

ILLINOIS TOOL WORKS INC

Form PRE 14A

March 15, 2006

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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 x
Filed by a Party other than the Registrant o

Check the appropriate box:

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

ILLINOIS TOOL WORKS INC.

(Name of Registrant as Specified In Its Charter)

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

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- x No fee required.
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**Illinois Tool Works Inc.
3600 West Lake Avenue
Glenview, Illinois 60026**

Notice of Annual Meeting of Stockholders

**Friday, May 5, 2006
3:00 P.M.**

**The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois**

ITW is holding its 2006 Annual Meeting for the following purposes:

1. To elect ten directors for the upcoming year;
2. To approve the amendment of our Restated Certificate of Incorporation to increase our authorized shares;
3. To approve the Illinois Tool Works Inc. 2006 Stock Incentive Plan;
4. To ratify the appointment of Deloitte & Touche, LLP as ITW's independent public accountants; and
5. To consider stockholder proposals, if presented at the Annual Meeting.

The Board of Directors recommends that you vote FOR each of the director nominees; FOR the amendment of our Restated Certificate of Incorporation; FOR the approval of the 2006 Stock Incentive Plan; FOR the ratification of the appointment of Deloitte & Touche LLP as ITW's independent public accountants for 2006; and AGAINST each of the stockholder proposals.

Stockholders of record on March 7, 2006 are entitled to vote.

It is important that your shares are represented at the Annual Meeting whether or not you plan to attend. To be certain that your shares are represented, please sign, date and return the enclosed proxy card as soon as possible or vote by telephone or the internet by following the instructions on the proxy card. You may revoke your proxy at any time before it is voted at the Annual Meeting.

Our Annual Report for 2005 is enclosed.

By Order of the Board of Directors,

James H. Wooten, Jr.
Secretary

March ____, 2006

Illinois Tool Works Inc.

Proxy Statement

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Annual Report on Form 10-K

You may review and download a copy of ITW's Annual Report on Form 10-K for the year ended December 31, 2005, including schedules that we filed with the Securities and Exchange Commission by accessing our website, www.itw.com, or you may request a paper copy by writing to: James H. Wooten, Jr., Secretary, Illinois Tool Works Inc., 3600 West Lake Avenue, Glenview, Illinois 60026.

This proxy statement and form of proxy are first being sent to stockholders on or about March ____, 2006.

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Questions and Answers

Following are questions often asked by stockholders of publicly held companies. We hope that the answers will assist you in casting your vote.

What am I voting on?

We are soliciting your vote on:

1. The election of ten directors for the upcoming year;
2. The approval of the amendment of our Restated Certificate of Incorporation;
3. The approval of the Illinois Tool Works Inc. 2006 Stock Incentive Plan;
4. The ratification of the appointment of Deloitte & Touche, LLP as ITW's independent public accountants for 2006; and
5. Stockholder proposals, if presented at the Annual Meeting.

Who may vote?

Stockholders at the close of business on March 7, 2006, the record date, may vote. On that date, there were 282,968,754 shares of ITW common stock outstanding.

How many votes do I have?

Each share of ITW common stock that you own entitles you to one vote.

How do I vote?

You may vote your shares in one of the following four ways:

1. By mail: Complete the proxy card and sign, date and return it in the enclosed envelope;
2. By telephone: Call the toll-free number on the proxy card, enter the holder account number and the proxy access number from the proxy card, and follow the recorded instructions;
3. By internet: Go to the website listed on the proxy card, enter the holder account number and the proxy access number from the proxy card, and follow the instructions provided; or
4. In person: Attend the Annual Meeting, where ballots will be provided.

If you hold your shares through a bank or broker that does not offer telephone or internet voting, please complete and return your proxy card by mail.

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How does discretionary voting authority apply?

If you sign, date and return your proxy card, your vote will be cast as you direct. If you do not indicate how you want to vote, you give authority to Marvin D. Brailsford, Susan Crown and Harold B. Smith to vote on the items discussed in these proxy materials and on any other matter that is properly raised at the Annual Meeting. If you do not indicate how you want to vote, your proxy will be voted FOR the election of each director nominee, FOR the approval of the amendment of our Restated Certificate of Incorporation, FOR the approval of the 2006 Stock Incentive Plan, FOR the ratification of the appointment of Deloitte & Touche LLP as ITW's independent public accountants, AGAINST each of the stockholder proposals and FOR or AGAINST any other properly raised matter at the discretion of Ms. Crown and Messrs. Brailsford and Smith.

May I revoke my proxy?

You may revoke your proxy at any time before it is voted at the Annual Meeting in one of four ways:

1. Notify ITW's Secretary in writing before the Annual Meeting that you wish to revoke your proxy;
2. Submit another proxy with a later date;
3. Vote by telephone or internet after you have given your proxy; or
4. Vote in person at the Annual Meeting.

What does it mean if I receive more than one proxy card?

Your shares are likely registered differently or are in more than one account. You should sign and return all proxy cards to guarantee that all of your shares are voted.

What constitutes a quorum?

The presence, in person or by proxy, of the holders of a majority of ITW shares entitled to vote at the Annual Meeting constitutes a quorum. Your shares will be considered part of the quorum if you return a signed and dated proxy card or if you vote by telephone or internet. Abstentions and broker non-votes are counted as shares present at the meeting for purposes of determining if a quorum exists. A broker non-vote occurs when a broker submits a proxy that does not indicate a vote as to a proposal because he or she does not have voting authority and has not received voting instructions from you.

What vote is required to approve each proposal?

Election of Directors: The ten nominees who receive the highest number of votes will be elected. However, any nominee who fails to receive the affirmative vote of a majority of the votes cast will tender his or her resignation in accordance with our Corporate Governance Guidelines discussed more fully on page 10. If you do not want to vote your shares for a particular nominee, you may indicate that in the space provided on the proxy card or withhold authority as prompted during telephone or internet voting. Broker non-votes and votes to withhold authority for one or more nominees are not considered shares voted and will not affect the outcome of the vote.

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Approval of the Amendment of our Restated Certificate of Incorporation: Approval of this proposal would require the affirmative vote of a majority of the holders of our outstanding common stock. An abstention will have the effect of a vote against the proposal, but a broker non-vote will have no effect.

Approval of the Illinois Tool Works Inc. 2006 Stock Incentive Plan: Approval of this proposal would require the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote. An abstention will have the effect of a vote against the proposal, but a broker non-vote will have no effect.

Ratification of the Appointment of Independent Public Accountants: Although we are not required to submit the appointment of our independent public accountants to a vote of stockholders, we believe that it is appropriate to ask that you ratify the appointment. Ratification of the appointment of Deloitte & Touche LLP as ITW's independent public accountants requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote. An abstention will have the effect of a vote against the ratification, but a broker non-vote will have no effect.

Stockholder Proposals: Approval of each stockholder proposal presented at the Annual Meeting would require the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote. An abstention will have the effect of a vote against the proposal, but a broker non-vote will have no effect.

How do I submit a stockholder proposal?

To be considered for inclusion in our proxy statement for the May 2007 Annual Meeting, a stockholder proposal must be received no later than November ____, 2006. Your proposal must be in writing and must comply with the proxy rules of the Securities and Exchange Commission (SEC). You may also submit a proposal that you do not want included in the proxy statement, but that you want to raise at the May 2007 Annual Meeting. If you submit that proposal after February 3, 2007, then SEC rules permit the individuals named in the proxies solicited by ITW's Board of Directors for that meeting to exercise discretionary voting power as to that proposal. You should send your proposal to our Secretary at our address on the cover of this proxy statement.

How do I nominate a director?

If you wish to nominate an individual for election as a director at the May 2007 Annual Meeting, our Secretary must receive your written nomination by December 29, 2006. Our by-laws require that your nomination include: (1) your name and address; (2) the name, age and home and business addresses of the nominee; (3) the principal occupation or employment of the nominee; (4) the number of shares of ITW stock that the nominee beneficially owns; (5) a statement that the nominee is willing to be nominated and serve as a director; and (6) any other information regarding the nominee that would be required by the SEC to be included in a proxy statement had ITW's Board of Directors nominated that individual. Any nomination that you make must be approved by the Corporate Governance and Nominating Committee as well as by the Board of Directors.

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Who pays to prepare, mail and solicit the proxies?

ITW will pay all of the costs of preparing and mailing the proxy statement and soliciting these proxies. We will ask brokers, dealers, banks, voting trustees and other nominees and fiduciaries to forward the proxy materials and our Annual Report to the beneficial owners of ITW common stock. Upon request, we will reimburse them for their reasonable expenses. In addition to mailing proxy materials, our officers, directors and employees may solicit proxies in person, by telephone or otherwise.

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Election of Directors

Stockholders will elect ten directors at the Annual Meeting. The individuals listed below have been nominated by the Board of Directors as recommended by the Corporate Governance and Nominating Committee. Each director will serve until the May 2007 Annual Meeting, until a qualified successor director has been elected, or until he or she resigns or is removed by the Board of Directors.

We will vote your shares as you specify on the enclosed proxy card, by telephone or by internet. If you do not specify how you want your shares voted, we will vote them FOR the election of all the nominees listed below. If unforeseen circumstances (such as death or disability) make it necessary for the Board of Directors to substitute another person for any of the nominees, we will vote your shares FOR that other person. The Board of Directors does not anticipate that any nominee will be unable to serve. The nominees have provided the following information about themselves:

William F. Aldinger, 58, retired as the Chairman and Chief Executive Officer of HSBC Finance Corporation (formerly Household International, Inc.), a consumer finance company, in April 2005, a position he held since 1996. He also retired as Chairman and Chief Executive Officer of its parent company, HSBC North America Holdings Inc., a position he held since 2004. He serves on the boards of AT&T Inc, KKR Financial Corp. and The Charles Schwab Corporation. Mr. Aldinger has served as a director of ITW since 1998.

Michael J. Birck, 68, has served as the Chairman of Tellabs, Inc. since 2000 and Chief Executive Officer from 2002 to February 2004. Mr. Birck founded Tellabs and served as President and Chief Executive Officer from 1975 to 2000. Tellabs designs, manufactures, markets and services voice and data equipment. He is a director of Molex, Inc. and Tellabs, Inc. Mr. Birck has served as a director of ITW since 1996.

Marvin D. Brailsford, 67, is a retired Vice President of Kaiser-Hill Company LLC, a construction and environmental services company. Prior to his employment with Kaiser-Hill, he served with the United States Army for 33 years, retiring with the rank of Lieutenant General. He is a Director of Conn's, Inc. Mr. Brailsford has served as a director of ITW since 1996.

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Susan Crown, 47, has been Vice President of Henry Crown and Company, a business with diversified investments, since 1984. She is a director of Northern Trust Corporation and its subsidiary, The Northern Trust Company. Ms. Crown has served as a director of ITW since 1994.

Don H. Davis, Jr., 66, retired as Chairman of the Board of Rockwell Automation, Inc., a leading global provider of industrial automation power, control and information products and services, in February 2005, a position he had held since 1998. From 1997 to 2004 he served as Rockwell's Chief Executive Officer. He is a director of Rockwell Automation, Inc., Ciena Corporation and Journal Communications, Inc. Mr. Davis has served as a director of ITW since 2000.

Robert C. McCormack, 66, is an Advisory Director of Trident Capital, Inc., a venture capital firm, and was a Partner of Trident from 1993 to the end of 2004. From 1987 to 1993, Mr. McCormack served successively as Deputy Under Secretary of Defense and Assistant Secretary of the Navy (Finance and Comptroller). He is a director of DeVry Inc., Mead Westvaco Corporation and Northern Trust Corporation and its subsidiary, The Northern Trust Company. Mr. McCormack has served as a director of ITW since 1993, and previously served as a director of ITW from 1978 through 1987.

Robert S. Morrison, 63, is a retired Vice Chairman of PepsiCo, Inc., a beverage and food products company, serving from 2001 to 2003. From 1997 to 2001, prior to its merger with PepsiCo, he was Chairman, President and Chief Executive Officer of The Quaker Oats Company. He also served as interim Chairman and Chief Executive Officer of 3M Co. from June to December 2005. Mr. Morrison is a director of 3M, The Tribune Company and Aon Corporation. Mr. Morrison has been a director of ITW since 2003.

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James A. Skinner, 61, has served as Vice Chairman of McDonald's Corporation, a restaurant chain, since 2003 and Chief Executive Officer since November 2004, previously serving as President and Chief Operating Officer of McDonald's Restaurant Group from February 2002 to December 2002; President and Chief Operating Officer of McDonald's Europe, Asia/ Pacific, Middle East and Africa from June 2001 to February 2002; and President of McDonald's-Europe from December 1997 to June 2001. He is a director of Walgreen Co. and was elected as a director of ITW in August 2005.

David B. Speer, 55, has served as Chief Executive Officer of ITW since August 2005 and President since August 2004, previously serving as Executive Vice President from 1995 to August 2004. Mr. Speer has 27 years of service with ITW. He is a director of Rockwell Automation, Inc. and was elected a director of ITW in August 2005.

Harold B. Smith, 72, is a retired officer of ITW and is a director of W.W. Grainger Inc., Northern Trust Corporation and its subsidiary, The Northern Trust Company. Mr. Smith has served as a director of ITW since 1968.

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Board of Directors and Its Committees

ITW's Board of Directors met five times during 2005. In addition to meetings of the full Board, directors attended meetings of Board committees, independent directors met twice in regularly scheduled executive sessions, and non-management directors met once. The Chairmen of each of the Board of Directors' standing committees rotate as the Chairman of executive sessions of the independent directors. The Board of Directors has standing audit, compensation, corporate governance and nominating, and finance committees. Under the terms of their charters, each member of the audit, compensation and corporate governance and nominating committees must meet applicable New York Stock Exchange (NYSE) and Securities and Exchange Commission (SEC) independence requirements. ITW encourages its directors to attend all Board and committee meetings and the Annual Meeting of Stockholders. In 2005, all of the directors attended at least 88% of the meetings of the Board and the committees on which they serve, and all of the directors attended the Annual Meeting of Stockholders.

Audit Committee

Meetings in 2005:	5
Members:	Don H. Davis, Jr. (Chairman) William F. Aldinger Michael J. Birck Marvin D. Brailsford James A. Skinner
Function:	Responsible for the engagement of independent public accountants; assisting the Board with respect to matters involving and overseeing: accounting, financial reporting and internal audit functions; integrity of ITW's financial statements; compliance with legal and regulatory requirements; independence and performance of ITW's independent public accountants; and performance of ITW's internal audit function. Additional information on the Committee and its activities is set forth in the Report of the Audit Committee on page 26.

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Compensation Committee

Meetings in 2005:	3
Members:	William F. Aldinger (Chairman) Michael J. Birck Susan Crown Robert C. McCormack Robert S. Morrison James A. Skinner
Function:	Establishes and oversees executive compensation policies; recommends to the other independent directors compensation for the Chief Executive Officer; approves compensation for executive officers; and makes recommendations on new incentive compensation and equity-based plans or amendments. Additional information on the Committee and its activities is set forth in the Report of the Compensation Committee on Executive Compensation on page 22.

Corporate Governance and Nominating Committee

Meetings in 2005:	3
Members:	Marvin D. Brailsford (Chairman) Susan Crown Don H. Davis, Jr. Robert S. Morrison James A. Skinner
Function:	Identifies, evaluates and recommends director candidates; develops, administers and recommends corporate governance guidelines; oversees the evaluation of the Board and management; and makes recommendations as to Board committees and Board size.

Finance Committee

Meetings in 2005:	1
Members:	Robert C. McCormack (Chairman) William F. Aldinger Don H. Davis, Jr. Robert S. Morrison Harold B. Smith
Function:	Reviews, evaluates and recommends to the Board, management's proposals relating to ITW's financing, investment portfolio and real estate investments.

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Corporate Governance Policies and Practices

General

We have long believed that good corporate governance is important to assure that ITW is managed for the long-term benefit of its stockholders. In that regard, we continuously review our corporate governance policies and practices not only for compliance with the provisions of the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, and the listing standards of the NYSE but for good corporate governance as well. In February 2006, we amended our Corporate Governance Guidelines to include a director election provision that requires any nominee for director who fails to receive the affirmative vote of a majority of the votes cast to tender his or her resignation. The Corporate Governance and Nominating Committee of the Board will consider the resignation and recommend to the Board whether to accept or reject it. In considering the resignation, the Committee will take into account such factors as the stated reasons why stockholders withheld votes for the election of the director, the length of service and qualifications of the director, the director's contributions to ITW and our Corporate Governance Guidelines. The Board will consider the Committee's recommendation, but no director who failed to receive a majority vote will participate. We will disclose the results in a Form 8-K within 90 days of the Annual Meeting.

Our Board of Directors has adopted and annually reviews charters for our Audit, Compensation, and Corporate Governance and Nominating Committees. We maintain a corporate governance section on our website that includes the charters of these committees, ITW's Corporate Governance Guidelines, ITW's Statement of Principles of Conduct (our code of business conduct and ethics for directors, officers and employees) and ITW's Code of Ethics for the Chief Executive Officer and key financial and accounting personnel. In addition, we will promptly post any amendments to or waivers of the Code of Ethics on our website. You can find this and other corporate governance information at www.itw.com. We will also provide copies of this information upon request.

Stockholder Communications with Directors

You may communicate with any of our directors or with the independent directors as a group by sending an e-mail to independentdirectors@itw.com or by writing to the Independent Directors c/o the Corporate Secretary at our address on the cover of this proxy statement.

Board Independence

Our Board conducts an annual review as to whether each of our directors meets the applicable independence standards of the NYSE. In accordance with the NYSE listing standards, our Board of Directors has adopted categorical standards for director independence. A copy of ITW's Categorical Standards for Director Independence is attached as Appendix A. A director will not be considered independent unless the Board of Directors determines that the director has no material relationship with ITW (directly or as a partner, stockholder or officer of an organization that has a relationship with ITW).

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The Board has determined that each of the current directors standing for re-election, except David B. Speer, has no material relationship with ITW other than as a director and is independent within the meaning of ITW's Categorical Standards for Director Independence and the listing standards of the NYSE. In making its independence determinations, the Board of Directors has broadly considered all relevant facts and circumstances.

Director Candidates

Our by-laws permit stockholders to nominate directors for consideration at an annual stockholder meeting. The policy of the Corporate Governance and Nominating Committee is to consider a properly submitted stockholder nomination for election as director. For a description of the process for submitting a director candidate in accordance with ITW's by-laws, see [Questions and Answers](#) [How do I nominate a director?](#) on page 3.

Our directors play a critical role in guiding ITW's strategic direction and oversee the management of ITW. Board candidates are considered based upon various criteria, such as their broad-based business and professional skills and experiences, a global business and social perspective, concern for the long-term interests of the stockholders, and personal integrity and judgment. In addition, directors must have time available to devote to Board activities and to enhance their knowledge of the global manufacturing environment. Accordingly, we seek to attract and retain highly qualified directors who have sufficient time to attend to their duties and responsibilities to ITW.

The Corporate Governance and Nominating Committee or other members of the Board of Directors may identify a need to add new members to the Board of Directors with specific criteria or simply to fill a vacancy on the Board. At that time the Corporate Governance and Nominating Committee would initiate a search, seeking input from Board members and senior management and, to the extent it deems appropriate, engaging a search firm. An initial qualified candidate or a slate of qualified candidates would be identified and presented to the Committee for its evaluation and approval. The Committee would then seek full Board endorsement of the selected candidate(s).

Assuming that a properly submitted stockholder recommendation for a director candidate has been received, the Corporate Governance and Nominating Committee will evaluate that candidate by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by other sources, but the Committee has no obligation to recommend the candidate for nomination.

Director Compensation

Annual Retainer and Attendance Fees

The annual retainer for non-employee directors is \$40,000, the fee for each Board or committee meeting attended is \$2,000, and the annual fee for committee chairs is an additional \$3,000, except for the Audit Committee chair, whose annual fee is \$10,000. Non-employee directors can defer receipt of all or a portion of their annual retainer, chair and

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meeting fees until retirement or resignation. Deferred fee amounts are credited with interest at current rates.

Non-Officer Directors Fee Conversion Plan

In order to link director compensation with stockholder interests, non-officer directors are given the opportunity to elect annually to receive all or a portion of their annual retainer, chairman and meeting fees in an equivalent value of ITW common stock pursuant to the Non-Officer Directors Fee Conversion Plan. The number of ITW shares to be issued to a director is determined by dividing the dollar amount of the fee subject to the election by the closing price of ITW common stock on the date the fee otherwise would have been paid in cash. A director can also elect to defer receipt of the shares, in which case the deferred shares are credited as stock units to an account in the director's name. The account receives additional credit for cash dividends and is adjusted for stock dividends, splits, combinations or other changes in ITW common stock. The stock units in a director's account are distributed as shares of ITW common stock upon retirement, resignation or a corporate change (as defined in the 1996 Stock Incentive Plan), with any fractional shares paid in cash. If the stockholders approve the 2006 Stock Incentive Plan, the Non-Officer Directors Fee Conversion Plan will be merged into the 2006 Stock Incentive Plan, which will continue to offer the share fee conversion opportunities described above.

Restricted ITW Common Stock

In 1995, the stockholders approved a plan whereby a portion of each non-employee director's compensation includes the periodic grant of restricted ITW common stock, thereby directly linking another element of director compensation with stockholder interests. ITW last granted restricted shares under the plan in February 2004. At that time, each non-employee director of ITW received an award of 900 restricted shares, which vested as to 450 shares on January 3, 2005 and January 3, 2006. As of January 4, 2006 there are no restricted shares granted under the plan that have not vested. ITW intends to grant restricted shares to each non-employee director under the 2006 Stock Incentive Plan, if the plan is approved by the stockholders.

Phantom ITW Stock

To tie a further portion of their compensation to stockholder interests, non-employee directors of ITW are awarded 1,000 units of phantom stock upon first becoming a director. The value of each unit equals the market value of one share of ITW common stock. Additional units are credited to a director's phantom stock account in an amount equivalent to cash dividends paid on ITW stock. Accounts are adjusted for stock dividends, stock splits, combinations or similar changes. A director is eligible for a cash distribution from his or her account at retirement or upon approved resignation. When phantom stock is awarded, directors elect to receive the distribution in either a lump sum or in up to ten annual installments. Directors receive the value of their phantom stock accounts immediately upon a change of control.

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Ownership of ITW Stock

Directors and Executive Officers

The following table shows how much ITW common stock the directors, the named executive officers, and all directors and executive officers as a group beneficially owned as of December 31, 2005. The named executive officers are the Chief Executive Officer, the former Chief Executive Officer, the next four most highly compensated executive officers, based on salary and bonus, who were serving at the end of the last fiscal year and an additional person who would have qualified as one of our most highly compensated executive officers had he been serving as an executive officer at the end of the last fiscal year.

Beneficial ownership is a technical term broadly defined by the SEC to mean more than ownership in the usual sense. In general, beneficial ownership includes any shares a director or executive officer can vote or transfer and stock options that are exercisable currently or that become exercisable within 60 days. Except as otherwise noted, the stockholders named in this table have sole voting and investment power for all shares shown as beneficially owned by them.

The number of shares beneficially owned by each non-employee director includes 900 shares (no shares in the case of Mr. Skinner) of ITW common stock that were granted under the Directors Restricted Stock Plan, which fully vested in January 2006. The number of the directors phantom stock units disclosed in the table represents an equivalent number of shares of ITW common stock as of December 31, 2005. Phantom stock units are not transferable and have no voting rights. The units are not included in the percent of class calculation.

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Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Phantom Stock Units	Percent of Class
Directors (other than Executive Officers)			
William F. Aldinger	7,158(1)	1,092	*
Michael J. Birck	14,893(2)	2,229	*
Marvin D. Brailsford	6,011(3)	2,223	*
Susan Crown	12,500(4)	2,247	*
Don H. Davis, Jr.	7,844(5)	1,076	*
Robert C. McCormack	11,903,459(6)	2,247	4.2%
Robert S. Morrison	4,849(7)	1,032	*
James A. Skinner	1,000(8)	1,004	*
Harold B. Smith	33,069,422(9)		11.7%
Executive Officers			
W. James Farrell	1,629,572(10)		*
David B. Speer	293,780(11)		*
Frank S. Ptak	872,637(12)		*
Russell M. Flaum	284,961(13)		*
Thomas J. Hansen	183,911(14)		*
Hugh J. Zentmyer	148,227(15)		*
David T. Flood	104,478(16)		*
Directors and Executive Officers as a Group (24 Persons)	36,389,708(17)	13,150	12.9%

* Less than 1%

- (1) Includes (a) 100 shares owned by Mr. Aldinger's spouse, as to which he disclaims beneficial ownership; and (b) 450 unvested restricted shares to which Mr. Aldinger has no investment power.
- (2) Includes 450 unvested restricted shares as to which Mr. Birck has no investment power.
- (3) Includes 450 unvested restricted shares as to which Mr. Brailsford has no investment power.
- (4) Includes (a) 2,000 shares owned by Ms. Crown's spouse as to which she disclaims beneficial ownership; (b) 2,000 shares held in trusts of which Ms. Crown's children are beneficiaries and as to which she disclaims beneficial ownership; and (c) 450 unvested restricted shares as to which Ms. Crown has no investment power.
- (5) Includes 450 unvested restricted shares as to which Mr. Davis has no investment power.
- (6) Includes (a) 400 shares owned in a trust as to which Mr. McCormack shares voting and investment power with The Northern Trust Company; (b) 11,894,134 shares owned in twelve trusts as to which Messrs. McCormack and H. B. Smith and The Northern Trust Company are trustees and share voting and investment power; (c) 6,275 shares owned in a limited partnership in which Mr. McCormack owns 99% of the limited partnership units; and (d) 450 unvested restricted shares as to which Mr. McCormack has no investment power.

- (7) Includes 450 unvested restricted shares as to which Mr. Morrison has no investment power.
- (8) These shares were purchased by Mr. Skinner in February 2006.
- (9) Includes (a) 18,879,800 shares owned in twelve trusts as to which Mr. Smith shares voting and investment power with The Northern Trust Company and others; (b) 1,790,476 shares owned in ten trusts as to which he shares voting and investment power; (c) 11,894,134 shares owned in twelve trusts as to which Messrs. McCormack and H. B. Smith and The Northern Trust Company are trustees and share voting and investment power; (d) 463,795 shares owned in a revocable trust as to which Mr. Smith has sole voting and investment power; (e) 40,767 shares owned by a charitable foundation of which Mr. Smith is a director; and (f) 450 unvested restricted shares to which Mr. Smith has no investment power.

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Mr. Smith's address is c/o Corporate Secretary, Illinois Tool Works Inc., 3600 West Lake Avenue, Glenview, Illinois 60026.

- (10) Includes (a) 130,302 shares owned in a partnership as to which Mr. Farrell shares voting and investment power; (b) 67,848 shares owned in a revocable trust as to which Mr. Farrell has sole voting and investment power; (c) 20,488 shares owned by a charitable foundation of which Mr. Farrell is an officer; (d) 30,800 unvested restricted shares as to which Mr. Farrell has no investment power; (e) 7,141 shares allocated to Mr. Farrell's account in the ITW Savings and Investment Plan; and (f) 1,335,069 shares covered by options exercisable within 60 days.
- (11) Includes (a) 4,400 unvested restricted shares as to which Mr. Speer has no investment power; (b) 882 shares allocated to Mr. Speer's account in the ITW Savings and Investment Plan; and (c) 262,500 shares covered by options exercisable within 60 days.
- (12) Includes 840,000 shares covered by options exercisable by Mr. Ptak within 60 days.
- (13) Includes (a) 4,400 unvested restricted shares as to which Mr. Flaum has no investment power; (b) 1,840 shares allocated to Mr. Flaum's account in the ITW Savings and Investment Plan; and (c) 235,000 shares covered by options exercisable within 60 days.
- (14) Includes (a) 4,400 unvested restricted shares as to which Mr. Hansen has no investment power; and (b) 171,750 shares covered by options exercisable within 60 days.
- (15) Includes (a) 3,685 unvested restricted shares as to which Mr. Zentmyer has no investment power; (b) 2,000 shares owned in a revocable trust as to which Mr. Zentmyer has sole voting and investment power; (c) 11,014 shares owned by Mr. Zentmyer's spouse in a trust, as to which he disclaims beneficial ownership; (d) 325 shares held in a trust of which Mr. Zentmyer's brother is the beneficiary and as to which he disclaims beneficial ownership (e) 7,906 shares allocated to Mr. Zentmyer's account in the ITW Savings and Investment Plan; and (f) 120,000 shares covered by options exercisable within 60 days.
- (16) Includes (a) 2,970 unvested restricted shares as to which Mr. Flood has no investment power and (b) 85,000 shares covered by options exercisable within 60 days.
- (17) Includes 2,735,331 shares covered by options exercisable within 60 days.

Other Principal Stockholders

This table shows, as of December 31, 2005, the only stockholders other than a director that we know to be a beneficial owner of more than 5% of ITW common stock. We maintain a commercial banking relationship with The Northern Trust Company and its wholly owned subsidiaries. The Northern Trust Company is a wholly owned subsidiary of Northern Trust Corporation. Susan Crown, Robert C. McCormack and Harold B. Smith, directors of ITW, are also directors of Northern Trust Corporation and The Northern Trust Company. The commercial banking relationship between ITW and The Northern Trust Company may involve, but is not strictly limited to, the following services: creating and maintaining deposit accounts, credit services, investment banking services, payment and collection services, trade services, credit enhancement or payment guaranty, acting as agent or fiduciary, consulting services, risk management services, and broker dealer services. In addition, The Northern Trust Company serves as the trustee under ITW's principal pension plans. The banking and trustee relationships with The Northern Trust Company are conducted in the ordinary course

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of business on an arms-length basis. Banking and trustee fees paid to The Northern Trust Company by ITW were approximately \$1.57 million in 2005.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class
The Northern Trust Company 50 South LaSalle Street Chicago, Illinois 60675	40,803,012(1)	14.4%
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	17,438,900(2)	6.2%

- (1) The Northern Trust Company and its affiliates act as sole fiduciary or co-fiduciary of trusts and other fiduciary accounts that own an aggregate of 40,803,012 shares. They have sole voting power with respect to 8,086,747 shares and share voting power with respect to 31,981,074 shares. They have sole investment power with respect to 4,168,984 shares and share investment power with respect to 31,790,246 shares. In addition, The Northern Trust Company holds in other accounts, but does not beneficially own, 19,691,362 shares, resulting in aggregate holdings by The Northern Trust Company of 60,494,374 shares, or 21.37%.
- (2) Capital Research and Management Company, an investment advisor registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of these shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. It has sole voting power with respect to 1,780,900 shares and shares voting power with respect to none of the shares. It has sole dispositive power with respect to all 17,438,900 shares. This information was provided in a Schedule 13G filed with the SEC on February 10, 2006.

**Section 16(a) Beneficial Ownership
Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that ITW's executive officers, directors and greater than 10% stockholders file reports of ownership and changes of ownership of ITW common stock with the SEC and the NYSE. Based on a review of copies of these reports provided to us during fiscal 2005 and written representations from executive officers and directors, we believe that all filing requirements were met during 2005, except that in August 2005, Mr. Kinney was inadvertently late in filing one Form 4 reporting shares withheld to cover taxes on the accelerated vesting of his restricted shares upon retirement.

Table of Contents**Executive Compensation**

This table summarizes the compensation for the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Restricted Stock Awards(3)	Long-Term Compensation Awards	All Other Compensation (6)
		Salary(1)	Bonus(1)(2)		Securities Underlying Options(4)	
W. James Farrell(7)	2005	\$ 1,189,800	\$ 2,296,314	\$		\$ 121,723
Chairman and former Chief Executive Officer	2004	1,186,308	2,288,000	7,776,038	423,069(5)	115,441
	2003	1,098,085	2,112,000	9,287,600		103,848
David B. Speer(7)	2005	\$ 605,769	\$ 1,387,500	\$		\$ 55,152
President and Chief Executive Officer	2004	418,692	970,000	1,110,838	150,000	37,216
	2003	333,496	644,620	1,326,800		31,895
Frank S. Ptak(7)	2005	\$ 546,960	\$ 1,063,816	\$		\$ 111,098
Former Vice Chairman	2004	549,615	1,060,000	3,887,977	200,000	53,508