

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2002

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)

36-1258310

(I.R.S. Employer Identification No.)

3600 West Lake Avenue, Glenview, IL

(Address of principal executive offices)

60025-5811

(Zip Code)

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

Former address:

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No _____.

The number of shares of registrant's common stock, \$.01 par value, outstanding at July 31, 2002: 306,393,120.

Item 1

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

FINANCIAL STATEMENTS

The unaudited financial statements included herein have been prepared by Illinois Tool Works Inc. and Subsidiaries (the "Company"). In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. It is suggested that these financial statements be read in conjunction with the financial statements and notes to financial statements included in the Company's Annual Report on Form 10-K. Certain reclassifications of prior years' data have been made to conform with current year reporting.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF INCOME
(UNAUDITED)

(In Thousands Except for
Per Share Amounts)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating Revenues	\$2,434,625	\$2,417,502	\$4,639,279	\$4,713,342
Cost of revenues	1,576,003	1,595,250	3,051,122	3,132,615
Selling, administrative, and research and development expenses	424,368	416,903	839,132	855,193
Amortization of goodwill and other intangible assets	<u>5,246</u>	<u>25,477</u>	<u>10,118</u>	<u>49,389</u>
Operating Income	429,008	379,872	738,907	676,145
Interest expense	(18,421)	(17,336)	(35,924)	(35,525)
Other income (expense)	<u>2,058</u>	<u>(1,858)</u>	<u>4,134</u>	<u>435</u>
Income from Continuing Operations				
Before Income Taxes	412,645	360,678	707,117	641,055
Income taxes	<u>147,400</u>	<u>126,220</u>	<u>247,500</u>	<u>224,196</u>
Income from Continuing Operations	265,245	234,458	459,617	416,859
Income (Loss) from Discontinued Operations	2,266	(1,682)	6,341	(1,325)
Cumulative Effect of Change in Accounting Principle	<u>--</u>	<u>--</u>	<u>(221,890)</u>	<u>--</u>
Net Income	<u>\$267,511</u>	<u>\$232,776</u>	<u>\$ 244,068</u>	<u>\$415,534</u>
Income Per Share from Continuing Operations:				
Basic	\$0.87	\$0.77	\$1.50	\$1.37
Diluted	\$0.86	\$0.77	\$1.49	\$1.36
Income (Loss) Per Share from Discontinued Operations:				
Basic	\$0.01	\$(0.01)	\$0.02	\$(0.00)
Diluted	\$0.01	\$(0.01)	\$0.02	\$(0.00)
Cumulative Effect Per Share of Change in Accounting Principle:				
Basic	\$ --	\$ --	\$(0.73)	\$ --
Diluted	\$ --	\$ --	\$(0.72)	\$ --
Net Income Per Share:				
Basic	\$0.87	\$0.77	\$0.80	\$1.37
Diluted	\$0.87	\$0.76	\$0.79	\$1.36
Pro Forma Excluding Goodwill Amortization:				
Income from Continuing Operations	\$265,245	\$252,094	\$459,617	\$451,054
Income per Diluted Share from Continuing Operations	\$0.86	\$0.82	\$1.49	\$1.47
Cash dividends:				
Paid	\$0.22	\$0.20	\$0.44	\$0.40
Declared	\$0.22	\$0.20	\$0.44	\$0.40
Shares of common stock Outstanding during the period:				
Average	306,303	304,160	305,885	303,641
Average assuming dilution	308,440	306,477	308,200	306,101

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

(In Thousands)

<u>ASSETS</u>	<u>June 30, 2002</u>	<u>December 31, 2001</u>
Current Assets:		
Cash and equivalents	\$ 485,339	\$ 282,224
Trade receivables	1,584,827	1,450,029
Inventories	957,518	994,156
Deferred income taxes	197,238	197,428
Prepays and other current assets	134,628	139,226
Net current assets of discontinued operations	<u>90,699</u>	<u>100,181</u>
Total current assets	<u>3,450,249</u>	<u>3,163,244</u>
Plant and Equipment:		
Land	116,513	114,649
Buildings and improvements	975,948	960,232
Machinery and equipment	2,846,342	2,800,341
Equipment leased to others	126,692	123,422
Construction in progress	<u>161,947</u>	<u>105,316</u>
	4,227,442	4,103,960
Accumulated depreciation	<u>(2,593,950)</u>	<u>(2,470,270)</u>
Net plant and equipment	<u>1,633,492</u>	<u>1,633,690</u>
Investments	1,428,717	1,278,285
Goodwill	2,315,470	2,516,813
Intangible Assets	224,894	221,881
Deferred Income Taxes	515,963	439,278
Other Assets	497,812	459,429
Net Noncurrent Assets of Discontinued Operations	<u>104,965</u>	<u>109,729</u>
	<u>\$10,171,562</u>	<u>\$9,822,349</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Short-term debt	\$ 171,338	\$ 313,447
Accounts payable	400,412	367,249
Accrued expenses	813,688	795,210
Cash dividends payable	67,403	67,084
Income taxes payable	<u>37,871</u>	<u>32,922</u>
Total current liabilities	<u>1,490,712</u>	<u>1,575,912</u>
Non-current Liabilities:		
Long-term debt	1,485,064	1,267,141
Other liabilities	<u>935,523</u>	<u>938,558</u>
Total non-current liabilities	<u>2,420,587</u>	<u>2,205,699</u>
Stockholders' Equity:		
Common stock	3,066	3,052
Additional Paid-in-Capital	715,449	675,856
Income reinvested in the business	5,874,734	5,765,421
Common stock held in treasury	(1,662)	(1,666)
Cumulative translation adjustment	<u>(331,324)</u>	<u>(401,925)</u>
Total stockholders' equity	<u>6,260,263</u>	<u>6,040,738</u>
	<u>\$10,171,562</u>	<u>\$9,822,349</u>

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

STATEMENT OF CASH FLOWS

(UNAUDITED)

(In Thousands)

	Six Months Ended	
	June 30	
	<u>2002</u>	<u>2001</u>
Cash Provided by (Used for) Operating Activities:		
Net income	\$244,068	\$415,534
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income)loss from discontinued operations	(6,341)	1,325
Non-cash goodwill impairment charge	221,890	--
Depreciation and amortization	151,068	197,549
Change in deferred income taxes	(33,028)	(19,029)
Provision for uncollectible accounts	13,776	7,959
(Gain) loss on sale of plant and equipment	(160)	2,455
Income from investments	(71,925)	(74,787)
Non-cash interest on nonrecourse debt	19,803	21,430
Loss on sale of operations and affiliates	3,833	3,633
Other non-cash items, net	2,342	(3,299)
Cash provided by operating activities	<u>545,326</u>	<u>552,770</u>
Changes in assets and liabilities:		
(Increase) decrease in--		
Trade receivables	(118,140)	(17,641)
Inventories	58,137	41,882
Prepaid expenses and other assets	7,440	12,148
Net assets of discontinued operations	20,933	19,574
Increase (decrease) in:		
Accounts payable	19,577	(53,876)
Accrued expenses and other liabilities	16,757	(47,673)
Income taxes payable	12,726	11,050
Other, net	1,430	58
Net cash provided by operating activities	<u>564,186</u>	<u>518,292</u>
Cash Provided by (Used for) Investing Activities:		
Acquisition of businesses (excluding cash and equivalents) and additional interest in affiliates	(91,983)	(308,488)
Additions to plant and equipment	(132,707)	(135,392)
Purchase of investments	(175,434)	(23,819)
Proceeds from investments	28,170	47,137
Proceeds from sale of plant and equipment	11,263	9,217
Proceeds from sale of operations and affiliates	1,920	10,040
Sales (Purchases) of short-term investments	(338)	2,309
Other, net	1,567	955
Net cash used for investing activities	<u>(357,542)</u>	<u>(398,041)</u>
Cash Provided by (Used for) Financing Activities:		
Cash dividends paid	(134,436)	(121,241)
Issuance of common stock	39,475	45,204
Net repayments of short-term debt	(154,105)	(11,017)
Proceeds from long-term debt	253,430	2,999
Repayments of long-term debt	(24,028)	(5,701)
Other, net	141	1,820
Net cash used for financing activities	<u>(19,523)</u>	<u>(87,936)</u>
Effect of Exchange Rate Changes on Cash and Equivalents	<u>15,994</u>	<u>(6,692)</u>
Cash and Equivalents:		
Increase during the period	203,115	25,623
Beginning of period	282,224	151,295
End of period	<u>\$485,339</u>	<u>\$176,918</u>
Cash Paid During the Period for Interest	<u>\$ 35,800</u>	<u>\$ 34,253</u>
Cash Paid During the Period for Income Taxes	<u>\$274,489</u>	<u>\$221,034</u>
Liabilities Assumed from Acquisitions	<u>\$ 11,117</u>	<u>\$ 59,606</u>

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

(1) INVENTORIES:

Inventories at June 30, 2002 and December 31, 2001 were as follows:

(In Thousands)

	<u>June 30,</u> <u>2002</u>	<u>Dec 31,</u> <u>2001</u>
Raw material	\$279,797	\$287,067
Work-in-process	101,670	101,418
Finished goods	<u>576,051</u>	<u>605,671</u>
	<u>\$957,518</u>	<u>\$994,156</u>

(2) COMPREHENSIVE INCOME:

The only component of other comprehensive income that the Company has is foreign currency translation adjustments.

(In Thousands)

	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net income	\$267,511	\$232,776	\$244,068	\$415,534
Foreign currency translation adjustments, net of tax	<u>105,692</u>	<u>(79,806)</u>	<u>70,601</u>	<u>(47,875)</u>
Total comprehensive income	<u>\$373,203</u>	<u>\$152,970</u>	<u>\$314,669</u>	<u>\$367,659</u>

(3) DISCONTINUED OPERATIONS:

In December 2001, the Company's Board of Directors authorized the divestiture of the Consumer Products segment. This segment is comprised of the following businesses: Precor specialty exercise equipment, West Bend appliances and premium cookware, and Florida Tile ceramic tile. The Company's consolidated financial statements for all periods have been restated to present these businesses as discontinued operations in accordance with Accounting Principles Board Opinion No. 30. The Company intends to dispose of these businesses through sale transactions by the end of 2002, and does not expect to incur a loss on their disposal. As of June 30, 2002, none of the businesses had been sold. Results of the discontinued operations were as follows:

(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2002	2001	2002	2001
Operating revenues	<u>\$94,016</u>	<u>\$92,611</u>	<u>\$195,070</u>	<u>\$193,604</u>
Pro forma operating income/(loss)	<u>\$ 4,436</u>	<u>\$ (472)</u>	<u>\$ 12,887</u>	<u>\$ 1,327</u>
Pro forma income/(loss) before				
income taxes	\$ 3,935	\$(1,909)	\$ 10,080	\$ (535)
Income taxes	<u>1,669</u>	<u>(820)</u>	<u>3,739</u>	<u>(396)</u>
Pro forma income from				
discontinued operations	<u>\$ 2,266</u>	<u>\$(1,089)</u>	<u>\$ 6,341</u>	<u>\$ (139)</u>

The actual results for 2001 have been adjusted to reflect the pro forma effect of the elimination of the amortization of goodwill and indefinite-lived intangible assets of \$593,000 and \$1,186,000, respectively, for the three months and six months ended June 30, 2001.

The Company has allocated general corporate interest expense to discontinued operations based on proportional net assets excluding general corporate debt. Interest expense allocated to discontinued operations was \$1,016,000 and \$1,029,000 for the six months ended June 30, 2002 and 2001, respectively.

The net assets of the discontinued operations as of June 30, 2002 and December 31, 2001 were as follows:

(In Thousands)

	June 30, 2002	Dec 31, 2001
Accounts receivable	\$ 53,494	\$ 64,897
Inventory	73,674	71,481
Accounts payable	(12,789)	(14,258)
Accrued liabilities	(41,626)	(40,686)
Other, net	<u>17,946</u>	<u>18,747</u>
Net current assets of discontinued operations	<u>\$ 90,699</u>	<u>\$100,181</u>
Net plant and equipment	\$ 75,080	\$ 79,730
Net goodwill and intangibles	68,200	68,200
Other, net	<u>(38,315)</u>	<u>(38,201)</u>
Net noncurrent assets of discontinued operations	<u>\$104,965</u>	<u>\$109,729</u>

(4) INVESTMENTS:

In 2002, the Company entered into leveraged leasing transactions related to mobile telecommunications equipment with two major European telecommunications companies. The components of the Company's total cash investment for these transactions of \$144,676,000 were as follows:

(In Thousands)

Gross lease contracts receivable	\$991,426
Non-recourse debt service	(914,724)
Estimated residual value of leased assets	151,908
Unearned and deferred income	<u>(83,934)</u>
	<u>\$144,676</u>

(5) GOODWILL AND INTANGIBLE ASSETS:

Goodwill represents the excess cost over fair value of the net assets of purchased businesses.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Under SFAS 142, the Company will no longer amortize goodwill and intangibles which have indefinite lives. SFAS 142 also requires that the Company assess goodwill and intangibles with indefinite lives for impairment at least annually, based on the fair value of the related reporting unit or intangible asset. On an on-going basis, the Company expects to perform its annual impairment assessment in the first quarter of each year.

As an initial step in the SFAS 142 implementation process, the Company assigned its goodwill and intangibles to approximately 300 of its reporting units. Then, the fair value of each reporting unit was compared to its carrying value. Fair values were determined by discounting estimated future cash flows.

Based on the Company's initial impairment testing, goodwill and intangible assets were reduced by \$262,816,000 and a net after-tax impairment charge of \$221,890,000 (\$0.72 per diluted share) was recognized as a cumulative effect of change in accounting principle in the first quarter of 2002. The impairment charge was related to approximately 40 businesses and primarily resulted from evaluating impairment under SFAS 142 based on discounted cash flows, instead of using undiscounted cash flows per the previous accounting standard.

The changes in the carrying amount of goodwill by segment for the six months ended June 30, 2002 were as follows:

(In Thousands)

	Engineered Products - <u>North America</u>	Engineered Products - <u>International</u>	Specialty Systems - <u>North America</u>	Specialty Systems <u>International</u>	<u>Total</u>
Balance, December 31, 2001	\$574,962	\$424,223	\$853,557	\$664,071	\$2,516,813
Acquisitions	(6,061)	3,107	6,536	24,188	27,770
Impairment write-offs	(50,992)	(18,744)	(85,994)	(98,858)	(254,588)
Foreign currency translation	<u>(171)</u>	<u>12,233</u>	<u>23</u>	<u>13,390</u>	<u>25,475</u>
Balance, June 30, 2002	<u>\$517,738</u>	<u>\$420,819</u>	<u>\$774,122</u>	<u>\$602,791</u>	<u>\$2,315,470</u>

Intangible assets as of June 30, 2002 and December 31, 2001 were as follows:

(In Thousands)

	<u>As of June 30, 2002</u>			<u>As of December 31, 2001</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable Intangibles:						
Trademarks and brands	\$ 10,125	\$ (2,102)	\$ 8,023	\$ 9,339	\$ (1,685)	\$ 7,654
Customer lists and Relationships	13,971	(4,287)	9,684	28,371	(2,848)	25,523
Patents	85,976	(36,692)	49,284	74,971	(34,775)	40,196
Noncompete agreements	65,402	(25,537)	39,865	63,203	(21,741)	41,462
Other	52,135	(27,818)	24,317	50,239	(25,648)	24,591
Indefinite-lived Intangibles:						
Trademarks and brands	<u>93,721</u>	<u>--</u>	<u>93,721</u>	<u>82,455</u>	<u>--</u>	<u>82,455</u>
Total Intangible Assets	<u>\$321,330</u>	<u>\$(96,436)</u>	<u>\$224,894</u>	<u>\$308,578</u>	<u>\$(86,697)</u>	<u>\$221,881</u>

Amortization expense related to amortizable intangible assets was \$5,246,000 and \$10,118,000, respectively, for the three months and six months ended June 30, 2002, and \$4,755,000 and \$9,434,000, respectively, for the three months and six months ended June 30, 2001.

The estimated amortization expense of intangible assets for the years ending December 31 is as follows:

(In Thousands)

2002	\$20,175
2003	18,621
2004	17,893
2005	16,848
2006	15,387
2007	12,554

A reconciliation of the previously reported 2001 statement of income information to pro forma amounts that reflect the elimination of amortization of goodwill and indefinite-lived intangible assets is presented below:

(In Thousands, except per share amounts)

	<u>Three months ended</u>			<u>Six months ended</u>		
	<u>June 30, 2001</u>			<u>June 30, 2001</u>		
	<u>Per Share</u>			<u>Per Share</u>		
	<u>Amount</u>	<u>Basic</u>	<u>Diluted</u>	<u>Amount</u>	<u>Basic</u>	<u>Diluted</u>
Income from continuing operations, as reported	\$234,458	\$0.77	\$0.77	\$416,859	\$1.37	\$1.36
Amortization of goodwill and indefinite-lived intangible assets	<u>17,636</u>	0.06	0.06	<u>34,195</u>	0.11	0.11
Pro forma income from continuing operations	<u>252,094</u>	0.83	0.82	<u>451,054</u>	1.49	1.47
Loss from discontinued operations, as reported	(1,682)	(0.01)	(0.01)	(1,325)	(0.00)	(0.00)
Amortization of goodwill and indefinite-lived intangible assets	<u>593</u>	0.00	0.00	<u>1,186</u>	0.00	0.00
Pro forma loss from discontinued operations	<u>(1,089)</u>	(0.00)	(0.00)	<u>(139)</u>	(0.00)	(0.00)
Pro forma net income	<u>\$251,005</u>	0.83	0.82	<u>\$450,915</u>	1.49	1.47

(6) SHORT-TERM DEBT:

In June 2002, the Company entered into a \$400,000,000 Line of Credit Agreement with a termination date of June 20, 2003.

(7) LONG-TERM DEBT:

In April 2002, a subsidiary of the Company issued \$250,000,000 of 6.55% preferred debt securities due December 31, 2011 at 99.849% of face value. The effective interest rate of the preferred debt securities is 6.74%.

(8) SEGMENT INFORMATION:

See Management's Discussion and Analysis for information regarding operating revenues and operating income for the Company's segments.

Item 2 - Management's Discussion and Analysis

ENGINEERED PRODUCTS - NORTH AMERICA

Businesses in this segment are located in North America and manufacture short lead-time plastic and metal components and fasteners, and specialty products such as polymers, fluid products and resealable packaging.

(Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating revenues	\$807,795	\$776,853	\$1,546,245	\$1,521,448
Operating income	155,313	139,757	280,092	249,450
Margin %	19.2%	18.0%	18.1%	16.4%

Operating revenues increased 4% in the second quarter and 2% for the year-to-date period as a result of base business revenues increasing by 1% in the second quarter and decreasing by 1% on a year-to-date basis. Acquisitions increased revenues by 3% for both periods. Base business revenues increased for the second quarter of 2002 mainly due to strong demand in the automotive end markets. For the year-to-date period, higher base business revenues from the automotive businesses were offset by weakness in the industrial plastics, machined components, construction, polymers and electronics packaging businesses. Operating income increased 11% and 12% for the respective periods primarily due to lower nonrecurring costs and cost control measures in the automotive and construction businesses. Margins increased 120 and 170 basis points, respectively, due to increased revenues and reduced costs.

ENGINEERED PRODUCTS - INTERNATIONAL

Businesses in this segment are located outside North America and manufacture short lead-time plastic and metal components and fasteners, and specialty products such as polymers, fluid products and electronic component packaging.

(Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating revenues	\$391,551	\$380,460	\$723,584	\$741,653
Operating income	58,628	48,489	86,855	86,534
Margin %	15.0%	12.7%	12.0%	11.7%

For the second quarter of 2002, operating revenue increased 3% primarily due to a 2% increase from acquisitions, a 1% base business increase and a 1% increase related to currency fluctuation. Base business revenue increases in the construction, industrial plastics and electronics packaging businesses were offset by lower sales in the automotive operations. For the six-month period, revenues decreased 2% mainly due to a base business revenue decrease of 1%, a decrease related to currency translation of 2%, and lower revenues related to divestitures of 1%, partially offset by increased acquisition revenues of 2%. Operating income increased 21% the second quarter and remained flat for the first half of 2002, with corresponding margin gains of 230 and 30 basis points. Income and margin improvements in the

second quarter were primarily related to the construction, industrial plastics and electronics packaging units. Currency translation had no impact on operating income in the second quarter and a negative 1% impact on year-to-date operating income.

SPECIALTY SYSTEMS -NORTH AMERICA

Businesses in this segment are located in North America and produce longer lead-time machinery and related consumables, and specialty equipment for applications such as food service and industrial finishing.

(Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating revenues	\$870,921	\$874,472	\$1,697,283	\$1,721,478
Operating income	137,091	129,463	248,220	238,469
Margin %	15.7%	14.8%	14.6%	13.9%

In 2002, operating revenues were essentially flat for the second quarter and decreased 1% for the year-to-date period. Base business revenue declines of 5% and 6% for the three-month and six-month periods, respectively, were offset by acquisition revenue increases of 4% and 5%, respectively. For both periods, base business revenue decreases in the industrial packaging, food equipment and finishing businesses were offset by increases in the welding businesses. Operating income increased 6% in the second quarter and 4% year-to-date due mainly to acquisitions and cost containment strategies. Margins increased 90 basis points and 70 basis points, respectively, due to lower costs in the food equipment and industrial packaging businesses.

SPECIALTY SYSTEMS - INTERNATIONAL

Businesses in this segment are located outside North America and manufacture longer lead-time machinery and related consumables, and specialty equipment for applications such as food service and industrial finishing.

(Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating revenues	\$425,423	\$437,850	\$791,017	\$839,606
Operating income	53,432	59,676	82,409	95,676
Margin %	12.6%	13.6%	10.4%	11.4%

Operating revenues decreased 3% for the second quarter of 2002 and 6% for the year-to-date period due mainly to lower base business revenues of 6% and 8%, respectively, primarily related to the industrial packaging, food equipment and decorating businesses. Acquisitions increased revenues by 3% and 4% for the respective periods. The translation impact was neutral for the quarter and reduced revenues by 2% for the year-to-date period. Operating income decreased by 10% and 14% for the respective periods and margins decreased 100 basis points in both periods mainly due to lower revenues and higher nonrecurring costs in 2002.

LEASING AND INVESTMENTS

This segment makes opportunistic investments in mortgage-related assets, leveraged and direct financing leases of telecommunications, aircraft and other equipment, properties and property developments, affordable housing, and a venture capital fund.

(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating revenues	\$40,541	\$40,957	\$72,637	\$81,280
Operating income	24,544	23,209	41,331	45,971

Operating revenues decreased 1% in the second quarter due mainly to declines in customer finance revenue offset by revenues from the new telecommunications leveraged leases. Income increased 6% in the second quarter due to income from the telecommunications leveraged leases. Year-to-date revenues decreased 11% and operating income decreased 10% primarily due to a gain on the sale of a property in the first quarter of 2001.

OPERATING REVENUES

The reconciliation of segment operating revenues to total operating revenues is as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Engineered Products - North America	\$ 807,795	\$ 776,853	\$1,546,245	\$1,521,448
Engineered Products - International	391,551	380,460	723,584	741,653
Specialty Systems - North America	870,921	874,472	1,697,283	1,721,478
Specialty Systems - International	425,423	437,850	791,017	839,606
Leasing and Investments	<u>40,541</u>	<u>40,957</u>	<u>72,637</u>	<u>81,280</u>
Total segment operating revenues	2,536,231	2,510,592	4,830,766	4,905,465
Intersegment revenues	<u>(101,606)</u>	<u>(93,090)</u>	<u>(191,487)</u>	<u>(192,123)</u>
Total company operating revenues	<u>\$2,434,625</u>	<u>\$2,417,502</u>	<u>\$4,639,279</u>	<u>\$4,713,342</u>

OPERATING INCOME

Segment operating income for 2001 was restated to exclude the amortization of goodwill and indefinite-lived intangible assets. The reconciliation of segment operating income to total operating income is as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Engineered Products - North America	\$155,313	\$139,757	\$280,092	\$249,450
Engineered Products - International	58,628	48,489	86,855	86,534
Specialty Systems - North America	137,091	129,463	248,220	238,469
Specialty Systems - International	53,432	59,676	82,409	95,676
Leasing and Investments	<u>24,544</u>	<u>23,209</u>	<u>41,331</u>	<u>45,971</u>
Total segment operating income	429,008	400,594	738,907	716,100
Amortization of goodwill and indefinite-lived intangible assets	--	<u>(20,722)</u>	--	<u>(39,955)</u>
Total operating income	<u>\$429,008</u>	<u>\$379,872</u>	<u>\$738,907</u>	<u>\$676,145</u>

OPERATING EXPENSES

Cost of revenues as a percentage of revenues decreased to 65.8% in the first six months of 2002 versus 66.5% in 2001 due to cost improvements. Selling, administrative, and research and development expenses as a percent of revenues in the first half of 2002 versus 2001 were flat.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Under SFAS 142, the Company will no longer amortize goodwill and intangibles which have indefinite lives. SFAS 142 also requires that the Company assess goodwill and intangibles with indefinite lives for impairment at least annually, based on the fair value of the related reporting unit or intangible asset. On an on-going basis, the Company expects to perform its annual impairment assessment in the first quarter of each year.

As an initial step in the SFAS 142 implementation process, the Company assigned its goodwill and intangibles to approximately 300 of its reporting units. Then, the fair value of each reporting unit was compared to its carrying value. Fair values were determined by discounting estimated future cash flows.

Based on the Company's initial impairment testing, goodwill and intangible assets were reduced by \$262,816,000 and a net after-tax impairment charge of \$221,890,000 (\$0.72 per diluted share) was recognized as a cumulative effect of change in accounting principle in the first quarter of 2002. The impairment charge was related to approximately 40 businesses and primarily resulted from evaluating impairment under SFAS 142 based on discounted cash flows, instead of using undiscounted cash flows per the previous accounting standard.

Amortization expense related to amortizable intangible assets was \$5,246,000 and \$10,118,000 for the three months and six months ended June 30, 2002, respectively, and \$4,755,000 and \$9,434,000 for the three months and six months ended June 30, 2001, respectively.

All pro forma data presented in this report reflect the elimination of the amortization of goodwill and indefinite-lived intangibles in prior years.

INTEREST EXPENSE

Interest expense increased to \$35.9 million in the first six months of 2002 from \$35.5 million in 2001.

OTHER INCOME

Other income was \$4.1 million for the first half of 2002 versus \$0.4 million in 2001, primarily due to losses on the sale of plant and equipment in 2001 and higher interest income in 2002.

INCOME FROM CONTINUING OPERATIONS

Income from continuing operations of \$459.6 million (\$1.49 per diluted share) in the first six months of 2002 was 10.3% higher than 2001 income from continuing operations of \$416.9 million (\$1.36 per diluted share).

Pro forma net income from continuing operations of \$459.6 million in the first six months of 2002 was 1.9% higher than 2001 pro forma income from continuing operations of \$451.1 million. Net income from continuing operations per diluted share of \$1.49 for the first six months of

2002 was 1.4% higher than pro forma net income from continuing operations per diluted share of \$1.47 for the first six months of 2001.

FOREIGN CURRENCY

The strengthening of the U.S. dollar against foreign currencies in the first six months of 2002 decreased operating revenues for the first half of 2002 by approximately \$30 million and reduced earnings by approximately 1 cent per diluted share.

DISCONTINUED OPERATIONS

In December 2001, the Company's Board of Directors authorized the divestiture of the Consumer Products segment. Businesses in this segment are located primarily in North America and manufacture household products that are used by consumers, including West Bend small electric appliances and premium cookware, Precor specialty exercise equipment and Florida Tile ceramic tile. The Company intends to dispose of these businesses through sale transactions by the end of 2002, and does not expect to incur a net loss on the disposal of the segment. As of June 30, 2002, none of the businesses had been sold.

Operating results for the discontinued operations were as follows:

(Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2002	2001	2002	2001
Operating revenues	\$94,016	\$92,611	\$195,070	\$193,604
Pro forma operating income/(loss)	4,436	(472)	12,887	1,327
Margin %	4.7%	(.5%)	6.6%	.7%

Operating revenues increased slightly in both periods of 2002 versus 2001 due to higher sales of specialty exercise equipment offset by lower small appliance revenues. Operating income and margins increased significantly due to cost improvements in the exercise equipment business.

LIQUIDITY AND CAPITAL RESOURCES

Summarized cash flow information was as follows:

(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2002	2001	2002	2001
Net cash provided by operating activities	\$281,292	\$ 283,329	\$564,186	\$ 518,292
Plus: Proceeds from investments	16,343	25,087	28,170	47,137
Less: Additions to plant and equipment	(68,656)	(65,860)	(132,707)	(135,392)
Free operating cash flow	<u>\$228,979</u>	<u>\$ 242,556</u>	<u>\$459,649</u>	<u>\$ 430,037</u>
Acquisitions	\$(56,636)	\$(256,295)	\$(91,983)	\$(308,488)
Purchase of investments	(60,385)	(14,301)	(175,434)	(23,819)
Cash dividends paid	(67,352)	(60,751)	(134,436)	(121,241)
Net proceeds (repayments) of debt	116,170	96,393	75,297	(13,719)
Other, net	<u>43,537</u>	<u>19,824</u>	<u>70,022</u>	<u>62,853</u>
Net increase in cash and equivalents	<u>\$204,313</u>	<u>\$ 27,426</u>	<u>\$203,115</u>	<u>\$ 25,623</u>

Return on average invested capital was as follows:

(Dollars in Thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2002	2001	2002	2001
Pro forma operating income after taxes	\$ <u>275,757</u>	\$ <u>260,386</u>	\$ <u>480,290</u>	\$ <u>465,465</u>
Invested capital at end of period:				
Total debt	\$1,656,402	\$1,949,918	\$1,656,402	\$1,949,918
Less: Leasing and investment debt	(811,368)	(774,817)	(811,368)	(774,817)
Less: Cash	<u>(485,339)</u>	<u>(176,918)</u>	<u>(485,339)</u>	<u>(176,918)</u>
Adjusted net debt	359,695	998,183	359,695	998,183
Total stockholders' equity	<u>6,260,263</u>	<u>5,694,096</u>	<u>6,260,263</u>	<u>5,694,096</u>
Invested capital	<u>\$6,619,958</u>	<u>\$6,692,279</u>	<u>\$6,619,958</u>	<u>\$6,692,279</u>
Average invested capital	<u>\$6,500,502</u>	<u>\$6,595,301</u>	<u>\$6,626,079</u>	<u>\$6,554,000</u>
Return on average invested capital	<u>17.0%</u>	<u>15.8%</u>	<u>14.5%</u>	<u>14.2%</u>

Net working capital at June 30, 2002 and December 31, 2001 is summarized as follows:

(Dollars in Thousands)

	<u>June 30, 2002</u>	<u>Dec. 31, 2001</u>	<u>Increase/ (Decrease)</u>
Current Assets:			
Cash and equivalents	\$ 485,339	\$ 282,224	\$203,115
Trade receivables	1,584,827	1,450,029	134,798
Inventories	957,518	994,156	(36,638)
Other	331,866	336,654	(4,788)
Net current assets of discontinued operations	<u>90,699</u>	<u>100,181</u>	<u>(9,482)</u>
	<u>3,450,249</u>	<u>3,163,244</u>	<u>287,005</u>
Current Liabilities:			
Short-term debt	171,338	313,447	(142,109)
Accounts payable	400,412	367,249	33,163
Accrued expenses	813,688	795,210	18,478
Other	<u>105,274</u>	<u>100,006</u>	<u>5,268</u>
	<u>1,490,712</u>	<u>1,575,912</u>	<u>(85,200)</u>
Net Working Capital	<u>\$1,959,537</u>	<u>\$1,587,332</u>	<u>\$372,205</u>
Current Ratio	<u>2.31</u>	<u>2.01</u>	

Accounts receivable increased as a result of higher sales in the second quarter of 2002 versus the fourth quarter of 2001. Inventories decreased as a result of a Company-wide effort to reduce inventory levels.

Total debt at June 30, 2002 and December 31, 2001 was as follows:

(Dollars in Thousands)

	<u>June 30, 2002</u>	<u>Dec. 31, 2001</u>
Short-term debt	\$ 171,338	\$ 313,447
Long-term debt	<u>1,485,064</u>	<u>1,267,141</u>
Total debt	<u>\$1,656,402</u>	<u>\$1,580,588</u>
Total debt to capitalization	20.9%	20.7%
Total debt to total capitalization (excluding Leasing and Investment segment)	12.8%	13.1%

In April 2002, a subsidiary of the Company issued \$250,000,000 of 6.55% preferred debt securities due December 31, 2011 at 99.849% of face value. The proceeds will be used for general corporate purposes.

The changes to stockholders' equity during 2002 were as follows:

(In Thousands)

Total stockholders' equity, December 31, 2001	\$6,040,738
Income from continuing operations	459,617
Income from discontinued operations	6,341
Cumulative effect of change in accounting principle	(221,890)
Cash dividends declared	(134,755)
Exercise of stock options, including tax benefits	39,611
Currency translation adjustments	<u>70,601</u>
Total stockholders' equity, June 30, 2002	<u>\$6,260,263</u>

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, statements regarding the profitable divestiture of the Consumer Products segment in 2002 and the estimated residual value of leased assets. These statements are subject to certain risks, uncertainties, and other factors which could cause actual results to differ materially from those anticipated, including, without limitation, the risks described herein. Important factors that may influence future results include (1) a downturn in the construction, automotive, general industrial, food retail and service, or real estate markets, (2) deterioration in global and domestic business and economic conditions, particularly in North America, European Community, and Australia, (3) an interruption in, or reduction in, introducing new products into the Company's product lines, and (4) an unfavorable environment for making acquisitions or dispositions, domestic and international, including adverse accounting or regulatory requirements and market values of candidates.

Part II - Other Information

Item 1 - Legal Proceedings

One of the Company's business units has entered into a consent order with the United States Environmental Protection Agency. In this order the business unit agreed to a penalty being assessed against it for alleged violations of hazardous waste regulations issued under the Resource Conservation and Recovery Act of 1976. The penalty principally relates to activities at a facility in Kansas City that took place prior to the Company's acquisition of the business in July 1998. The Company never operated at the Kansas City facility. Pursuant to an indemnification agreement with the former owners of the business, the Company has been reimbursed for all but \$50,000 of the \$371,000 penalty.

Item 4 - Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on May 10, 2002. The following members were elected to the Company's Board of Directors to hold office for the ensuing year:

<u>Nominees</u>	<u>In Favor</u>	<u>Withheld</u>
W. F. Aldinger, III	269,858,904	2,935,703
M. J. Birck	269,864,293	2,930,314
M. D. Brailsford	269,873,157	2,921,450
J. R. Cantalupo	271,234,522	1,560,085
S. Crown	269,897,720	2,896,888
D. H. Davis, Jr.	269,738,810	3,055,797
W. J. Farrell	271,249,211	1,545,396
R. C. McCormack	271,185,938	1,608,669
P. B. Rooney	270,865,485	1,929,123
H. B. Smith	271,284,441	1,510,166

Item 5 - Other Information

On August 12, 2002, in accordance with Order No. 4-460 and pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934, sworn statements by the principal executive and financial officers of Illinois Tool Works Inc. were filed with the Securities and Exchange Commission. Copies of each sworn statement are furnished as Exhibits 99.1 and 99.2 to this report.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
3(b)	By-laws of Illinois Tool Works Inc., as amended.
99.1	Statement under Oath of Principal Executive Officer Regarding Facts and Circumstances Related to Exchange Act Filings
99.2	Statement under Oath of Principal Financial Officer Regarding Facts and Circumstances Related to Exchange Act Filings

(b) Reports on Form 8-K

On May 10, 2002, the Company filed a Current Report on Form 8-K reporting the dismissal of Arthur Andersen LLP as the Company's independent auditors and the engagement of Deloitte and Touche LLP as its new independent auditors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ILLINOIS TOOL WORKS INC.

Dated: August 12, 2002

By: /s/ Jon C. Kinney
Jon C. Kinney, Senior Vice President
and Chief Financial Officer

CERTIFICATION

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1349), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Each of the undersigned hereby certifies that the Quarterly Report on Form 10-Q for the period ended June 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Dated: August 12, 2002

By: /s/ W. James Farrell
W. James Farrell, Chairman
and Chief Executive Officer

Dated: August 12, 2002

By: /s/ Jon C. Kinney
Jon C. Kinney, Senior Vice President
and Chief Financial Officer

**BY-LAWS
OF
ILLINOIS TOOL WORKS INC.**

ARTICLE I

Offices

SECTION 1. Registered Office. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. Other Offices. The corporation may also have offices in Chicago, Illinois, and offices at such other places as the Board of Directors or officers may from time to time determine.

ARTICLE II

Stockholders

SECTION 1. Annual Meeting. The annual meeting of the stockholders shall be in the month of April or May of each year. The place, date and time of the meeting shall be fixed by the Board of Directors and stated in the notice of the meeting.

SECTION 2. Special Meetings. Special meetings of the stockholders may be called by the chairman or by a majority of the Board of Directors.

SECTION 3. Place of Meeting. The Board of Directors may designate any place, either within or without Delaware, as the place of meeting for any meeting of the stockholders (annual or special) called by the Board of Directors. If a special meeting is otherwise called, the place of meeting shall be in Chicago, Illinois as designated in the notice.

SECTION 4. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered either personally or by mail, by or at the direction of the chairman or persons calling the meeting to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mails in a sealed envelope addressed to the stockholder at his address as it appears on the records of the corporation, with postage thereon prepaid.

SECTION 5. Voting of Shares by Certain Holders. Shares of stock standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares of stock standing in the name of a deceased person may be voted by his administrator or executor, either in person or by proxy. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the corporation he has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon.

Shares of stock standing in the name of a receiver may be voted by such receiver, and shares of stock held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

SECTION 6. Fixing of Record Date. Unless any statute requires otherwise, for the purpose of determining (a) stockholders entitled to notice of or to vote at any meeting of stockholders, or (b) stockholders entitled to receive payment of any dividend, or (c) stockholders, with respect to any lawful action, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than sixty days and, in case of a meeting of stockholders, not less than ten days. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 7. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the Certificate of Incorporation or by these by-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time until a quorum shall be present or represented. No notice other than an announcement at the meeting need be given unless the adjournment is for more than thirty days or a new record date is to be fixed for the adjourned meeting. At such adjourned meeting at

which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these by-laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

SECTION 8. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting. Proxies shall be valid only with respect to the meeting or meetings and any adjournment thereof, for which they are given.

SECTION 9. Voting. Each stockholder shall have one vote in person or by proxy for each share of stock having voting power registered in his name on the books of the corporation at the record date.

SECTION 10. Stockholder Nominations for Directors. Any stockholder entitled to vote in the election of directors may nominate one or more persons for election as directors, provided written notice of such stockholder's nomination has been received by the Secretary of the Company not later than (i) the close of business on the last business day of December prior to the annual meeting of stockholders in April or May, or (ii) the close of business on the tenth day following the date on which notice of a special meeting of stockholders is first given to stockholders for an election of directors to be held at such meeting.

Such notice must contain: (a) the name and address of the stockholder who intends to make the nomination; (b) the name, age, and business and residential addresses of each person to be nominated; (c) the principal occupation or employment of each nominee; (d) the number of shares of capital stock of the corporation beneficially owned by each nominee; (e) a statement that the nominee is willing to be nominated and serve as a director; and (f) such other information regarding each nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the Board of Directors nominated such nominee.

Nothing in this Section shall preclude the Board of Directors or the Nominating Committee either from making nominations for the election of directors or from excluding the person nominated by a stockholder from the slate of directors presented to the meeting.

SECTION 11. Election of Directors. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at a meeting of stockholders and entitled to voted on the election of directors.

ARTICLE III

Directors

SECTION 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

SECTION 2. Number, Tenure and Qualifications. The number of Directors of the corporation is established at ten. Each Director shall hold office for the term for which such Director is elected or until a successor shall have been chosen and shall have qualified or until such Director's earlier death, resignation, retirement, disqualification or removal.

SECTION 3. Regular Meeting. A regular meeting of the Board of Directors shall be held without other notice than this by-law, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without Delaware, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the chairman or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without Delaware, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 5. Notice. Notice of any special meeting shall be given at least two days previously thereto by written notice delivered personally, by mail or telegram, to each Director at his business address or at such other address as he shall have previously requested in writing. If mailed, such notice shall be deemed to be delivered two days after being deposited in the United States mails in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, unless otherwise required by law.

SECTION 6. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without

further notice. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless a greater number is required by the Certificate of Incorporation or these by-laws.

SECTION 7. Interested Directors. Except as may otherwise be provided in the Certificate of Incorporation, no contract or transaction between the corporation and one or more of its Directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by the vote of the stockholders; or

(c) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 8. Vacancies. If vacancies occur in the Board of Directors caused by death, resignation, retirement, disqualification or removal from office of any Director or Directors or otherwise, or if any new Directorship is created by any increase in the authorized number of Directors, a majority of the Directors then in office, though less than a quorum, may choose a successor or successors, or fill the newly created Directorship and the Directors so chosen shall hold office until the next annual election of Directors and until their successors shall be duly elected and qualified, unless sooner displaced.

SECTION 9. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the corporation.

(a) The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member, at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the by-laws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(b) **Executive Committee.** The Board of Directors, by resolution adopted by a majority of the whole Board, may designate two or more Directors to constitute an Executive Committee and one or more Directors as alternates thereof. Subject to the limitations provided in these by-laws and such further limitation as might be required by law or by the Certificate of Incorporation or by further resolution of the Board of Directors, the Executive Committee may, during intervals between meetings of the Board of Directors, exercise the powers of the Board of Directors in the management of the business and affairs of the corporation (including the corporation's dealings with its foreign subsidiaries, affiliates, and licensees) and may authorize the seal of the corporation to be affixed to all papers which may require it. The Committee shall not be empowered to take action with respect to: issuing bonds, debentures; increasing or reducing the capital of the corporation; authorizing commitments and expenditures in excess of the total amount or amounts provided in the capital budgets approved or otherwise authorized by the Board of Directors; borrowing of monies, except within limits expressly approved by the Board of Directors; electing officers; fixing the compensation of officers; establishment of stock option plans, profit sharing or similar types of compensation plans, filling vacancies or newly-created directorships on the Board of Directors; removing

officers or directors of the corporation; dissolution, or any other action specifically reserved to the Board of Directors including all matters requiring the approval of stockholders. The Committee may also from time to time formulate and recommend to the Board for approval general policies regarding management of the business and affairs of the corporation. The designation of the Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors or any member thereof of any responsibility imposed upon it or him by operation of law. The secretary of the corporation (or in his absence a person designated by the Executive Committee) shall act as secretary at all meetings of the Executive Committee. A majority of the Committee, from time to time, shall constitute a quorum for the transaction of business and the act of a majority of the Directors present at a meeting in which a quorum is present shall be the act of the Committee, provided that in the absence or disqualification of any member of the Committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Regular meetings of the Committee may be held without notice at such times and at such places as shall be fixed by resolution adopted by a majority of the Committee. Special meetings may be called by any member of the Committee on twenty-four hours' prior written or telegraphic notice.

(c) **Compensation Committee**. The Board of Directors, by resolution adopted by a majority of the whole Board, may designate not less than two Directors to constitute a Compensation Committee and one or more directors as alternate members thereof, none of whom shall be employees of the corporation. In the absence or disqualification of any member of the Committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member, provided that the majority of the Committee, as then constituted, shall not be employees of the corporation. The Compensation Committee shall review and determine from time to time the salaries and other compensation of all elected officers of the corporation and shall submit to the Board of Directors such reports in such form and at such time as the Board of Directors may request.

(d) **Audit Committee**. The Board of Directors, by resolution adopted by a majority of the whole Board, may designate three or more Directors who are not employees of the corporation to constitute an Audit Committee and one or more Directors who are not employees of the corporation as alternate members thereof. The Board of Directors shall adopt a charter setting forth the duties of the Audit Committee. Among other things, the Committee shall review the selection and qualifications of the independent public accountants employed from time to time to audit

the financial statements of the corporation and the scope and adequacy of their audits. The Committee shall also consider recommendations made by such independent public accountants. The Committee may also make such review of the internal financial audits of the corporation as it considers desirable and shall report to the Board any additions or changes which it deems advisable. In the absence or disqualification of any member of the Committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors who is not an employee of the corporation to act at the meeting in the place of any such absent or disqualified member.

(e) **Employee Benefits Committee**. The Board of Directors, by resolution adopted by a majority of the whole Board, may designate three (3) or more individuals, any or all of whom may be non-director employees of the Company, to constitute an Employee Benefits Committee. The Committee shall select, retain or remove the investment managers, advisors, consultants and persons otherwise employed by the Company as named fiduciaries under the Company's employee benefit plans, which actions it shall report to the Board of Directors. The Committee shall review the performance of the trustee or trustees, investment managers, advisors and consultants under said plans with respect to the investment of plan assets. The Committee shall be responsible for the administration of the Company's employee benefit plans and, in fulfilling that responsibility, may delegate to others, whether Company employees or otherwise, specific assignments in administering the plans.

(f) **Corporate Governance and Nominating Committee**, The Board of Directors, by resolution adopted by a majority vote of the whole Board, may designate two or more Directors to constitute a Corporate Governance and Nominating Committee. This Committee shall recommend criteria for Board membership, establish procedures for the receipt and evaluation of suggestions of candidates, and make recommendations to the Board concerning nominees for Board membership. The Committee may recommend to the Board policies and procedures relating to corporate governance and monitor such policies and procedures when established. The Committee may also make recommendations to the Board concerning the number of Directors to serve on the Board and may establish standards for evaluation of the performance of the Directors in order to make recommendations with regard thereto.

(g) **Finance Committee**. The Board of Directors, by resolution adopted by a majority of the whole Board, may designate two or more directors to constitute a Finance Committee and one or more directors as alternate members thereof. The duties and responsibilities of the Finance Committee shall be to review, upon the request of the Chairman or the President, management's

proposals with respect to: the corporation's debt and equity financing; recommendations to the Board with respect to dividend policy and payments; acquisitions and divestitures exceeding the standing authority management has by virtue of the resolution dated December 10, 1993, or its successors; recommendations to the Board concerning the corporation's investment portfolio; the corporation's real estate investments; and other financing and investment matters.

SECTION 10. Consent in Lieu of Meeting. Unless otherwise restricted by the Certificate of Incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee thereof, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

SECTION 11. Compensation. Directors who are also full time employees of the corporation shall not receive any compensation for their services as Directors but they may be reimbursed for reasonable expenses of attendance. By resolution of the Board of Directors, all other Directors may receive, as compensation for their services any combination of: an annual fee; a fee for each meeting attended; shares of stock; or other forms of compensation; together with reimbursement of expenses of attendance, if any, at each regular or special meeting of the Board of Directors or any committee of the Board of Directors; provided, that nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefore.

SECTION 12. Meeting by Conference Telephone. Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors or any committee designated by such Board may participate in a meeting of such Board or committee by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant hereto shall constitute presence in person at such meeting. Unless otherwise required by law, no notice shall be required if a quorum of the Board or any committee is participating.

ARTICLE IV

Officers

SECTION 1. Number. The officers of the corporation shall be a chairman, vice chairman, chairman of the Executive Committee, one or several executive vice presidents or vice presidents (the number thereof to be determined by the Board of Directors), one or several of the vice presidents may be designated "senior vice president" by the Board of Directors, and one of whom may be elected as chief financial officer of the corporation, a treasurer, a controller, a secretary, and other such officers as may be elected in accordance with the provisions of this article. Any two or more offices may be held by the same person.

SECTION 2. Election and Term of Office. The officers of the corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. Chairman. The chairman shall be the chief executive officer of the corporation and shall have general supervision over all of the affairs of the corporation and shall determine and administer the policies of the corporation as established by the Board of Directors or by the Executive Committee. The chairman shall: (i) provide leadership to the Board in reviewing and advising upon matters which exert major influence on the manner in which the corporation's business is conducted; (ii) preside at all meetings of the stockholders and of the Board of Directors; (iii) in the absence of the chairman of the Executive Committee, preside at all meetings of the Executive Committee; and (iv) perform such other duties as may be conferred by law or assigned by the Board of Directors. The chairman may sign, with the secretary or other proper officer of the corporation thereunto authorized by the Board of Directors, stock certificates of the corporation, any deeds, mortgages, bonds, contracts, or other instruments, except in cases where the signing or execution thereof shall be expressly

delegated by the Board of Directors or by these by-laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. The chairman may also execute proxies on behalf of the corporation with respect to the voting of any shares of stock owned by the corporation; have the power to appoint agents or employees as in the chairman's judgment may be necessary or appropriate for the transaction of the business of the corporation; and in general shall perform all duties incident to the office of chairman.

SECTION 6. Vice Chairman. The vice chairman shall assist the chairman in supervising the affairs of the corporation, with special responsibility for integrating acquired businesses into the corporation. In the absence of the chairman, the vice chairman shall preside at all meetings of the stockholders and the Board of Directors. In the event of the absence or disability of the chairman, the vice chairman shall assume all of the duties and responsibilities of that office. The vice chairman may sign any deeds, mortgages, bonds, contracts or other instruments, except in cases where the signing is required to be by some other officer or agent of the corporation. The vice chairman shall perform such other duties as may be designated by the chairman or the Board of Directors.

SECTION 7. Chairman of the Executive Committee. The chairman of the Executive Committee shall preside at all meetings of the Executive Committee; in the absence of the chairman and vice chairman, he shall preside at all meetings of the stockholders and the Board of Directors; he shall act in an advisory capacity to the chairman in all matters concerning the interest and management of the corporation, and he shall perform such other duties as may be assigned to him by the Board of Directors, the Executive Committee or the chairman. In the event of the absence or disability of the chairman and vice chairman, he shall assume all the duties and responsibilities of the office of the chairman. The chairman of the Executive Committee may sign, with the secretary or other proper officer of the corporation thereunto authorized by the Board of Directors, stock certificates of the corporation, any deeds, mortgages, bonds, contracts, or other instruments delegated by the Board of Directors or by these by-laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. The chairman of the Executive Committee may also execute proxies on behalf of the corporation with respect to the voting of any shares of stock owned by the corporation.

SECTION 8. Executive Vice President(s). The executive vice president or executive vice presidents (if elected by the Board of Directors) shall perform such duties not inconsistent with these by-laws as may be assigned to him or them by the chairman or the Board of Directors. In the event of absence or disability of the chairman, and vice chairman and chairman of the Executive Committee, the executive vice president (or in the event there be more than one, the executive vice president determined in the order of election) shall assume all the duties and responsibilities of the office of the chairman.

SECTION 9. Chief Financial Officer. The chief financial officer (if elected by the Board of Directors) shall have general supervision over the financial affairs of the corporation.

SECTION 10. The Vice President(s). The Board of Directors may designate any vice president as a senior vice president. In the event of absence or disability of the chairman and vice chairman, the chairman of the Executive Committee and all executive vice presidents, the senior vice presidents) or the vice president(s) in the order of election, shall assume all the duties and responsibilities of the office of the chairman. Any senior vice president or any vice president may sign, with the secretary or an assistant secretary, stock certificates of the corporation; and shall perform such other duties as from time to time may be assigned to him by the chairman or by the Board of Directors. In general, the vice president (or vice presidents, including the senior vice president or senior vice presidents) shall perform such duties not inconsistent with these by-laws as may be assigned to him (or them) by the chairman, the executive vice presidents or by the Board of Directors.

SECTION 11. The Treasurer. If required by the Board of Directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all such monies in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article VI of these by-laws; (b) in general perform all duties incident to the office of treasurer and such other duties not inconsistent with these by-laws as from time to time may be assigned to him by the Board of Directors, or by the chairman, or any vice president designated for such purpose by the chairman.

SECTION 12. The Secretary. The secretary shall: (a) keep the minutes of the stockholders' and the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all stock certificates prior to the issue thereof and to all documents, the execution of which on behalf of the corporation under its seal is required; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) sign with a vice president, or the chairman, stock certificates of the corporation, the issue of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; (g) act as secretary at all meetings of the Executive Committee; and (h) in general perform all duties incident to the office of secretary and such other duties not inconsistent with these by-laws as from time to time may be assigned to him by the chairman or by the Board of Directors.

SECTION 13. The Controller. The controller shall provide guidance and evaluation with respect to the corporation's accounting and related functions, control and procedures systems, budget programs, and coordinate same on a divisional and overall corporate level. The controller shall report to such officer or officers of the corporation and perform such other duties incident to the office of controller as may be prescribed from time to time by the chairman, chief financial officer, or by the Board of Directors.

SECTION 14. Assistant Treasurers and Assistant Secretaries. The chairman may appoint one or more assistant treasurers and one or more assistant secretaries who shall serve as such until removed by the chairman or the Board of Directors. The assistant treasurers may be required to give bonds for the faithful discharge of their duties in such sums and with such sureties as the chairman shall determine. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the chairman, but shall not be considered to be officers of the corporation solely by reason of such appointments or titles.

SECTION 15. Appointive Presidents and Vice Presidents. The chairman may from time to time designate employees of the corporation who are managing one or several groups, divisions, or other operations of the corporation as "President", "Vice President", or similar title, which employees shall not be considered to be officers of the corporation solely by reason of such appointments or titles. The chairman shall report such appointments to the Compensation Committee at least annually.

SECTION 16. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors on a monthly basis and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the corporation.

ARTICLE V

Indemnification of Officers, Directors Employees and Agents

SECTION 1. Non-Derivative Actions and Criminal Prosecutions. To the extent permitted by applicable law from time to time in effect, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer,

employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 2. Derivative Actions. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

SECTION 3. Right to Indemnification. To the extent that a Director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 4. Where No Adjudication. Any indemnification under Sections 1 and 2 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in said Sections 1 and 2. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of

Directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable and a quorum of disinterested Directors so directs, by independent legal counsel (compensated by the corporation) in a written opinion, or (iii) by the stockholders.

SECTION 5. Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this Article.

SECTION 6. Non-exclusive. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, officer, employee, or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article or of applicable law.

ARTICLE VI

Contracts, Loans, Checks and Deposits

SECTION 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of any on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII

Stock Certificates

SECTION 1. Stock Certificates. Certificates representing shares of stock of the corporation shall be in such form as may be determined by the Board of Directors, shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the chairman, the chairman of the Executive Committee, or a vice president and the treasurer or an assistant treasurer or the secretary or an assistant secretary, and shall be sealed with the seal of the corporation. If a stock certificate is countersigned (a) by a transfer agent other than the corporation or its employee, or (b) by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 2. Lost Certificates. The Board of Directors may from time to time make such provision as it deems appropriate for the replacement of lost, stolen or destroyed stock certificates, including the requirement to furnish an affidavit and an indemnity.

SECTION 3. Transfers of Stock. Upon surrender to the corporation or the transfer agent of the corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment of authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon the books of the corporation. The person in whose name shares of stock stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation.

SECTION 4. Transfer Agents and Registrars. The Board of Directors may appoint one or more transfer agents and registrars and may thereafter require all stock certificates to bear the signature of a transfer agent and registrar.

SECTION 5. Rules of Transfer. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration of stock certificates of the corporation.

ARTICLE VIII

Fiscal Year

The fiscal year of the corporation shall begin on the first day of January in each year and end on the thirty-first of December in each year.

ARTICLE IX

Dividends

The Board of Directors may from time to time, declare, and the corporation may pay, dividends on its outstanding shares of stock in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

ARTICLE X

Seal

The Board of Directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware".

ARTICLE XI

Waiver of Notice

Whenever any notice whatever is required to be given under the provisions of these by-laws or under the provisions of the Certificate of Incorporation or under the provisions of The General Corporation Law of Delaware, waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of

any person at a meeting for which any notice whatever is required to be given under the provisions of these by-laws, the Certificate of Incorporation or The General Corporation Law of Delaware shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Statement Under Oath of Principal Executive Officer
Regarding Facts and Circumstances Relating to Exchange Act Filings**

I, W. James Farrell, Chairman and Chief Executive Officer, state and attest that:

(1) To the best of my knowledge, based upon a review of the covered reports of Illinois Tool Works Inc., and, except as corrected or supplemented in a subsequent covered report:

- no covered report contained an untrue statement of a material fact as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed); and
- no covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed).

(2) I have reviewed the contents of this statement with Illinois Tool Works Inc.'s Audit Committee.

(3) In this statement under oath, each of the following, if filed on or before the date of this statement, is a "covered report":

- Annual Report on Form 10-K for the year ended December 31, 2001;
- all reports on Form 10-Q, all reports on Form 8-K and all definitive proxy materials of Illinois Tool Works Inc. filed with the Commission subsequent to the filing of the Form 10-K identified above; and
- any amendments to any of the foregoing.

/s/ W. James Farrell
W. James Farrell
Chairman and Chief Executive Officer
August 12, 2002

Subscribed and sworn to before
me this 12th day of August 2002.

/s/ Phillip J. McGovern
Notary Public
My Commission Expires: 9/25/05
[NOTARY SEAL]

**Statement Under Oath of Principal Financial Officer
Regarding Facts and Circumstances Relating to Exchange Act Filings**

I, Jon C. Kinney, Senior Vice President and Chief Financial Officer, state and attest that:

(1) To the best of my knowledge, based upon a review of the covered reports of Illinois Tool Works Inc., and, except as corrected or supplemented in a subsequent covered report:

- no covered report contained an untrue statement of a material fact as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed); and
- no covered report omitted to state a material fact necessary to make the statements in the covered report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report (or in the case of a report on Form 8-K or definitive proxy materials, as of the date on which it was filed).

(2) I have reviewed the contents of this statement with Illinois Tool Works Inc.'s Audit Committee.

(3) In this statement under oath, each of the following, if filed on or before the date of this statement, is a "covered report":

- Annual Report on Form 10-K for the year ended December 31, 2001;
- all reports on Form 10-Q, all reports on Form 8-K and all definitive proxy materials of Illinois Tool Works Inc. filed with the Commission subsequent to the filing of the Form 10-K identified above; and
- any amendments to any of the foregoing.

/s/ Jon C. Kinney
Jon C. Kinney
Sr. Vice President and Chief Financial Officer
August 12, 2002

Subscribed and sworn to before
me this 12th day of August 2002.

/s/ Phillip J. McGovern
Notary Public
My Commission Expires: 9/25/05
[NOTARY SEAL]