/**

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

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

by completing and mailing your proxy card; or

by written ballot at the Annual Meeting.

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Q: What is the effect of not voting?

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

If shares you own are registered in your name and you do not vote, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. In the case of a non-routine proposal, if a quorum is obtained and shareholders holding a majority of the outstanding shares of Johnson Controls stock cast votes on the non-routine proposal, your unvoted shares will not affect whether the proposal is approved or rejected. There are no non-routine proposals to be voted upon at this year s Annual Meeting.

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

If you own shares through a Johnson Controls retirement or employee savings and investment plan [401(k)], and you do not direct the trustee of the 401(k) plan to vote your shares, or if the trustee does not receive your proxy card by January 17, 2008, then the trustee will vote the shares credited to your account in the same proportion as the voting of shares for which the trustee receives direction from other participants.

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

Q: Can I change my vote?

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

entering a new vote by Internet or phone;

returning a later-dated proxy card;

notifying Jerome D. Okarma, Vice President, Secretary and General Counsel, by written revocation letter addressed to the Milwaukee address listed on the front page; or

completing a written ballot at the Annual Meeting.

Q: What vote is required to approve each proposal?

A: Provided a quorum is present at the Annual Meeting, shareholders will elect the four director nominees receiving the greatest number of votes. Also provided a quorum is present, the votes shareholders cast for must exceed the votes shareholders cast against to approve the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2008.

Q: Is my vote confidential?

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

Q: Who will count the vote?

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

Q: What shares are covered by my proxy card?

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

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

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

Q: Who can attend the Annual Meeting?

A: All shareholders of record as of the close of business on November 15, 2007 can attend the meeting. Seating, however, is limited. Attendance at the Annual Meeting will be on a first arrival basis.

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

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

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

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

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

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

Q: Can I bring a guest?

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

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

A: A majority of the shares outstanding on November 15, 2007 constitutes a quorum for voting at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum, but neither will be counted as votes cast FOR or AGAINST any of the proposals. On the record date, 594,617,318 shares of our Common Stock were outstanding.

Q: How much did this proxy solicitation cost?

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

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Q: How do I recommend or nominate someone to be considered as a director for the 2009 Annual Meeting?

A: You may recommend any person as a candidate for director by writing to Jerome D. Okarma, our Vice President, Secretary and General Counsel. The Corporate Governance Committee reviews all submissions of recommendations from shareholders. The Corporate Governance Committee will determine whether the candidate is qualified to serve on our Board of Directors by evaluating the candidate using the criteria contained under the Director Qualifications and Selection section of the Company s Corporate Governance Guidelines, which is discussed under Proposal One: Election of Directors Nominating Committee Disclosure. Alternatively, if shares you own are registered in your name and you are entitled to vote at the Annual Meeting, then you may nominate any person for director by writing to Mr. Okarma. Your letter must include your intention to nominate a person as a director and include the candidate s name, biographical data, and qualifications, as well as the written consent of the person to be named in our proxy statement as a nominee and to serve as a director. To nominate a person as a director for the 2009 Annual Meeting, our By-Laws require that a shareholder send written notice not less than 45 days and not more than 75 days prior to the month and day in the current year corresponding to the date on which we first mailed our proxy materials for the prior year s Annual Meeting. Therefore, since we anticipate mailing this proxy statement on December 7, 2007, we must receive notice of shareholder intent to nominate a person as a director no sooner than September 23, 2008, and no later than October 23, 2008. A copy of the Corporate Governance Guidelines is provided at our website at *http://www.johnsoncontrols.com/governance*, or you may request a copy of these materials by contacting Shareholder Services at the address or phone number provided in the Questions and Answers section of this proxy statement and they will be mailed to you at no cost.

Q: When are shareholder proposals due for the 2009 Annual Meeting?

A: Pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, we must receive shareholder proposals by August 9, 2008 to consider them for inclusion in our proxy materials for the 2009 Annual Meeting.

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Q: What are the requirements for proposing business other than by a shareholder proposal at the 2009 Annual Meeting?

A: A shareholder who intends to propose business at the 2009 Annual Meeting, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, must comply with the requirements set forth in our By-Laws. Among other things, a shareholder must give written notice of the intent to propose business before the Annual Meeting to us during the 30-day timeframe described above relating to nominating a person as a director. Therefore, based upon the anticipated mailing date of December 7, 2007, we must receive notice of shareholder intent to propose business before the Annual Meeting, submitted other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, no sooner than September 23, 2008, and no later than October 23, 2008.

If the notice is received after October 23, 2008, then the notice will be considered untimely and we are not required to present the shareholder information at the 2009 Annual Meeting. If the Board of Directors chooses to present any information submitted after October 23, 2008, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, at the 2009 Annual Meeting, then the persons named in proxies solicited by the Board of Directors for the 2009 Annual Meeting may exercise discretionary voting power with respect to such information.

Q: What changes were made to the Company s Articles of Incorporation due to the 3 for 1 stock split?

A: We amended and restated the Articles of Incorporation. The total number of authorized shares was changed to 1,802,000,000, the number of authorized shares of Common Stock was changed from 600,000,000 to 1,800,000,000, and the par value per share of Common Stock was changed from $0.041/16 to $0.017/18.

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

A: We have provided our Corporate Governance Guidelines, Ethics Policy, Disclosure Policy, Communication Policy, Insider Trading Policy, and the Charters for the Audit, Compensation, Corporate Governance, Executive, Finance, and Qualified Legal Compliance Committees of our Board of Directors, as well as our Disclosure Committee, on our website at *http://www.johnsoncontrols.com/governance*. Our Securities and Exchange Commission, or SEC, filings (including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Section 16 insider trading transactions) are available at *http://www.johnsoncontrols.com/investors.* The Ethics Policy is applicable to the members of the Board of Directors and to all of our employees, including, but not limited to, the principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing similar functions. Any amendments to, or waivers of, the Ethics Policy that the Board of Directors approves will be disclosed on our website. We are not including the information contained on our website as part of, or incorporating it by reference into, this Proxy Statement.

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

A: You may receive a copy of our Corporate Governance materials free of charge by:

contacting Shareholder Services at 1-800-524-6220; or

writing to:

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

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

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

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

A: To obtain additional information about our company, you may contact Shareholder Services by:

calling 1-800-524-6220;

visiting the website at *http://www.johnsoncontrols.com;* or

writing to:

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

Q: Is the proxy statement available online?

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

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

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

PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.

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

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PROPOSAL ONE: ELECTION OF DIRECTORS

Retirement of Paul A. Brunner: Mr. Paul A. Brunner will retire as a director on December 31, 2007 after having reached our mandatory retirement age for directors. He has served as a director since 1983 and is currently in the class whose terms expire at the 2009 Annual Meeting. Our Board of Directors has not at this time taken formal action to nominate a candidate to serve as a twelfth director after Mr. Brunner s retirement, but the Corporate Governance Committee is in the process of identifying and qualifying an appropriate candidate.

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

Shareholder and Other Interested Party Communication with the Board: We encourage shareholder and other interested party communication with directors. General communication with any member of the board may be sent to his or her attention at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. You may send communications regarding financial or accounting policies to the Chairman of the Audit Committee, Robert A. Cornog, at *Robert.A.Cornog@jci.com* or to the attention of Mr. Cornog at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. You may send other communications to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at *Robert.L.Barnett@jci.com* or to the attention of Mr. Barnett at the address noted above. We do not screen emails to these individuals. We do, however, screen regular mail for security purposes.

Director Attendance at the Annual Meeting: We have a long-standing policy of director attendance at the Annual Meeting. All of the directors attended the 2007 Annual Meeting of Shareholders.

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

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BOARD NOMINEES

At the Annual Meeting, four directors will be elected for terms expiring in 2011. The Corporate Governance Committee has recommended and the Board of Directors has selected the following nominees for election: Natalie A. Black, Robert A. Cornog, William H. Lacy, and Stephen A. Roell, all of whom are current directors of our company. Each person that shareholders elect as a director will serve until the Annual Meeting of Shareholders in 2011, or until his or her successor has been duly qualified and elected. Brief biographies of the director nominees and continuing directors as of September 30, 2007 follow.

The Board recommends that you vote FOR the election of Natalie A. Black, Robert A. Cornog, William H. Lacy, and Stephen A. Roell.

Natalie A. Black
Director since 1998
Age 57
Senior Vice President, General Counsel and Corporate Secretary, Kohler Co., Kohler, Wisconsin, since 2001 (manufacturer and marketer of plumbing products, power systems and furniture). Ms. Black served as a Group President for Kohler Co. from 1998 to 2001.

Robert A. Cornog
Director since 1992
Age 67
Retired Chairman of the Board of Directors, Chief Executive Officer and President, Snap-on Inc., Kenosha, Wisconsin (tool manufacturer). Mr. Cornog served as Chief Executive Officer and President from 1991 to 2001 and as Chairman from 1991 to 2002. Mr. Cornog is a director of Oshkosh Truck Corporation and Wisconsin Energy Corp. (We Energies). Mr. Cornog serves on the Human Resources Committee (compensation) of Oshkosh Truck Corporation and the Audit Committee of We Energies.

William H. Lacy
Director since 1997
Age 62
Retired Chairman and Chief Executive Officer, MGIC Investment Corp., Milwaukee, Wisconsin. Mr. Lacy retired in 1999 after a 28-year career at MGIC Investment Corp. and its principal subsidiary, Mortgage Guaranty Insurance Corp. (MGIC), the nation s leading private mortgage insurer. Mr. Lacy is a Director of American Capital Access Inc. (ACA Capital) and Ocwen Financial Corp. He serves on the Corporate Governance Committee of Ocwen Financial Corp. and the Audit and Risk Management Committee of ACA Capital Holdings, Inc.

Stephen A. Roell
Director since 2004
Age 57
Chief Executive Officer and, effective January 1, 2008, Chairman of the Board of Directors, Johnson Controls, Inc. Mr. Roell served as Vice Chairman from 2005 through 2007 and Executive Vice President from 2004 to 2007. Previously, Mr. Roell served as Chief Financial Officer of Johnson Controls, Inc. from 1991 to 2005.

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

CONTINUING DIRECTORS

Terms Expire at the 2009 Annual Meeting:

Dennis W. Archer
Director since 2002
Age 65
Chairman, Dickinson Wright PLLC, Detroit, Michigan since 2002 (law firm). Mr. Archer served as president of the American Bar Association from 2003 to 2004. Mr. Archer served as Mayor of Detroit from 1994 to 2001. Mr. Archer is a director of Compuware Corp. and Masco Corp. Mr. Archer also serves on the Audit Committee of Masco Corp.

John M. Barth
Director since 1997
Age 61
Retired Chief Executive Officer and, effective December 31, 2007, retired Chairman of the Board, Johnson Controls, Inc. Mr. Barth served as Chairman of the Board of Directors from 2004 through 2007, and Chief Executive Officer from 2002 to 2007. Previously, Mr. Barth served as Chief Operating Officer from 1998 to 2002.

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Southwood J. Morcott
Director since 1993
Age 69
Retired Chairman of the Board, President, and Chief Executive Officer, Dana Corp., Toledo, Ohio (vehicular and industrial systems manufacturer). Mr. Morcott is a director of CSX Corp. and Navistar International Corp. Mr. Morcott serves as the Chairman of the Compensation Committee of Navistar International Corp.

Terms Expire at the 2010 Annual Meeting:

Robert L. Barnett
Director since 1986
Age 67
Retired Executive Vice President, Motorola, Inc., Schaumburg, Illinois (manufacturer of electronics products). Mr. Barnett served as Executive Vice President of Motorola from 2003 to 2005. Prior to that, he served as President and Chief Executive Officer, Commercial, Government and Industrial Solutions Sector, Motorola, Inc., from 1998 to 2002. Mr. Barnett is a director of Central Vermont Public Service and USG Corp. Mr. Barnett is Chairman of the Compensation Committee of Central Vermont Public Service and is Chairman of the Audit Committee of USG Corp.

Eugenio Clariond Reyes-Retana
Director since 2005
Age 64
Retired Chairman and Chief Executive Officer, Grupo IMSA S.A., Nuevo Leon, Mexico (industrial conglomerate specializing in steel, aluminum and plastic products). He served as Chief Executive Officer from 1985 through 2006 and as Chairman from 2003 through 2006. Mr. Clariond serves as a director of Navistar International Corp., The Mexico Fund, Inc., Mexichem, S.A., Grupo Financiero Banorte, S.A., Grupo Industrial Saltillo, S.A., and Versatec, S. de R.L. Mr. Clariond serves on the Audit Committees of Grupo Industrial Saltillo, S.A. and The Mexico Fund, Inc. and is a member of the Compensation Committees of Navistar International Corp. and Mexichem, S.A.

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Jeffrey A. Joerres
Director since 2001
Age 48
Chairman, Chief Executive Officer and President of Manpower Inc., Milwaukee, Wisconsin (provider of employment services). Mr. Joerres served as Senior Vice President of European Operations from 1998 to 1999, and Senior Vice President of Major Account Development from 1995 to 1998. Mr. Joerres is a director of Artisan Funds and serves on the board of trustees for the Committee for Economic Development. Mr. Joerres serves on the Audit Committee of Artisan Funds.

Richard F. Teerlink
Director since 1994
Age 71
Retired Chairman of the Board and Retired President and Chief Executive Officer, Harley-Davidson, Inc., Milwaukee, Wisconsin, 1998 and 1997, respectively (manufacturer of motorcycles). Mr. Teerlink was a member of the board of directors of Harley-Davidson, Inc. from 1987 to 2002. Mr. Teerlink is a director of Snap-on Inc. Mr. Teerlink serves as Chairman of the Audit Committee of Snap-on Inc.

PROPOSAL TWO:
RATIFICATION OF THE APPOINTMENT OF THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008

We ask that you ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

PricewaterhouseCoopers LLP has audited our accounts for many years. The Audit Committee appointed them as the Company s independent registered public accounting firm for fiscal year 2008.

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

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

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on this review, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement relating to the 2008 Annual Meeting of Shareholders.

Southwood J. Morcott, Chairman
Dennis W. Archer
Paul A. Brunner
Jeffrey A. Joerres
William H. Lacy
Members, Compensation Committee

EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS

As we discuss on page 54, the Compensation Committee (the Committee) of our Board of Directors (the Board) has the sole authority, delegated by our Board, to approve and monitor all compensation and benefit programs (other than broad-based welfare benefit programs) for our executive officers including the officers we name in the Summary Compensation Table (named executive officers). The Committee seeks to ensure that our compensation policies and practices are consistent with our values and support the successful recruitment, development, and retention of executive talent so we can achieve our business objectives and optimize our long-term financial returns. The Committee reports its actions and decisions to the Board.

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We have a long history of strong results, and we believe our practice of linking compensation with corporate performance has contributed significantly to our track record. Over the past five years, we have delivered an average annualized shareholder return of 27%. This has translated into an increase in our market capitalization of $16.8 billion over the past five years. Over those five years, we have grown net sales at an average annualized growth rate of 13% and have grown earnings at an average annualized growth rate of 15%. We have also had a consistent track record of growth, achieving 61 consecutive years of revenue increases, 17 consecutive years of earnings increases, and 32 consecutive years of dividend increases. Our operations are located in more than 50 countries throughout the world, and we generate over 50% of our net sales outside of the United States.

What are the objectives of our compensation programs and what have we designed our compensation programs to reward?

We have designed our compensation programs to attract, motivate, reward and retain a highly qualified and effective global management team to deliver superior performance that builds shareholder value over the long term. We design our compensation programs specifically to reward achievement of strategic, financial and leadership objectives closely aligned with the interests of our shareholders. We develop our compensation plans to motivate our executives to improve our overall corporate performance, return on investment, and profitability of the specific region or unit for which they are responsible. We link a significant portion of each executive officer s total compensation to accomplishing specific, measurable results that we believe will build long-term value for shareholders.

We generally set our compensation at the 50^{th} percentile of market practice. Final decisions concerning compensation, however, also reflect an executive officer s annual achievements, company performance and our views regarding an executive officer s scope of responsibilities, demonstrated leadership abilities, and management experience and effectiveness. The Committee considers these factors collectively and ultimately uses its judgment in making final decisions concerning compensation.

To focus our senior management on continuing to deliver strong results for our shareholders, we place primary emphasis on performance-based variable compensation. We design annual and long-term cash incentive awards to recognize achievement of growth in pre-tax earnings regardless of global economic conditions and factors impacting our markets. Long-term equity incentive awards include stock options that deliver value to the executive only if our stock price rises above the stock price on the grant date and restricted stock, which we consider a key retention component of compensation. Decisions regarding salary increases take into account the executive s current salary, the amounts paid to the executive s peers within and outside the company, and the factors specific to individual executive officers that we discuss above.

What is each element of our executive compensation?

Our executive compensation program consists of the following elements:

- base salary;
- annual incentive performance awards (an annual cash-based incentive);
- long-term incentive performance awards (a rolling three year cash-based incentive);
- stock options;
- restricted stock; and

retirement and other benefits.

The five elements of our total direct compensation are the executive s base salary, annual incentive performance award, long-term incentive performance award, stock options, and restricted stock. Pay mix represents the proportion that each primary

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element of direct compensation bears to all total direct compensation. Our pay mix reflects a strong relationship between our corporate performance and the executive s pay. The elements of compensation we based on corporate performance are annual cash incentive, long-term cash incentive, and equity incentives. In general, as an officer s level or responsibility within our organization increases, so does the percentage of target total direct compensation that we link to performance.

There is no material difference in the welfare benefit plans we provide to executive officers compared to the welfare benefit plans we provide to other salaried employees. Years of service and pay level of our executives drive the value of their retirement benefits.

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

To support its annual review of our executive compensation and benefit programs for fiscal year 2007, the Committee engaged Towers Perrin, an independent compensation consultant, to conduct a review of the compensation we pay to our executive officers. Towers Perrin provided the Committee with relevant market data and alternatives to consider when making compensation decisions for the executive officers.

The Committee asked Towers Perrin, as part of its review for fiscal year 2007, to assess the market competitiveness of the compensation for our executive officers. Towers Perrin benchmarked our compensation against general executive compensation industry survey data. They also benchmarked our compensation against a peer group of publicly-traded companies, which we refer to as the Compensation Peer Group. In both instances, they used regression analysis to adjust the data based on the revenue sizes of the companies in the survey to match our revenue size. The Compensation Peer Group, which the Committee annually reviews and updates, consists of companies against which we believe we compete for talent or for shareholder investment. For fiscal year 2007, the following companies comprised the Compensation Peer Group:

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

We generally set the total direct compensation opportunity based on the 50th percentile of the Compensation Peer Group. Our approach results in some pay difference among our named executive officers, which is consistent with the survey data. As we discuss above, final decisions concerning compensation reflect an executive officer s annual achievements, company performance, and our views regarding an executive officer s scope of responsibilities, demonstrated leadership abilities, and management experience and effectiveness. The Committee considers these factors collectively and ultimately uses its judgment in making final decisions concerning compensation.

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We set our total direct compensation at competitive levels to:

- attract highly qualified talent to the Company;
- motivate employees to perform at their highest levels;
- reward outstanding achievement; and
- retain those individuals with the leadership abilities and skills necessary for building long-term shareholder value.

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

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

In allocating equity compensation between stock options and restricted stock grants, we consider our operational and financial performance, stock price performance and contributions of our executives. We generally grant restricted stock in alternating years, and we allocate half of the value to the year of grant and half to the following year to calculate the value of an executive officer s target total direct compensation.

How do we determine base salaries for executive officers?

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

In the past, salary changes were effective January 1. Commencing in fiscal year 2008, salary changes are effective October 1 to correspond with the beginning of the new fiscal year.

How do we determine annual incentive performance awards?

We determine annual performance incentive award goals at a level to promote the achievement of our fiscal year business and financial objectives. We believe these objectives are important to executing our business strategy and delivering long-term value to shareholders.

We set the performance targets for fiscal year 2007 for Messrs. Barth, Roell, Wandell and McDonald using objectives for pre-tax earnings and pre-tax return on equity (ROE). We define pre-tax earnings as income from continuing operations (as reported in our Annual Report on Form 10-K), adjusted for incentive plan expense and certain significant non-recurring items, such as gain or loss on divestitures, restructuring

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expense, and the adoption of new accounting pronouncements. We define ROE as pre-tax earnings divided by total shareholders equity at the beginning of the fiscal year (as reported in our Annual Report on Form 10-K). For fiscal year 2007, the pre-tax earnings target was $1.44 billion and the ROE target was 23.3%. The Committee approved potential payouts ranging from zero to 200% of the target payouts (which we discuss below) for various levels of performance against these targets. An officer would not have received an annual incentive payout if our fiscal year 2007 pre-tax earnings were less than $1.15 billion. If our fiscal 2007 pre-tax earnings were at least $1.15 billion, the minimum potential payout an officer would receive was 45% of the target incentive payout, and the payout amount could have increased if ROE exceeded 17.5%. An officer would have been eligible to receive the maximum potential payout if our performance met or exceeded 23.3% ROE and $1.65 billion pre-tax earnings.

For fiscal year 2007, the Committee based Mr. Myers incentive award on the performance of the Building Efficiency Group, establishing a target of 10% improvement over fiscal year 2006 in net cash from operations as a percent of revenue and a target of $771.47 million in earnings before interest and tax (EBIT). We define net cash from operations as trade working capital (defined as the sum of net accounts receivable, inventory, and net customer tooling less accounts payable). We may adjust net cash from operations and revenue for certain non-recurring items that impact comparability, such as acquisitions and divestitures. We define EBIT as business unit operating earnings, adjusted for incentive plan expenses and certain non-recurring items that impact comparability. The Committee approved potential payouts ranging from zero to 200% of the target payouts (which we discuss below) for various levels of performance against these targets. Mr. Myers would not have received any payout if fiscal year 2007 Building Efficiency Group EBIT was less than $614.18 million. If fiscal year 2007 Building Efficiency Group EBIT was at least $614.18 million, he would have received a minimum potential payout of 45% of the target incentive payout, and the payout amount could have increased as change in net cash from operations as a percent of revenue improved beyond -15%. Mr. Myers would have been eligible to receive the maximum potential payout if the Building Efficiency Group performance met or exceeded 35% improvement in net cash from operations and $816.41 million EBIT.

We generally establish performance targets and grant annual performance incentive awards during the final quarter of the fiscal year preceding the fiscal year to which the award relates. For fiscal year 2007 awards, we established target payouts for each named executive in September 2006, which we expressed as a fixed percentage of base salary. We sought to set the target payouts at approximately the 50^{th} percentile of the Compensation Peer Group. In measuring whether the target payouts were approximately equal to the 50th percentile of the Compensation Peer Group, we excluded the portion of the target payout that is subject to discretionary adjustment based on individual performance as we describe below. However, we did not establish performance targets for fiscal year 2007 awards until the first quarter of fiscal year 2007.

The target payout percentages for the named executive officers ranged from 100% to 156% of base salaries. We have the discretion to decrease the size of the bonus payout based in part on an assessment of the executive s individual performance. The Committee makes this assessment for our Chief Executive Officer based on its subjective evaluation of performance relative to strategic, financial and leadership objectives that the Committee or the Board of Directors has approved and has discretion to decrease the amount of the incentive award that the Chief Executive Officer would otherwise receive. Our Chief Executive Officer makes this assessment for the other named executive officers based on his subjective evaluation of performance relative to strategic, financial and leadership objectives that he has approved and has the authority to decrease the amount of the incentive award that the executive officer would otherwise receive. The Grants of Plan-Based Awards table sets out the

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threshold, target, and maximum award potential for each named executive officer for the annual incentive performance awards that applied to fiscal year 2007.

Our management team accomplished the following strategic objectives during fiscal year 2007: significant new customer awards, market share growth, extension of our leadership in technology, successful integration of a number of acquisitions, and improved cost structure. For fiscal year 2007, our actual financial results for the performance goals were 24.1% ROE, $1.77 billion in pre-tax earnings, 6.1% improvement in the Building Efficiency Group net cash from operations and $946.3 million in Building Efficiency Group EBIT. Based on this performance and after reflecting the exercise of discretion that we discuss above, the annual performance bonus that each named executive earned was above the target bonus level, as shown in the chart below.

Position	Name	Amount Earned as a Percent of Target Incentive
Chairman of the Board and Chief Executive Officer*	John M. Barth	200%
Vice Chairman of the Board and Executive Vice President*	Stephen A. Roell	200%
President and Chief Operating Officer	Keith E. Wandell	200%
Chief Financial Officer and Executive Vice President	R. Bruce McDonald	200%
Vice President and President, Building Efficiency	C. David Myers	142%

* Effective October 1, 2007, the start of our fiscal year, Mr. Roell succeeded Mr. Barth as Chief Executive Officer. Mr. Barth is continuing as Chairman until December 31, 2007.

In September 2007, we set the performance targets for annual performance incentive awards for fiscal year 2008. We also set a minimum financial performance level for our officers under the awards, giving consideration to our performance in fiscal 2007 and our objectives for fiscal year 2008.

We set the performance targets for fiscal year 2008 for Messrs. Barth, Roell, Wandell and McDonald using objectives for pre-tax earnings and ROE. Beginning in fiscal year 2008, 30% of Mr. Myers performance target will use the same objectives for pre-tax earnings and ROE. We also set the pre-tax earnings and ROE targets for fiscal year 2008, establishing the pre-tax earnings target of $1.82 billion and the ROE target of 23.4%.

For fiscal year 2008, the Committee is basing 70% of Mr. Myers incentive award on the performance of the Building Efficiency Group, establishing the target of 10% improvement over fiscal year 2007 in net cash from operations as a percent of revenue and a target of $1.09 billion in EBIT.

As in fiscal year 2007, for fiscal year 2008 we have established target payouts ranging from 100% to 156% of named executive officers base salaries. As with the fiscal year 2007 awards, we sought to set the targets at approximately the 50th percentile of the Compensation Peer Group. In measuring whether the target payouts were approximately equal to the 50th percentile of the Compensation Peer Group, we excluded the portion of the target payout that is subject to discretionary adjustment based on individual performance as we describe below. For each executive officer, the actual payout may range from zero to two times the target incentive opportunity, depending on achievement of goals, with payments increasing as performance improved (though not above two times the target incentive opportunity). The Grants of Plan-Based Awards table sets out the threshold, target, and maximum award potential for each named executive officer for the annual incentive performance awards that apply to fiscal year 2008.

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

We tie the value of awards under this program to our long-term performance over a three-year period, and the program therefore serves to ensure that an executive s pay depends upon the extent to which we achieve our long-term financial objectives. We base the long-term incentive on achieving business plans that our Board approves. We generally grant awards under this program prior to the beginning of the first fiscal year of the three-year performance period, and we generally establish performance targets, which we express as a fixed percentage of base salary at that time. In September 2006, we granted awards for the 2007-2009 performance cycle, and in September 2007, we granted awards for the 2008-2010 performance cycle. For the 2007-2009 three-year cycle, the performance target percentages ranged from 70% to 130% of base salary for the named executive officers, and for the 2008-2010 three-year cycle, the performance target percentages ranged from 70% to 130% of base salary. At the end of the performance period, the Committee applies the objective-based formula that it approved in advance to determine each executive s award for the performance period. By using a mix of stock options, restricted stock, and the long-term cash incentive, we are able to compensate executives for both sustained increases in our stock performance, as well as the achievement of key long-term financial objectives through the long-term cash incentive program.

For both the 2007-2009 and 2008-2010 three-year cycles, we are basing the payment opportunities on objectives for pre-tax earnings and pre-tax return on invested capital (ROIC). We have established targets of $1.33 billion pre-tax earnings and 15.4% ROIC for fiscal year 2007, and $1.64 billion pre-tax earnings and 17.1% ROIC for fiscal year 2008. We define pre-tax earnings as income from continuing operations, adjusted for certain significant non-recurring items, such as gain or loss on divestitures, restructuring expense, and the adoption of new accounting pronouncements. We define ROIC as pre-tax earnings adjusted by total financing costs, divided by invested capital. Invested capital is defined as the monthly weighted-average sum of shareholders equity plus total debt, less cash. We base the ROIC target each year on meeting the amounts set forth in the financial plan for that year. The Board reviews and approves the financial plan each year. An officer would not receive a long-term incentive payout with respect to fiscal year 2007 under the 2007-2009 award if our pre-tax earnings were less than $1.22 billion. An officer would receive the maximum potential payout with respect to fiscal year 2007 under the 2007-2009 award if our performance met or exceeded 16.6% ROIC and $1.45 billion pre-tax earnings.

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

The Grant of Plan-Based Awards table summarizes the potential incentive award (threshold, target, and maximum) that each named executive officer may earn for the 2008-2010 performance cycle. The two financial measures for the 2005-2007 cycle were pre-tax earnings and pre-tax ROIC. Our earnings results were at $1.17 billion, $1.29 billion, and $1.60 billion for 2005, 2006 and 2007, respectively, and at 15.8%, 14.4%, and 15.2% for 2005, 2006 and 2007, respectively, for ROIC. This performance resulted in payment percentages of 191.4%, 178.2%, and 194.7% for 2005, 2006 and

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2007, respectively. The Committee approved the payout percentage that executive officers earned under the program as shown in the chart below. We show the amount (combined with the annual cash bonus incentive that our named executive officers received for performance in fiscal year 2007) in the Summary Compensation Table under the column heading Non-Equity Incentive Plan Compensation.

Position	Name	Amount Earned as a Percent of Target Incentive
Chairman of the Board and Chief Executive Officer	John M. Barth	188.7%
Vice Chairman of the Board and Executive Vice President	Stephen A. Roell	188.7%
President and Chief Operating Officer	Keith E. Wandell	188.7%
Chief Financial Officer and Executive Vice President	R. Bruce McDonald	188.7%
Vice President and President, Building Efficiency	C. David Myers	188.7%

How do we determine stock option awards?

We determine stock option awards based on the value of the executive s total direct compensation that we intend to deliver less the value of all other elements of direct compensation. Towers Perrin values the options during the weeks before the July Committee meeting using a binomial valuation methodology. The Committee may adjust the stock option values before granting awards if it determines our stock price changed materially since the Towers Perrin valuation. We typically take action to award stock options at the beginning of our fiscal year. We award stock options to the named executive officers to:

- enhance the link between creating shareholder value and long-term incentive compensation because the recipient realizes value from options only to the extent the value of our stock increases after the date of the option grant;
- maintain competitive levels of total compensation; and
- retain outstanding employees by requiring that executives continue their employment with our company to vest options.

Our named executive officers must earn the options through continued service; all of the options are subject to forfeiture until two years following the grant date. The options will vest 50% two years after the date of grant and 50% three years after the date of grant, subject to continued employment, and have a ten-year exercise term.

We made all of our stock option grants to the named executive officers in fiscal year 2007 pursuant to our 2000 Stock Option Plan. The exercise price of fiscal year 2007 stock options is equal to the New York Stock Exchange average of the high and low price of our common stock on the date of the grant. In January 2007, our shareholders approved our 2007 Stock Option Plan which requires that options have an exercise price equal to our closing stock price on the grant date. Commencing with grants made after January 24, 2007 we award stock option grants under the 2007 Stock Option Plan. We do not engage in or permit backdating or repricing of stock options, and our equity compensation plans contain this prohibition.

We provide the fiscal year 2007 stock option grant details for each named executive officer in the Grant of Plan-Based Awards table and related footnotes.

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

In addition, the Committee reviews potential shareholder dilution that may occur as a result of grants under our equity-based compensation programs. Based on a discussion with Towers Perrin, and a review of competitive market data of general industry, we believe our potential dilution is below the range prevailing among other public companies relevant to compare to us.

How do we determine restricted stock awards?

We generally award restricted stock to our named executive officers in alternating years, and because we awarded restricted stock to our named executive officers in fiscal years 2004 and 2006, we did not award any restricted stock during fiscal year 2007. We intend our restricted stock awards to:

- tie executives long-term financial interests to the long-term financial interests of shareholders by exposing them to downside equity performance risk, further aligning the interests of executives with the interests of shareholders;

- retain key executives through the four-year vesting period; and

- maintain a market competitive position for total compensation.

We reflect the amount of restricted stock expense attributable to fiscal year 2007 as part of the amounts in the Summary Compensation Table under the column heading Stock Awards.

How do we determine retirement and other benefits?

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

- A pension plan. All of our U.S.-based salaried employees that we hired before January 1, 2006 participate in this plan. Under the pension plan, a participant who has completed five continuous years of employment with us earns the right to receive certain benefits, based upon the participant s years of service and average compensation upon retirement at normal retirement age or upon early retirement on or after age 55 with ten years of service. Participants in the pension plan include our named executive officers, although Mr. Myers, along with all other York International Corp. (York) employees who participate in the plan, accrue a smaller benefit than other participants because their service no longer counts under the plan s benefit formula.

- A 401(k) plan. The plan generally covers all of our U.S. employees, including the named executive officers. Under the 401(k) plan, participants can contribute up to 25% of their compensation on a pre-tax basis, although our executive officers can contribute only up to 6% of their compensation. We make a matching contribution of 50% to 100%, based on company performance, of each dollar of employee contributions up to 6% of the employee s eligible compensation. In addition, for employees that we hired on or after January 1, 2006 and for York employees, including Mr. Myers, we make an annual retirement contribution of 1% to 7% of the

participant s annual compensation based on the participant s age and service. The York employees, including Mr. Myers, receive this annual retirement contribution because their accruals under the pension plan are smaller than other pension plan participants, as we describe above. Both the matching contribution and the annual retirement contribution are subject to vesting requirements.

A Retirement Restoration Plan. Because the Internal Revenue Code, or the Code , limits the benefits we can provide under the pension plan and the 401(k) plan, we sponsor our Retirement Restoration Plan. The Retirement Restoration Plan generally allows all employees that the Code limitations impact to obtain the full intended benefit from the pension and 401(k) plans, without regard to the Code limits, upon meeting vesting requirements. These employees include our executive officers, except that Mr. Myers, along with all other York employees, is not eligible for a benefit that supplements his pension plan benefit. In addition, only the executive officers are allowed to contribute, on a pre-tax basis, up to 6% of their compensation that is not allowed to be deferred into the 401(k) plan and to receive a supplemental matching contribution.

We provide these retirement benefits to our U.S. salaried employees to help them prepare for a financially secure retirement, to provide an incentive to employees to stay with us by recognizing tenure, and to offer a competitive compensation package. According to competitive market data that Towers Perrin has provided, the retirement benefits we provide to our executives result in benefits at the 50th percentile of the practices of the Compensation Peer Group.

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

Our named executive officers also participate in the Executive Deferred Compensation Plan, under which we permit all senior leaders required to own equity in our company to elect to defer receipt of all or any part of the compensation they would receive under the Annual and Long-Term Incentive Performance Plan or 2001 Restricted Stock Plan until certain pre-determined payment dates. We provide the Executive Deferred Compensation Plan to allow participants to receive favorable tax treatment on deferred amounts. We discuss the Executive Deferred Compensation Plan in further detail in the narrative following the Nonqualified Deferred Compensation table.

We maintain an Executive Survivor Benefits Plan for certain executives as an element of what we believe is a competitive compensation package. We offer this benefit to officers, and coverage is in lieu of our regular group life insurance coverage and any other executive life insurance policy. If a participating executive dies while he or she is an employee, then we will make payments to his or her beneficiary of six months base salary plus either 90% or 100% (depending on the executive s age) of the executive s final base annual salary for a period of 10 years. All benefits under our Executive Survivor Benefits Plan cease upon retirement or other termination of employment.

Do we provide perquisites to our executive officers?

According to our compensation philosophy, we limit perquisites to our executive officers. We maintain a written formal policy regarding eligibility and use of perquisites, and we do not allow exceptions outside of the written policy. In general, we intend the perquisites we provide to help executives be more productive and efficient, or to protect us and the individual executive from certain business risks and potential threats. In fiscal year 2007, our named executive officers received perquisites of the following types: assistance with financial planning, personal use of a company airplane (personal use of airplane is minimal, and the cumulative fiscal year 2007 value of the personal

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use for all named executive officers was less than $10,000), and club dues. The Committee annually reviews competitive market data to ensure that the perquisites we provide to executives are reasonable and within market practice.

Separate from the perquisites policy, we have a company vehicle policy that provides personal use of a vehicle to all senior leadership, including our executive officers (the type of vehicle varies by leadership level and is limited to vehicles that use our automotive seating and interiors products so that executives can experience the effectiveness of our products).

In addition to the benefits we describe above, we provide relocation assistance to our newly hired or relocated salaried executive employees, including our named executive officers. We provide the relocation assistance to offer a competitive compensation package to our current and prospective executive employees because we believe that potential new hires and our current executive employees view relocation assistance as a valuable benefit. Mr. Wandell received relocation benefits in 2007 in connection with his relocation from Michigan to Wisconsin in July 2007, and the Summary Compensation Table reflects compensation related to this benefit.

How have we responded to IRS limits on deductibility of compensation?

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

Do we have stock ownership requirements?

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

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

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

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

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

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

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

Position	Name	Minimum Ownership Multiple	Total Shares Held(1)	Actual Ownership Multiple
Chairman of the Board and Chief Executive Officer	John M. Barth	5 times base salary	1,359,251	35 times
Vice Chairman of the Board and Executive Vice President	Stephen A. Roell	3 times base salary	649,463	25 times
President and Chief Operating Officer	Keith E. Wandell	3 times base salary	114,662	5 times
Chief Financial Officer and Executive Vice President	R. Bruce McDonald	3 times base salary	116,339	6 times
Vice President and President, Building Efficiency	C. David Myers(2)	3 times base salary	24,000	1 times
Other Officers		3 times base salary		

(1) Represents holdings on September 30, 2007, includes both Common Stock and phantom units, adjusted to reflect the three-for-one stock split effective October 2, 2007, but does not include post-split reinvestment of dividends.

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

Each named executive officer that has been an employee of our company for two years or more has exceeded his respective guideline as of September 30, 2007. Executives failing to meet their required ownership level within a five-year period will not receive future equity grants until their ownership requirement is met.

We also maintain the 2001 Common Stock Purchase Plan for Executives, or the CSPPE, which facilitates our executives acquisition of our common stock. Participants in the CSPPE may deduct from their pay up to $2,500 per month to purchase shares of our common stock. Participants pay a nominal brokerage fee or commission, and the price of each share is 100% of the average price of shares purchased by Wells Fargo Bank, N.A., as agent for the participants.

Do we utilize employment and change of control contracts?

As we discuss more fully on page 39, we have entered into employment agreements with all of our named executive officers. The employment agreements protect us from certain business risks (threats from competitors, loss of confidentiality or trade secrets, disparagement, solicitation of customers and employees) and define our right to terminate the employment relationship. The employment agreements also protect our executives from certain risks, such as a change of control of our company and death or disability, by providing for payment and benefits in the event of certain terminations of employment.

In addition to employment agreements, as we discuss more fully on page 45, we have entered into change of control agreements with our executive officers. The agreements provide that our named executive officers may be eligible to receive payments and other benefits if there is a change of control of our company. In addition, our named executive officers may receive benefits under our equity and bonus plans if there is a change of control of our company. We intend the change of control benefits to provide some economic stability to our named executive officers to enable them to focus on the performance of their duties without undue concern over their personal circumstances if there is a potential change of control of our company. We also provide for

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acceleration of equity and incentive awards to protect our named executive officers opportunities to earn the awards if a change of control occurs.

When we implemented the employment and change of control arrangements more than 15 years ago, we determined that the amounts payable under the arrangements on certain triggering events, as we describe under Potential Payments and Benefits upon Termination or Change of Control, were consistent with market competitive practices. We have revisited the arrangements from time to time, including in 2006, to confirm that they are still consistent with market practice. In our most recent review, with the assistance of outside counsel, we compared our employment and change of control arrangements to similar arrangements that were or had been in place at five peer companies: Visteon Corp., Honeywell International Inc., Delphi Corp., Lear Corp. and Magna International, Inc. Based on this review, we believe the current terms of our change of control agreements are within market competitive practices.

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation that our chief executive officer, our chief financial officer and our three other most highly compensated executive officers earned for the fiscal year ended September 30, 2007. We refer to these officers as our named executive officers .

and Principal Position	Years of Service	Year	Salary ($)	Stock Awards (1)(2) ($)	Option Awards (2) ($)	Non-Equity Incentive Plan Compensation (1)(3) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4) ($)	All Other Compensation (5) ($)	To ($
1. Barth nan of the Board and Executive Officer	37.83	2007	1,485,000	2,673,600	6,147,822	8,368,000	4,156,149	326,829	23,15
n A. Roell Chairman of the Board xecutive Vice President	24.75	2007	975,000	1,337,182	3,082,114	4,104,000	1,334,634	146,495	10,97
E. Wandell ent and Chief Operating r	19.42	2007	875,500	1,394,982	1,757,966	3,407,000	752,559	804,415	8,99
ce McDonald tive Vice President and Financial Officer	5.92	2007	669,500	489,180	950,092	2,181,000	113,973	116,798	4,52
vid Myers President and President, ng Efficiency	9.83	2007	772,500	185,250	569,013	2,134,000	7,786	162,221	3,83

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

(2) Amounts are based on the dollar amount of the expense that we recognized in connection with awards to our named executive officers under our 2000 Stock Option Plan for

financial statement reporting purposes for the fiscal year ended September 30, 2007. We determined the amount of the expense in accordance with SFAS No. 123 (revised 2004), *Share Based Payments*, which we refer to as FAS 123(R), except that the amounts reported in our Summary Compensation Table do not take into account any estimates of forfeitures relating to service-based vesting, as required by the Securities and Exchange Commission. In general, FAS 123(R) requires us to expense the value of equity awards ratably over the vesting period of the equity award, and the amounts in our Summary Compensation Table therefore include amounts attributable to awards granted in and prior to fiscal 2007. Footnote 12 to our audited financial statements for the fiscal year ended September 30, 2007, which appear in our Annual Report on Form 10-K that we filed with the Securities and Exchange Commission not later than November 29, 2007, includes assumptions (other than estimates of forfeitures) that we used in the calculation of these amounts.

(3) Amounts reflect the cash awards to the named executive officers which we discuss in further detail in the Compensation Discussion and Analysis under the headings *How do we determine annual incentive performance awards?* and *How do we determine long-term cash incentive performance awards?* . Our named executive officers earned the amounts attributable to the annual incentive awards during fiscal year 2007, and they earned the amounts attributable to the long-term incentive awards based on performance during fiscal years 2005-2007. We paid these amounts after our fiscal year-end (September 30, 2007).

(4) Amounts reflect the actuarial increase in the present value of the named executive officer s benefits under all defined benefit pension plans that we have established, determined as of the measurement dates we used for financial statement reporting purposes for fiscal year 2007 and using interest rate and mortality rate assumptions consistent with those that we used in our financial statements. We changed our measurement date from July 31 to September 30 in fiscal year 2007. As a result, the change in pension value that occurred between July 31, 2006 and September 30, 2007 involves a period longer than a year. Therefore, as the Securities and Exchange Commission permits, we elected to reduce the actual change in pension value for each named executive officer to show an annualized amount in the table. The amounts include benefits that the named executive officer may not currently be entitled to receive because the executive is not vested in such benefits. No named executive officer received preferential or above market earnings on nonqualified deferred compensation.

(5) Amounts reflect reimbursements with respect to financial planning, personal use of a vehicle, relocation expenses, personal use of our aircraft and club dues. (We discuss these benefits further under the heading *Do we provide perquisites to our executive officers?* on page 26.) Amounts also reflect our matching contributions under our qualified and nonqualified retirement plans, as follows: Mr. Barth $216,132; Mr. Roell $126,044; Mr. Wandell $83,813; Mr. McDonald $79,282; and Mr. Myers $140,537. The amount shown for Mr. Barth also includes $40,000 for financial planning services and tax gross up payments totaling $38,383 that we made in fiscal year 2007 for calendar year 2006 amounts. The amount we show for Mr. Wandell also includes payments in the aggregate of $681,999 in connection with the relocation of Mr. Wandell s home under our Domestic Relocation Policy for Current & New Hire Executive Employees, excluding related tax gross up payments incurred by the company in fiscal year 2008. The home relocation payments also include $356,883 which represents our reimbursement of Mr. Wandell for 90% of the difference between the original purchase price for his home and the sale price and 100% of the cost of capital improvements on new construction that Mr. Wandell made within the three years preceding the sale. The amount shown for Mr. Wandell also includes tax gross up payments of $19,232 that we made in fiscal year 2007 for calendar year 2006 amounts.

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GRANTS OF PLAN BASED AWARDS

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

Name		Grant Date	Approval or Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold(1) ($)	Target(1) ($)	Maximum(1) ($)	All Other Option Awards: Number of Securities Underlying Options(2) (#)	Exercise or Base Price of Option Awards ($/Share)	Closing Price on Date of Grant for Option Awards(3)	Grant Date Fair Value of Stock and Option Awards(4) ($)
John M. Barth										
Subtotal:				110,000						
Elliott H. Singer	5/9/06	5/9/16	$1.80	45,000						
	5/9/07	5/9/17	$1.15	50,000						
Subtotal:				95,000						

Policy on Stockholder Communication with Directors

The Board has a written policy on stockholder and interested party communications with directors, a copy of which is available on the Corporation's corporate website at www.neurologix.net, under the heading "Investors/Corporate Governance/Stockholder Communication with Directors Policy."

Under the policy, stockholders and other interested parties may contact any member (or all members) of the Board, any Board committee or any chair of any such committee by mail. To communicate with the Board, any individual director or any group or committee of directors, correspondence should be addressed to the Board or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent to the Secretary, Neurologix, Inc., One Bridge Plaza, Fort Lee, NJ 07024.

All communications received as set forth in the preceding paragraph will be opened by the Corporation's Executive Officers for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the executive officers will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed.

CODES OF ETHICS

The Board has adopted an Amended and Restated Code of Ethics for its Chief Executive and Senior Financial Officers (the "Financial Code of Ethics"). The Corporation's Chief Executive Officer and Chief Financial Officer have signed the Financial Code of Ethics and will be held to the standards outlined therein. The Board has also adopted an Amended and Restated Code of Ethics and Conduct applicable to all employees, officers, scientific advisors and directors of the Corporation (together with the Financial Code of Ethics, the "Codes of Ethics"). Copies of each of these Codes of Ethics are available at the Corporation's website at www.neurologix.net under the heading "Investors - Corporate Governance."

EXECUTIVE OFFICERS

The Corporation's current executive officers are: (i) John E. Mordock, President and Chief Executive Officer, appointed on July 17, 2006, (ii) Marc L. Panoff, Chief Financial Officer, Treasurer and Secretary, appointed on January 23, 2006, and (iii) Christine V. Sapan, Executive Vice President, Chief Development Officer, appointed on July 10, 2006. Dr. Martin J. Kaplitt served as Executive Chairman from February 10, 2004 to February 23, 2007. For purposes of this proxy statement, the term "Named Executives" shall mean Messrs. Mordock and Panoff and Drs. Sapan and Martin Kaplitt. Set forth below is a brief description of our executive officers who are not described above.

MARC PANOFF – Mr. Panoff, age 37, was appointed as the Chief Financial Officer and Treasurer of the Corporation on January 23, 2006 and appointed as the Corporation's Secretary on May 9, 2006. Mr. Panoff was the Chief Financial Officer at Nephros, Inc., a publicly traded medical device company, from July 2004 to January 2006. From August 2001 to July 2004, Mr. Panoff was the Vice President, Finance, at Walker Digital Companies, a privately held research and development company. He also served as Corporate Controller at Medicis Pharmaceutical Corporation, a publicly traded specialty pharmaceutical company, for over seven years. Mr. Panoff received his Bachelor of Science in Business Administration from Washington University in St. Louis and his Masters in Business Administration from Arizona State University. He is also a Certified Public Accountant in the state of New York.

CHRISTINE V. SAPAN – Dr. Sapan, age 60, was appointed as the Executive Vice President, Chief Development Officer of the Corporation effective July 10, 2006. Dr. Sapan was previously employed for 18 years at Nabi Biopharmaceuticals, a vertically integrated biopharmaceutical company that focuses on serious unmet medical needs including infectious diseases, most recently serving as Vice President, Project Management from 2001 to 2005. Dr. Sapan has a Ph.D in Experimental Pathology and an M.S. in Human Physiology from the University of North Carolina.

The following table presents the aggregate compensation for services in all capacities paid by the Corporation and its subsidiaries in respect of the years ended December 31, 2006 and 2007 to the Corporation's Named Executives. Except as set forth herein, the Named Executives did not receive any compensation from the Corporation during 2006 and 2007.

Summary Compensation Table

Name and Position	Year	Salary ($)	Option Awards ($) (1)	Other Annual Compensation ($)	Total ($)
John E. Mordock, President	2007	$250,000	$93,806	$26,633(2)	$370,439
and Chief Executive Officer	2006	91,667	285,208	17,133(3)	394,008
Marc L. Panoff, Chief	2007	185,000	109,606	——	294,606
Financial Officer, Treasurer					
and Secretary	2006	155,692	133,466	——	289,158
Christine V. Sapan,	2007	225,000	143,278	2,920(4)	371,198
Executive Vice President,					
Chief Development Officer	2006	107,452	64,906	34,196(5)	206,554
Martin J. Kaplitt, M.D.,	2007	85,000	——	——	85,000
Chairman of the Board (6)	2006	85,000	——	——	85,000

(1) The amounts in the Option Awards column reflect the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123(R), for awards pursuant to the Corporation's 2000 Stock Option Plan, and thus may include amounts attributable to awards granted during and before 2006. No stock awards or equity incentive plan awards were granted to such persons during 2007.

(2) The amount shown for Mr. Mordock under Other Annual Compensation for 2007 reflects $26,633 in expenses paid by the Corporation for lodging and transportation and the related gross up for taxes on income arising out of such expenses.

(3) The amount shown for Mr. Mordock under Other Annual Compensation for 2006 reflects (i) $12,383 in expenses paid by the Corporation for lodging and transportation and the related gross up for taxes on income arising out of such expenses, and (ii) $4,750 in director compensation prior to his appointment as President and Chief Executive Officer in July 2006. For a discussion of the valuation assumptions, see the footnotes to the Corporation's consolidated financial statements included in its Annual Report on Form 10-KSB for the year ended December 31, 2007.

(4) The amount shown for Dr. Sapan under Other Annual Compensation for 2007 reflects a payment for the 2006 gross up for taxes on income arising out of expenses paid by the Corporation for temporary lodging and transportation.

(5) The amount shown for Dr. Sapan under Other Annual Compensation for 2006 reflects expenses paid by the Corporation for temporary lodging and transportation pending her relocation to New Jersey as well as a gross up for taxes on income arising out of such expenses. These reimbursements were provided under a letter agreement dated June 23, 2006 and were no longer payable on and as of the six-month anniversary of the date of such letter agreement.

(6) Dr. Kaplitt served as the Corporation's Executive Chairman from September 21, 2004 to February 23, 2007.

Employment Agreements

John E. Mordock

Effective July 17, 2006, the Corporation hired John E. Mordock to serve as its President and Chief Executive Officer under a letter agreement dated July 17, 2006. Mr. Mordock was initially paid an annual base salary of $200,000, which was increased to $250,000 effective January 1, 2007.

On December 4, 2007, the Corporation entered into an employment agreement with Mr. Mordock, which superseded his letter agreement. The employment agreement provides that Mr. Mordock shall be employed by the Corporation for a period of two years, shall initially receive an annual base salary of at least $250,000 and shall be eligible to receive an annual bonus in the discretion of the Board. During the period of his employment, Mr. Mordock will be reimbursed for reasonable temporary housing and automobile expenses related to his employment. If Mr. Mordock's employment is terminated by the Corporation without "Cause" or by Mr. Mordock for "Good Reason" (including a "Change in Control"), as those terms are defined in his employment agreement, he shall be entitled to a cash payment equal to the lesser of (i) one year of base salary or (ii) the base salary payable for the remaining term of the employment agreement. In addition, all of his options shall immediately vest and be exercisable for up to one year following the date of any such termination. As of December 31, 2007, total unrecognized compensation cost related to Mr. Mordock's stock option awards was approximately $43,000.

Christine V. Sapan

Effective July 10, 2006, Dr. Christine V. Sapan was appointed as Executive Vice President, Chief Development Officer of the Corporation under a letter agreement dated June 23, 2006. Dr. Sapan's base annual salary was $225,000 and she is eligible to receive a discretionary annual bonus, with a target bonus of 40% of her annual base salary. In the event of her relocation, Dr. Sapan will be reimbursed by the Corporation for all reasonable moving expenses in connection with such relocation. During the first six months of her employment, Dr. Sapan was reimbursed for temporary housing and automobile expenses. If Dr. Sapan's employment is terminated by the Corporation without "Cause" (as defined in her letter agreement), or by Dr. Sapan as a result of a demotion of her position or diminution in her duties or a "Change of Control" (as defined in the 2000 Stock Option Plan), she will be entitled to receive a payment of twelve months' base salary. All of her options shall immediately vest and be exercisable for up to one year following the date of any such termination. As of December 31, 2007, total unrecognized compensation cost related to Dr. Sapan's stock option awards was approximately $81,000.

Marc L. Panoff

On January 23, 2006, the Corporation hired Marc L. Panoff as its Chief Financial Officer and Treasurer under a letter agreement dated December 15, 2005. Mr. Panoff was also appointed as the Corporation's Secretary on May 9, 2006. Mr. Panoff initially received an annual base salary of $165,000, which was increased to $185,000 effective January 1, 2007.

On December 4, 2007, the Corporation entered into an employment agreement with Mr. Panoff, which superseded his letter agreement. The employment agreement provides that Mr. Panoff shall be employed by the Corporation for a period of two years, shall initially receive an annual base salary of at least $185,000 and shall be eligible to receive an annual bonus in the discretion of the Board. If Mr. Panoff's employment is terminated by the Corporation without "Cause" or by Mr. Panoff for "Good Reason" (including a "Change in Control"), as those terms are defined in his employment agreement, he shall be entitled to a cash payment equal to the lesser of (i) one year of base salary or (ii) the base salary payable for the remaining term of the employment agreement. In addition, all of his options shall immediately vest and be exercisable for up to one year following the date of any such termination. As of December 31, 2007, total unrecognized compensation cost related to Mr. Panoff's stock option awards was approximately $53,000.

Deductibility of Compensation

Section 162(m) of the Code generally limits to $1,000,000 the Corporation’s federal income tax deduction for compensation paid in any year to each of its chief executive officer and the four other highest paid executive officers, to the extent such compensation is not “performance-based” within the meaning of Section 162(m). The Compensation Committee will, in general, seek to qualify compensation paid to its executive officers for deductibility under Section 162(m), although the Compensation Committee believes it is appropriate to retain the flexibility to authorize payments of compensation that may not qualify for deductibility if, in the Compensation Committee’s judgment, it is in the Corporation’s best interest to do so.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity awards to the Named Executive Officers as of December 31, 2007. No stock awards or equity incentive plan awards were granted to such persons during 2007.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
John E. Mordock	43,334	21,666(1)	$1.80	5/09/16
	250,000	—	$1.30	7/19/16
	41,667	83,333(2)	$1.15	5/09/17
Marc L. Panoff	60,000	120,000(3)	$1.70	1/23/16
	25,000	50,000(4)	$1.15	5/09/17
Christine V. Sapan	83,333	166,667(5)	$1.20	7/10/17
	25,000	50,000(6)	$1.15	5/09/17
Martin J. Kaplitt, M.D.	—	—		

____

(1) These options vest on May 9, 2008. These options vest and are exercisable in full upon a termination of Mr. Mordock’s employment by the Corporation without Cause or by Mr. Mordock for Good Reason (including a Change in Control).

(2) 41,666 options vest on May 9, 2008 and 41,667 options vest on May 9, 2009. These options vest and are exercisable in full upon a termination of Mr. Mordock’s employment by the Corporation without Cause or by Mr. Mordock for Good Reason (including a Change in Control).

(3) 50% of these options vest on each of January 23, 2008 and January 23, 2009. These options vest and are exercisable in full upon a termination of Mr. Panoff's employment by the Corporation without Cause or by Mr. Panoff for Good Reason (including a Change in Control).

(4) 50% of these options vest on each of May 9, 2008 and May 9, 2009. These options vest and are exercisable in full upon a termination of Mr. Panoff's employment by the Corporation without Cause or by Mr. Panoff for Good Reason (including a Change in Control).

(5) 83,333 options vest on July 10, 2008 and 83,334 options vest on July 10, 2009. These options vest and are exercisable in full upon a termination of Dr. Sapan's employment by the Corporation without Cause or by Dr. Sapan as a result of a demotion of her position or diminution in her duties or a Change of Control.

(6) 50% of these options vest on each of May 9, 2008 and May 9, 2009. These options vest and are exercisable in full upon a termination of Dr. Sapan's employment by the Corporation without Cause or by Dr. Sapan as a result of a demotion of her position or diminution in her duties or a Change of Control.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Corporation is party to an Amended and Restated Consulting Agreement, dated April 25, 2005, with Dr. Michael G. Kaplitt ("Michael Kaplitt"), one of the Corporation's scientific co-founders and the son of Dr. Martin J. Kaplitt ("Martin Kaplitt"), the Corporation's Chairman of the Board. Pursuant to the terms of this agreement, Michael Kaplitt provides advice and consulting services on an exclusive basis in scientific research on human gene transfer in the nervous system and serves as a member of the Corporation's Scientific Advisory Board. Michael Kaplitt was paid an annual retainer of $100,000 in equal quarterly installment payments from October 2005 through September 2006. Effective October 1, 2006, Michael Kaplitt's annual retainer was increased to $175,000 payable in equal quarterly installment payments, which installment payments commenced in January 2007. The Corporation paid Michael Kaplitt approximately $119,000 and $175,000 in retainer fees in 2006 and 2007 respectively thereunder. Under this agreement, the Corporation granted Michael Kaplitt non-qualified stock options to purchase 160,000 shares of Common Stock at an exercise price of $2.05 per share on April 25, 2005. Michael Kaplitt is also the neurosurgeon who performed the surgical procedures on the twelve patients required by the protocol for the Corporation's sponsored Phase 1 clinical trial for the treatment of Parkinson's disease.

In accordance with The Rockefeller University's ("Rockefeller") Intellectual Property Policy, an aggregate of one-third of all income that it receives from licensing transactions is paid to the inventors. Michael Kaplitt has advised the Corporation that he received less than $2,000 in each of 2007 and 2006 from Rockefeller as a result of payments made by the Corporation to Rockefeller under a non-exclusive license agreement. In December 2002, the Corporation issued to Rockefeller 368,761 shares of Common Stock in exchange for the cancellation of certain fees under its exclusive patent license agreement with the Corporation. Rockefeller sold these shares in 2007, and Michael Kaplitt received approximately $75,000 from the proceeds of the sale. Michael Kaplitt estimates that he will be entitled to receive approximately one third of the proceeds of future royalties or other amounts that may become payable by the Corporation to Rockefeller under the Corporation's license agreements with Rockefeller and the Corporation's license Agreement with Rockefeller and Yale University (the "Rockefeller-Yale Agreement").

Dr. Matthew During, a founder of the Corporation and a member of its Scientific Advisory Board, has advised the Corporation that in each of 2006 and 2007 he received approximately $17,000 from Thomas Jefferson University ("TJU") as a result of payments made by the Corporation to TJU under two exclusive license agreements. The amounts received by Dr. During represent approximately 18% of the total payments made by the Corporation to TJU in each of 2006 and 2007. Dr. During will also have a similar interest in future royalties or other amounts that may become payable under the agreement with TJU.

Dr. During has also advised the Corporation that in each of 2006 and 2007, he received less than $2,000 from Yale University as a result of payments made by the Corporation to Yale University under a non-exclusive license agreement. The amounts received by Dr. During represent approximately 25% of the total payments made by the Corporation to Yale University in each of 2006 and 2007. Dr. During will also have a similar interest in future royalties or other amounts that may become payable under the Rockefeller-Yale Agreement.

Dr. During and the Corporation entered into a consulting agreement in October 1999 which was subsequently amended. The consulting agreement provides for payments to Dr. During of $175,000 per year through September 2008.

In August 2004, the Corporation subleased 1,185 square feet of space at One Bridge Plaza, Fort Lee, New Jersey 07024 from Palisade Capital Securities, LLC, an affiliated company, for use as its corporate offices for a base annual rent of approximately $36,000 or $3,000 per month and such lease expired on January 31, 2008.

Effective July 17, 2006, Dr. Michael Sorell ("Dr. Sorell") resigned as the Corporation's President and Chief Executive Officer. In connection with such resignation, the Corporation and Dr. Sorell entered into a Separation Agreement. Pursuant to this agreement, the Corporation paid Dr. Sorell severance of $185,000 payable in equal semi-monthly installments through September 30, 2007. The agreement also provided for the immediate vesting of Dr. Sorell's stock options. Such options, to the extent not exercised, terminated on December 31, 2007.

Effective February 23, 2007, the Corporation entered into a consulting agreement with Martin Kaplitt. Under the terms of this agreement, Martin Kaplitt provided medical and scientific consulting and advisory services to the Corporation for a one-year period, and received compensation at an annual rate of $85,000. Martin Kaplitt's consulting agreement was extended for an additional one-year term, effective January 1, 2008, at an annual rate of $110,000. Effective February 23, 2007, Martin Kaplitt no longer served as the Executive Chairman of the Corporation, but continues to serve as Chairman of the Board.

On November 19, 2007, the Corporation issued and sold 142,857 shares of Series D Preferred Stock at a price of $35.00 per share, or a total of approximately $5,000,000, to GEPT, as part of a private placement transaction. As part of this transaction, GEPT also exchanged 230,184 shares of Series C Preferred Stock, representing all of such shares of Series C Preferred Stock then owned by GEPT, for (i) 93,940 newly issued shares of Series C Preferred Stock and (ii) 163,470 shares of Series D Preferred Stock. At the time of the transaction, GEPT was a beneficial owner of more than five percent of the Corporation's voting securities.

AUDIT COMMITTEE REPORT

The Board has an Audit Committee comprised of three directors, each of whom meets the independence and qualification standards for audit committee membership as set forth in the listing standards set forth in the AMEX Rules and Rule 10A-3 of the Exchange Act.

The Audit Committee oversees the Corporation's financial and accounting processes on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the 2007 Annual Report on Form 10-KSB with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Corporation's management is responsible for the preparation, presentation and integrity of the Corporation's financial statements, for accounting and financial reporting principles and for internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm, BDO Seidman, LLP, is responsible for performing an independent audit of the consolidated financial statements prepared in accordance with generally accepted accounting principles.

In performing its oversight function, the Audit Committee reviewed with the Corporation's independent registered public accounting firm such firm's judgments as to the quality, not just the acceptability, of the Corporation's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including Statement on Auditing Standards Nos. 61 and 90. In addition, the Committee has discussed with the independent registered public accounting firm such firm's independence from management and the Corporation and has received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board, Standard No. 1.

The Committee discussed with the Corporation's independent registered public accounting firm the overall scope and plans for the audit. The Committee met with the independent registered public accounting firm, with and without management present, to discuss the results of the examination and the overall quality of the Corporation's financial reporting.

The Corporation's management, the Audit Committee and the Board are fully committed to a review and evaluation of the Corporation's procedures and policies designed to assure effective internal control over financial reporting. All steps and disclosures relating to these matters have been and will remain subject to the oversight of the Audit Committee.

Based on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee set forth below and in its charter, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the Corporation's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007 for filing with the Securities and Exchange Commission. The Audit Committee also approved the selection of the Corporation's independent registered public accounting firm for the fiscal year ended December 31, 2007.

The Audit Committee of the Board,

Austin M. Long III, Chair
Cornelius E. Golding
Craig J. Nickels

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO Seidman, LLP was the Corporation's independent registered public accounting firm for the year ended December 31, 2007. BDO Seidman does not have any direct or indirect financial interest in the Corporation in any capacity other than that of independent public accountants. A representative of BDO Seidman, LLP will be present at the meeting to answer questions by stockholders concerning the accounts of the Corporation and will have the opportunity to make a statement, if such representative desires to do so.

Principal Accounting Firm Fees

The following table sets forth the aggregate fees billed to the Corporation for the fiscal years ended December 31, 2007 and 2006 by the Corporation's independent registered public accounting firm, BDO Seidman, LLP. BDO Seidman was appointed as the Corporation's independent registered public accounting firm effective September 12, 2006.

Description	2007	2006
Audit fees	$ 166,000	$ 155,500
Audit related fees	25,000	-
Tax fees	-	-
All other fees	-	-
Total	$ 191,000	$ 155,500

Audit fees included fees associated with the audit of the Corporation's annual financial statements included in the Corporation's Form 10-KSB and review of quarterly financial statements included in the Corporation's Form 10-QSBs, consultations concerning financial accounting and reporting standards, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002, as well as fees associated with the review of the Corporation's Quarterly Report for the period ended September 30, 2006 on Form 10-QSB. The 2007 audit fee amount includes an estimate of fees to be billed to the Corporation for the 2007 annual audit.

Audit related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements.

The following table sets forth the aggregate fees billed to the Corporation for the fiscal year ended December 31, 2006 by the Corporation's former independent registered public accounting firm, J.H. Cohn LLP. J.H. Cohn LLP was dismissed as the Corporation's independent registered public accounting firm effective September 12, 2006. The decision to change accountants was approved by the Board.

Description	2006
Audit fees	$ 37,030
Audit related fees	4,644
Tax fees	-
All other fees	-
Total	$ 41,674

Audit fees included fees associated with the reviews of the Corporation's Quarterly Reports on Form 10-QSB for the first and second quarter of 2006. Audit related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements.

Through September 12, 2006, the date of dismissal of J.H. Cohn, the Corporation has had no disagreement with J.H. Cohn on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Before our independent registered accounting firm is engaged to render audit or non-audit services, the engagement must be approved by the Audit Committee or entered into pursuant to the Audit Committee's pre-approval policies and procedures. Pursuant to the requirements of the Sarbanes-Oxley Act of 2002, the Audit Committee had a pre-approval policy in effect, during 2007, for the approval of service rendered by the Corporation's independent registered public accounting firm. All services provided by the Corporation's independent registered accounting firms during 2007 were approved by the Audit Committee prior to the commencement thereof.

OTHER MATTERS

The Board does not know of any other matters which are likely to be brought before the meeting. However, in the event that any other matters properly come before the meeting, the persons named in the enclosed proxy will vote such proxy in accordance with their judgment on such matters.

PROPOSALS BY STOCKHOLDERS

Proposals of stockholders intended to be presented, pursuant to Rule 14a-8 under the Exchange Act, at the 2009 Annual Meeting of Stockholders of the Corporation, which is currently scheduled to be held on May 8, 2009, must be received by the Corporation at the Corporation's principal executive offices by December 11, 2008 if they are to be included in the Corporation's proxy statement and proxy relating to such meeting.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on its review of Forms 3, 4 and 5 filed under Section 16(a) of the Exchange Act, the Corporation believes that during fiscal 2007, all Section 16(a) filing requirements applicable to its officers, directors and other principal stockholders of the Corporation were complied with except that Chrysler LLC did not timely file its Form 4s with respect to dividends on its shares of Series C Preferred Stock received on each of June 1, 2007, September 1, 2007 and December 3, 2007.

SOLICITATION OF PROXIES

The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Annual Meeting of Stockholders and the enclosed proxy will be borne by the Corporation. In addition to the solicitation of proxies by use of the mails, the Corporation may solicit proxies personally and by telephone and telegraph.

STOCKHOLDER COMMUNICATIONS WITH DIRECTORS

The Board has adopted a written policy on stockholder and interested party communications with directors, a copy of which is available on the Corporation's corporate website at http://www.neurologix.net.

WHERE YOU CAN FIND MORE INFORMATION

The Corporation files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the Public Reference Room maintained by the Securities and Exchange Commission ("SEC") at 100 F. Street, N.E., Washington, D.C. 20549. Our SEC filings are also available to the public from commercial document retrieval services and at the website maintained by the SEC at http://www.sec.gov. The SEC allows the Corporation to "incorporate by reference" information into this Proxy Statement, which means that we can disclose important information by referring you to another document filed separately with the SEC. A copy of such report is being mailed to the Corporation's stockholders with this Proxy Statement. All documents filed by the Corporation pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date hereof and prior to the annual meeting shall also be deemed to be incorporated by reference into this Proxy Statement.

Our stockholders may obtain the above-mentioned documents, without charge, by requesting them in writing or by telephone from the Corporation, by writing to Neurologix, Inc., One Bridge Plaza, Suite 605, Fort Lee, New Jersey 07024, attention of Marc L. Panoff, and by telephone to 201-592-6451.

You should rely only on the information contained in this Proxy Statement or other documents to which we refer to vote at the annual meeting. We have not authorized anyone to provide you with information that is different from what is contained in this Proxy Statement. You should not assume that the information contained in this Proxy Statement is accurate as of any date other than the date of the annual meeting, and the mailing of the Proxy Statement to stockholders shall not create any implication to the contrary.

By Order of the Board Of Directors

/s/ Marc L. Panoff
Marc L. Panoff
Chief Financial Officer, Secretary and Treasurer

April 10, 2008

EXHIBIT A – NEUROLOGIX INC. 2000 STOCK OPTION PLAN – AMENDMENT NO. 3

The 2000 Stock Option Plan of Neurologix, Inc., as amended (the "Plan"), is hereby further amended as follows:

1. Effective May 8, 2007, Section 5(a) of the Plan is hereby amended in its entirety to read as follows:

"Subject to Section 9, the aggregate number of shares of Stock in respect of which Options may be granted under the Plan is 6,000,000;"

2. Except for the foregoing amendment set forth in paragraph 1 above, all of the terms and conditions of the Plan shall remain in full force and effect.

NEUROLOGIX, INC.
PROXY SOLICITED ON BEHALF OF THE BOARD FOR
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 8, 2008.

The undersigned hereby appoints John E. Mordock and Marc L. Panoff as proxies with full power of substitution to vote all shares of stock of Neurologix, Inc. of record in the name of the undersigned at the close of business on April 1, 2008, at the Annual Meeting of Stockholders to be held on May 8, 2008 at 10:00 a.m. (Eastern time) at the Montammy Golf Club, Route 9W and Montammy Drive, Alpine, New Jersey 07620 or at any postponements or adjournments, hereby revoking all former proxies.

IMPORTANT -- THIS PROXY MUST BE SIGNED AND DATED ON THE REVERSE SIDE. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED ON PROPOSALS 1 AND 2 IN ACCORDANCE WITH THE SPECIFICATION MADE AND "FOR" SUCH PROPOSALS IF THERE IS NO SPECIFICATION.

(Continued and to be voted on reverse side.)
Annual Meeting Proxy Card

1. Election of Directors

The Board of Directors recommends a vote FOR the three directors listed below to the Corporation's Board of Directors:

	For	Withhold Authority
01–Cornelius E. Golding	____	____
02–Elliott H. Singer	____	____
03–Martin J. Kaplitt, M.D.	____	____

2. Amendment of the 2000 Stock Option Plan

The Board of Directors recommends a vote FOR the following proposal:

	For	Against	Abstain
To approve an amendment to the 2000 Stock Option Plan of the Corporation to increase the number of available shares from 3,800,000 to 6,000,000.			

3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournments or postponements thereof.

Authorized Signatures – Sign Here – This section must be completed for your instructions to be executed.

NOTE: PLEASE SIGN NAME(S), EXACTLY AS SHOWN ABOVE. WHEN SIGNING AS EXECUTOR, ADMINISTRATOR OR GUARDIAN, GIVE FULL TITLE AS SUCH. WHEN SHARES HAVE BEEN ISSUED IN THE NAMES OF TWO OR MORE PERSONS, ALL SHOULD SIGN.

Signature 1:

Signature 2:

Date (mm/dd/yy):

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