

ILLINOIS TOOL WORKS INC
Form 11-K
June 26, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from _____ to _____

Commission File Number: 1-4797

ILLINOIS TOOL WORKS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

3600 West Lake Avenue, Glenview, IL
(Address of principal executive offices)

36-1258310
(I.R.S. Employer Identification Number)

60026-1215
(Zip Code)

(Registrant's telephone number, including area code) 847-724-7500

ITW Bargaining Savings and Investment Plan

Financial Statements

As of December 31, 2005 and 2004

Plan Number 039

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Employee Benefits Committee of Illinois Tool Works Inc.:

We have audited the accompanying statements of net assets available for benefits of the ITW Bargaining Savings and Investment Plan (the Plan), as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held (at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chicago, Illinois

June 23, 2006

ITW**BARGAINING SAVINGS AND INVESTMENT PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****As of December 31, 2005 and 2004****Employer Identification Number 36-1258310, Plan Number 039**

	2005	2004
ASSETS:		
Receivables-		
Company contributions	\$6,094	\$4,934
Participant contributions	11,437	8,359
Other	407	40
Total receivables	17,938	13,333
Investments, at fair value-		
Participant loans	493,618	504,217
Proportionate share of Master Trusts' assets	13,838,040	12,916,605
Total investments	14,331,658	13,420,822
Total assets	14,349,596	13,434,155
LIABILITIES:		
Fees payable	2,638	10
NET ASSETS AVAILABLE FOR BENEFITS	\$14,346,958	\$13,434,145
The accompanying notes to financial statements		

are an integral part of these statements.

ITW**BARGAINING SAVINGS AND INVESTMENT PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****For the Year Ended December 31, 2005****Employer Identification Number 36-1258310, Plan Number 039****INCREASES (DECREASES):**

Contributions-		
Company		\$271,766
Participant		505,954

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Total contributions	777,720
Net investment income-	
Participant loan interest	20,137
Proportionate share of Master Trusts net investment income	814,825
Other income	11
Net investment income	834,973
Benefits paid to participants	(1,127,853)
Administrative expenses	(2,970)
Net transfers from other plans (Note 10)	430,943
Net increase	912,813
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	13,434,145
End of year	\$14,346,958
The accompanying notes to financial statements	

are an integral part of this statement.

ITW

BARGAINING SAVINGS AND INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

Employer Identification Number 36-1258310, Plan Number 039

1. DESCRIPTION OF THE PLAN AND INVESTMENT PROGRAM

The following describes the major provisions of the ITW Bargaining Savings and Investment Plan (the Plan). Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan in which employees covered by collective bargaining agreements of participating business units of Illinois Tool Works Inc. and its wholly owned subsidiaries (the Company), are eligible to participate in the Plan on the first day of the month following the completion of six months of service. Established on January 1, 1991, and as subsequently amended, the Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Effective December 7, 2005, the investment assets of the Plan are held in the Illinois Tool Works Inc. Master Pension Trust (the Succeeding Master Trust) at The Northern Trust Company (the Trustee). The Trustee serves as investment manager of The Northern Trust funds and trustee. CitiStreet LLC (the Record Keeper) serves as record keeper of the Plan effective with the above date. Prior to that date, the investment assets of the Plan were held in the ITW Savings and Investment Trust (the Former Master Trust). Collectively, the Succeeding Master Trust and Former Master Trust are referred to as the Master Trusts.

Effective January 1, 2005 and until the above date, Mercer Trust Company (the Mercer Trustee) served as record keeper and trustee of the Plan. Putnam Fiduciary Trust Company (the Putnam Trustee) served as investment manager for the Putnam funds, record keeper and trustee of the Plan prior to January 1, 2005. Collectively, the Mercer Trustee and Putnam Trustee are referred to as the Former Trustees.

The majority of investment assets in the Former Master Trust transferred to the Succeeding Master Trust on December 7, 2005. Participant account balances transferred from the Mercer Trustee to the Record Keeper at that time. The participant transition period, also known as a black-out period, for these actions was from November 30 through December 11, 2005. Beginning December 12, 2005, participants could access their account balances and make any changes or requests for transactions, as desired.

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The change from the Putnam Trustee to the Mercer Trustee was due to a legal reorganization. It did not involve a transfer of any investment assets or account balances.

Participant and Company Contributions

Participants may contribute amounts from a minimum of 1% to a maximum of 50% of eligible compensation to their pre-tax accounts. In addition, participants may contribute amounts from a minimum of 1% to a maximum of 10% of eligible compensation to their after-tax accounts. The combined pre-tax and after-tax contributions cannot exceed 50% of eligible compensation. Participants may change their contribution percentages with each payroll period.

Participants who are least age 50 during the plan year may be eligible to contribute an additional amount to the Plan on a pre-tax basis. This additional amount, known as a catch up contribution, is subject to an annual maximum amount.

Participant and Company contributions may begin with the attainment of the eligibility requirements of the Plan. The Company provides a contribution based on formulas set forth for each participating business unit of the Company.

Participants Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contribution and Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investment Funds

Effective December 12, 2005, the Plan offers two investment paths and each path offers a mix of investments with different strategies, objectives and risk/reward potentials. Participants may only select one path but may change paths at any time, subject to certain restrictions. Within the 1st path, participants choose a fund based on the date closest to their retirement or need for savings. Participants may choose from a combination of any six funds in the 2nd path. Prior to the date above, the plan offered twenty five investment options in which participants could choose to invest.

Vesting

Participants' interest in their employee contribution accounts are fully vested at all times. Eligible participants' interest in their Company contribution accounts are fully vested.

Participant Loans

Participants may borrow up to 50% of their vested account balance, up to \$50,000, with a minimum loan amount of \$1,000 from the vested portion of their accounts. Loans bear a reasonable rate of interest, are secured by a portion of the participants' accounts and are repayable over a period not to exceed five years. Amounts borrowed do not share in the earnings of the investment funds but are credited with the interest payments made pursuant to the loan agreements. Principal and interest is paid ratably through payroll deductions.

Benefits

Upon termination of employment or death of a plan member, participants may receive a lump-sum payment of their account balances. Additional optional payment forms are available at the election of the participant, in accordance with the plan document.

Forfeitures

Forfeitures, representing the unvested portion of Company and former companies' contributions, amounting to \$328 as of December 31, 2005 will be used to reduce future Company contributions pursuant to the terms of the Plan. The forfeitures include amounts from former plans that merged into the Plan.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

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The financial statements of the Plan were prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments (other than the fully benefit-responsive investment contracts) are reported at fair values based on quoted market prices of the underlying securities in which each fund invests. The fully benefit-responsive investment contracts are reported at contract value, which approximates fair market value (Note 3).

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

The Plan provides for investments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Net Appreciation/Depreciation

Net appreciation/depreciation on investments is based on the value of the assets at the beginning of the year or at the date of purchase during the year, rather than the original cost at the time of purchase. The Plan's unrealized appreciation (depreciation) and realized gain (loss) are included in the Plan's proportionate share of Master Trusts' net investment income or loss.

3. INVESTMENT CONTRACTS WITH INSURANCE COMPANIES

The Plan's investments in the Master Trusts include fully benefit-responsive investment contracts. The accounts for these contracts are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contracts are included in the financial statements at contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and crediting interest rates were approximately 4.6 and 4.5 percent for 2005 and 2004, respectively.

4. ADMINISTRATIVE EXPENSES

Professional, administrative, Former Trustees, and investment related expenses are allocated to the Plan and deducted from the Plan's assets. These expenses are paid through the Master Trusts and allocated to the plans in the Master Trusts.

Expenses are identified as either specific or common fees. Specific fees are charged entirely to the Plan. Common fees are prorated to the Plan based on the Plan assets in relation to Master Trusts' assets.

In addition, certain administrative expenses of the Plan may be paid from plan assets to the extent permissible by law. Other outside professional and administrative services are paid by or provided by the Company.

5. ADMINISTRATION

All funds are deposited with and held for safekeeping by the Trustee and Former Trustees under master trust agreements with the Company. The master trust agreements provide, among other things, that the Trustee and Former Trustees shall keep accounts of all trust transactions and report them periodically to the Company. Investment decisions, within the guidelines of the investment funds, are made by the Trustee, Former Trustees and investment managers. The Trustee and Former Trustees may use an independent agent to effect purchases and sales of common stock of the Company for the Illinois Tool Works Inc. Common Stock Fund. Other administrative services, such as participant record keeping, are performed by the Record Keeper and the Former Trustees.

6. RELATED PARTY TRANSACTIONS

The Trustee, Record Keeper and Former Trustees are a party-in-interest according to Section 3(14) of ERISA. Through the Master Trusts, the Trustee and Former Trustees serve as plan fiduciaries, investment managers, and custodians to the Plan. As defined by ERISA, any person or organization which provides these services to the Plan is a related party-in-interest. Fees paid by the Succeeding Master Trust to the Record Keeper were \$120,991 for the year ended December 31, 2005. Fees paid by the Former Master Trust to the Mercer Trustee were \$84,420 for the year ended December 31, 2005.

The Company is also a party-in-interest according to Section 3(14) of ERISA. The Illinois Tool Works Inc. Common Stock Fund is a Plan investment option.

7. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

8. TAX STATUS

The Plan obtained its latest determination letter on March 12, 2003, in which the Internal Revenue Service stated that the Plan and related trust, as adopted, was designed in accordance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. The plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the plan administrator believes that the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

9. MASTER TRUSTS

The Succeeding Master Trust agreement was amended effective December 1, 2005. The amendment established three investment accounts to accommodate the investment assets of the Plan and other Company sponsored retirement plans. Within the Succeeding Master Trust, the investment assets of the Plan reside in the ITW Defined Contribution Plans Investment Account (the DC Investment Account) and the ITW Collective Defined Benefit and Defined Contribution Plans Investment Account (the Collective Investment Account). Certain amounts in the Plan s financial statements represent the Plan s proportionate share of the corresponding total of the Master Trusts net assets and investment income.

The net assets in the DC Investment Account as of December 31, 2005 are as follows:

	2005
Assets-	
Noninterest-bearing cash	\$64,497
Receivables-	
Interest and dividends	2,658,688
Securities sold	470,545
Total receivables	3,129,233
Investments, at fair value-	
Interest - bearing cash	336,804
Preferred stocks	678
Common stocks	125,164
Interest in common/collective trusts	750,369,895
Interest in Collective Investment Account	207,775,182
Interest in registered investment companies	326,503,294
Investment contracts with insurance companies	218,538,372
Company common stock	351,035,929
Total investments	1,854,685,318
Total assets	1,857,879,048
Liabilities-	
Due to broker for securities purchased	682,416

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Net DC Investment Account assets \$1,857,196,632

The Plan's proportionate share of the DC Investment Account assets represents the specific assets which are identifiable to the Plan and an allocation of the common assets. The Plan's proportionate share of the DC Investment Account assets was 0.7% at December 31, 2005.

For the period December 7, 2005 through December 31, 2005, the earnings on investments of the DC Investment Account are as follows:

Net investment income (loss)-	
Interest-	
Interest-bearing cash	\$23,036
Interest from investment contracts with insurance companies	654,117
Total interest	677,153
Preferred stock dividends	11
Common stock dividends	747,331
Dividends on Company common stock	1,316,534
Net gain on sale of preferred and common stocks	2,432,301
Unrealized depreciation of preferred and common stocks	(1,417,483)
Net investment loss from common collective trusts	(1,498,212)
Net investment loss from Collective Investment Account	(3,372,067)
Net investment gain from registered investment companies	2,507,965
Other income	106,988
Net investment income	\$1,500,521

The Plan's proportionate share of the DC Investment Account net investment income represents an allocation of the common income.

The net assets in the Collective Investment Account as of December 31, 2005 are as follows:

	2005
Assets-	
Noninterest-bearing cash	\$286,260
Receivables-	
Interest and dividends	343,800
Securities sold	2,742,212
Total receivables	3,086,012
Investments, at fair value-	
Common stocks	481,763,361
Interest in common/collective trusts	17,268,760
Interest in registered investment companies	6,002
Other	1,911,070
Total investments	500,949,193
Total assets	504,321,465
Liabilities-	
Due to broker for securities purchased	1,555,657
Net Collective Investment Account assets	\$502,765,808

The Plan's proportionate share of the Collective Investment Account assets represents the specific assets which are identifiable to the Plan and an allocation of the common assets. The Plan's proportionate share of the Collective Investment Account assets was 0.3% at December 31, 2005.

For the period December 7, 2005 through December 31, 2005, the earnings on investments of the ITW Collective Investment Account are as follows:

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Net investment income (loss)-	
Preferred stock dividends	\$49,980
Common stock dividends	569,459
Net gain on sale of common stocks and other	139,598
Unrealized depreciation of common stocks and other	(3,559,748)
Net investment gain from common collective trusts	86,365
Net investment loss from registered investment companies	(135,981)
Other income	16,618
Net investment loss	\$(2,833,709)

The net assets in the Former Master Trust as of December 31, 2004 are as follows:

	2004
Assets-	
Interest and dividends receivable	\$1,575,338
Investments, at fair value-	
Interest-bearing cash	18,529,634
Preferred stocks	91,400
Common stocks	139,796,656
Interest in registered investment companies	1,009,619,159
Investment contracts with insurance companies	217,612,203
Company common stock	443,601,869
Total investments	1,829,250,921
Net Former Master Trust assets	\$1,830,826,259

For the period January 1, 2005 through December 6, 2005, the earnings on investments of the Former Master Trust are as follows:

Net investment income (loss)-	
Interest-	
Interest-bearing cash	\$108,396
Interest from investment contracts with insurance companies	9,693,039
Total interest	9,801,435
Common stock dividends	4,190,334
Net gain on sale of preferred and common stocks	256,074,242
Unrealized depreciation of preferred and common stocks	(242,850,400)
Net investment gain from registered investment companies	52,516,609
Other income	52,471
Net investment income	\$79,784,691

The Plan's proportionate share of the Former Master Trust's net investment income represents an allocation of the common income.

10. TRANSFERS TO/FROM OTHER PLANS

Effective July 31, 2005, the Acme Packaging Hourly Employees 401(k) Plan was merged into the Plan. Substantially all of the assets were transferred in August 2005. The assets transferred to the Plan totaled \$253,129.

Effective December 2005, account balances totaling \$177,814 were transferred to the Plan from the ITW Savings and Investment Plan. These transfers occurred immediately after the Plan conversion in order to consolidate participant account balances to simplify administration.

11. SUBSEQUENT EVENTS

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Effective January 1, 2006, participants will be automatically enrolled in the Plan after sixty days of eligibility. These participants will be enrolled at 3% pre-tax contribution rate, which will escalate each year by 1% until a rate of 6% is reached.

Schedule

ITW

BARGAINING AND INVESTMENT PLAN

Schedule H, Line 4i SCHEDULE OF ASSETS HELD AT END OF YEAR

As of December 31, 2005

Employer Identification Number 36-1258310, Plan Number 039

Identity of Issuer/Description of Investments	Current Value
*Participant loans**	\$493,618

*Party-in-interest

**Interest rates on loans to participants with balances outstanding at

December 31, 2005, lowest 4.00% to highest 13.00%

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on June 26, 2006.

ITW BARGAINING SAVINGS AND INVESTMENT PLAN

ILLINOIS TOOL WORKS INC.

Dated: June 26, 2006

By: /s/ Robert T. Callahan
Robert T. Callahan
Senior Vice President, Human Resources

