

| IN-HOUSE COUNSEL |



JEROME OKARMA, vice president, general counsel and secretary, Johnson Controls Inc. AGE: 60

In control

COMPANY PROFILE

Johnson Controls Inc. was founded in 1885 by Warren Johnson, inventor of the first electric room thermostat and, in the words of H.L. Mencken, “a hero comparable to Shakespeare, Michelangelo or Beethoven.”

It is a diversified technology and industrial company with an environmentally conscious attitude. Johnson Controls creates products designed to efficiently run buildings, including heating, ventilation and air conditioning systems. It produces batteries, electronics and interior components for combustion engines, hybrid and electric vehicles. It has been involved in 500 renewable-energy products and has reduced its carbon emissions by 15 million metric tons since 2000.

Johnson Controls operates from 1,300 locations in 125 countries. The company accumulated \$40.8 billion in revenues for fiscal year 2011, worth the No. 67 slot on the *Fortune* 500 and No. 267 on *Fortune’s* global list. Based in Milwaukee, it has approximately 162,000 employees.

LEGAL TEAM AND OUTSIDE COUNSEL

As general counsel, Jerome Okarma controls a “very decentralized” 120-member legal team made up of 80 attorneys (there were fewer than 10 when he started) and 40 support staff. More of the lawyers are based outside the United States than within. Okarma helped to put the organizational structure in place and built the global team. He is standardizing communications, expectations and goals throughout all levels of the department in what he called a “strategic talent development process.”

Okarma tries to maintain a balance between his external and internal legal spend. Litigation “sits atop the iceberg” of outside work, he said. Most lawsuits involving the company are low-level, undramatic stuff unlikely to generate headlines. Still, there are day-to-day disputes in the construction end of the business.

Okarma estimated that 22 outside firms account for 80 percent of his total legal spend. Among his most frequently used partners are Foley & Lardner’s Milwaukee office; Reed Smith; and Oppenhoff & Partner of Cologne, Germany.

As for his billing preferences, he is amenable to almost any arrangement, depending on the nature of the work. His emphasis, he said, is on “budgeting better.” In his opinion, one of the worst things is unpredictability, so his marching orders are to “make sure that there is not a blank check and that there are no surprises.”

Recently, Okarma has been focusing on what he calls an “outside counsel optimization initiative.” Its goal is to ensure a standardized way to identify firms, manage expectations and evaluate potential partners to drive business to some firms and away from others.

“You need rules of the road, to not necessarily proliferate outside counsel,” he said.

DAILY DUTIES

Okarma supervises the company’s global legal and compliance duties, and tries to remain mindful of his predecessor’s motto: “Compliance is the job of every single employee.” He helps the executive team to devise business strategy and reports to chairman, president and chief executive officer Stephen Roell.

Typically, Okarma begins each day by catching up on his e-mail, then takes some quiet time to think and plan. He said he is happy to consult with colleagues, with the caveat, “I am an advocate of 15-minute meetings.”

Three years ago, Okarma established a tier of three attorneys who act as global general counsel for each business unit, and they focus on the bulk of the day-to-day work.

He considers himself “definitely a generalist,” but added, “When I started, it was very broad—like a shortstop who took everything. Then it tended to specialize more, and finally, when the company got more global and with more responsibilities, it became incredibly generalist.”

DEALS, REGULATIONS

Johnson Controls is highly active on the deal front, operating more than 50 joint ventures in China alone. Speaking of China, the company has “both numbers and horsepower in the region,” Okarma said, and each business has lawyers on the ground there. During the 1990s, Okarma made as many as 15 trips to China.

He participates in mergers and acquisitions if a deal is significant enough for Roell or chief financial officer Bruce McDonald to get involved. Okarma’s most sizeable transaction was the 2005 acquisition of heating and air conditioning manufacturer York International Corp. He called it “a very challenging deal, with public exposure and regulatory involvement.”

Among the regulators Okarma deals with are the U.S. Securities and Exchange

Commission, the Department of Defense, the Environmental Protection Agency and various export-control agencies. In 2011, *Corporate Responsibility* magazine recognized Johnson Controls as the No. 1 company on its annual “100 Best Corporate Citizens” list.

“When Sarbanes-Oxley first came out,” Okarma said, “it was all hands on deck.” Now the focus is on governance issues, shareholders risk, compensation and best practices. He is preparing to issue several Dodd-Frank Act compliance rules within the next few weeks.

Johnson Controls has supported, and Okarma has invested time in, the Midwest Minority In-house Counsel Group, for which he mentors diverse attorneys who need experience. Okarma also maintains year-round involvement as a board member for the United Way in Milwaukee.

ROUTE TO THE TOP

Following law school, and until 1982, Okarma worked as an attorney at Inland Steel Co. He then joined Borg-Warner Corp. He has been with Johnson Controls since 1989, first as assistant general counsel and then as group general counsel for each of the company’s business units. He was elected a corporate officer in 1990 and named to his current position in 2004.

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Okarma’s professional advice: “You have to build relationships. It is not good enough sitting in an office with the door closed giving rock-solid advice—some of the strongest lawyers have failed as GCs of global companies. As a value-added process, put your lawyers close to the businesspeople, out where decisions are being made.”

PERSONAL

Okarma described his birthplace as “inner city” Chicago. He and his wife, Pamela, a retired pharmacist, have two sons: Paul, 26, and Scott, 24.

Okarma plays “not great” golf and enjoys hitting the road on his 2004 Harley-Davidson motorcycle.

He graduated from Western Illinois University in 1974 with a bachelor’s degree in history. In 1977 he received his J.D. from Northwestern University School of Law. He is the recipient of the Distinguished Alumni Award from his alma mater.

LAST BOOK AND MOVIE

Drift: The Unmooring of American Military Power, by Rachel Maddow, and *Mission: Impossible—Ghost Protocol*.

—ROGER ADLER