

ILLINOIS TOOL WORKS INC (ITW)

8-K

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

December 10, 2010

ILLINOIS TOOL WORKS INC.

(Exact name of registrant as specified in its charter)

Delaware

1-4797

36-1258310

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

3600 West Lake Avenue, Glenview, Illinois

60026-1215

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

Not Applicable

847-724-7500

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of **Certain Officers**; **Compensatory Arrangements of Certain Officers**.

(e) At its December 10, 2010 meeting, the Board of Directors approved the following:

- (i) Illinois Tool Works Inc. 2011 Executive Incentive Plan (the "Annual Plan"),
- (ii) An amendment and restatement of the Illinois Tool Works Inc. 2006 Stock Incentive Plan, including an amendment to change the name of such plan to the Illinois Tool Works Inc. 2011 Long-Term Incentive Plan (the "Long-Term Plan"), and
- (iii) Illinois Tool Works Inc. 2011 Change-in-Control Severance Compensation Policy (the "Severance Plan").

The following is a description of each of these plans.

2011 Executive Incentive Plan ("Annual Plan")

The Annual Plan will replace the Company's existing Executive Incentive Plan. The Annual Plan is for employees of the Company or any of its subsidiaries who are approved for participation by the Compensation Committee ("Committee") or management of the Company.

The Annual Plan provides for awards to be earned over a calendar year performance period. On or before March 31 of each year, the Committee may establish and/or approve individual performance objectives, or O Factor objectives, as well as objectives to measure business performance of the Company or any of its business units, or P Factor objectives, and in each case, may establish a formula to determine the percentage of the maximum award amounts to be payable based upon the degree of attainment of the O Factor and P Factor objectives. The first performance period to be under the Annual Plan will be calendar year 2012.

If a participant's employment is terminated by death, disability or retirement, the participant is to receive a portion of the awards, based on the degree of achievement, determined as if he or she had remained employed for the entire year, prorated for the number of days during the year that have elapsed as of the termination date. If a participant's employment is terminated for a reason other than death, disability or retirement, the awards will be forfeited, unless the Committee determines otherwise. The Committee may terminate any participant's rights to receive an award at any time prior to the payment date, provided that a participant's participation may not be terminated within the 90-day period prior to the date of any Corporate Change. Corporate Change is defined in the Annual Plan generally as a change in control of the Company due to (i) dissolution, (ii) merger, consolidation or reorganization after which the stockholders of the Company immediately prior to the effective date thereof hold less than 70% of the outstanding common stock of the surviving entity, (iii) the sale to a third party of Company assets having a total gross fair market value of at least 40% of the total gross fair market value of all Company assets, (iv) any person or group acting in concert, other than descendants of Byron L. Smith and related trusts, becoming the beneficial owner of more than 30% of the Company's outstanding common stock, or (v) the composition of the Board changes by more than 50%.

If a Corporate Change occurs and an award is not replaced with a similar award of equivalent value and on terms at least as favorable as the original award (a "Replacement Award"), the award shall be deemed to be earned and immediately payable in full at the target level (or actual achievement level if greater), prorated for the number of days in the year that have elapsed as of the date of the Corporate Change. If a participant's awards are replaced with Replacement Awards in connection with a Corporate Change, and prior to the end of the performance period of any such award the participant's employment is terminated by the Company without Cause or by the participant for Good Reason, the Replacement Awards shall be immediately payable in full at the target level (or actual achievement level if greater), prorated for the number of days in the year that have elapsed as of the date of termination. Generally, a participant's employment would be deemed to have been terminated for Cause if the participant (i) participates in dishonesty, fraud, misrepresentation, embezzlement or deliberate injury to the Company, (ii) commits any unlawful or criminal activity of a serious nature, (iii) intentionally breaches a duty or duties that are material in relation to his or her overall duties, or (iv) materially breaches any confidentiality or noncompete agreement with the Company or any of its subsidiaries. Generally, a participant will be deemed to have terminated his or her employment for Good Reason if there occurs (i) a material reduction in overall responsibilities, level of authority, or level of reporting; (ii) any material reduction in base salary other than one which applies to all non-union employees of the Company or subsidiary, or (iii) the participant is required to relocate more than 50 miles from his or her previous location. The Annual Plan provides that any adjustment or termination of a participant's participation in the Annual Plan that occurs at any time on or after the 90th day preceding a Corporate Change shall be of no effect.

All awards under the Annual Plan are subject to forfeiture in order to comply with applicable law, regulation, stock exchange rule or accounting rule, or to comply with any Company policy regarding the recovery of erroneously awarded incentive-based compensation.

The Board of Directors also approved the Illinois Tool Works Inc. 2011 Cash Incentive Plan, subject to stockholder approval at the Company's 2011 Annual Meeting of Stockholders. If the 2011 Cash Incentive Plan is approved at the Annual Meeting, executives with respect to whom the limitations of Internal Revenue Code Section 162(m) applies will receive annual cash incentive awards under the 2011 Cash Incentive Plan rather than the Annual Plan commencing with the 2012 performance period.

2011 Long-Term Incentive Plan ("Long-Term Plan")

The Board approved an amendment and restatement of the 2006 Stock Incentive Plan, including a change in the name of the plan to the 2011 Long-Term Incentive Plan, effective for all grants under the plan on or after January 1, 2011. The amendments include provisions to: (i) change the vesting provisions upon a change in control to a double trigger from a single trigger for awards that are replaced or continued in connection with a change-in-control, (ii) prohibit the purchase of underwater options, (iii) provide that awards under the plan are subject to any Company policy regarding the recovery of erroneously awarded incentive-based compensation, (iv) restrict dividends and other distributions on stock awards to the same extent that restrictions apply to the underlying awards unless otherwise provided by the Committee, (v) impose a minimum vesting period of three years for restricted stock awards (one year for performance-based stock awards), (vi) impose a maximum term of 10 years for stock appreciation rights, (vii) change the limitation on options that may be granted in any calendar year to a single participant from 500,000 to 1,000,000, (viii) provide that upon a stock split, stock dividend or similar event the maximum share or unit limitations contained in the Long-Term Plan shall be equitably adjusted, and (ix) make other non-material changes relating to plan administration or clarification.

A detailed description of the material terms of the Long-Term Plan is included under "Approval of the Illinois Tool Works Inc. 2006 Stock Incentive Plan" in the Company's definitive proxy statement filed with the Securities and Exchange Committee on March 28, 2006, which description is incorporated herein by reference.

2011 Change-in-Control Severance Compensation Policy (the "Severance Plan")

The purpose of the Severance Plan is generally to encourage executives to remain as employees of the Company notwithstanding the time pressure and financial uncertainty which may result from a proposed or threatened Corporate Change (defined as described above under "2011 Executive Incentive Plan"). The Severance Plan is to become effective January 1, 2011 and is for full-time employees who are designated by the Committee as eligible to participate in the Severance Plan. The Committee has designated the elected officers of the Company, being the President and Chief Executive Officer, the Vice Chairmen, the Executive Vice Presidents and the Senior Vice Presidents, as eligible for participation in the Severance Plan.

If a Corporate Change occurs and a participant's annual or long-term incentive cash performance awards are continued or replaced with Replacement Awards and within two years thereafter, the participant's employment is terminated by the Company without Cause or by the participant for Good Reason, the participant shall be entitled to receive: (i) a lump sum payment in an amount equal to two times the sum of the participant's base pay plus the average of the last three years annual incentive bonus payments; plus (ii) a lump sum payment equal to the full value of the participant's annual bonus award payable at the target amount (or actual achievement amount if greater), prorated for the number of days in the year that have elapsed as of the termination date; plus (iii) a lump sum payment equal to the full value of any cash incentive award with a performance period greater than one year, at the target amount (or actual achievement amount if greater), prorated for the number of days in the performance period that have elapsed as of the termination date. If a Corporate Change occurs and a participant's annual or long-term incentive cash performance awards are not continued or replaced with Replacement Awards, then the annual and long-term cash incentive performance awards described in clauses (ii) and (iii) in the preceding sentence shall be immediately payable. The terms "Replacement Awards," "Cause" and "Good Reason" are defined as described above under "2011 Executive Incentive Plan."

The amount of any cash payments determined under the Severance Plan shall be reduced by any cash payments in the nature of severance payments paid or payable by the Company or any of its subsidiaries pursuant to any other agreement, policy, program, arrangement or requirement of law (other than the Severance Plan or cash payments received in lieu of stock incentives). All payments under the Severance Plan are subject to forfeiture in order to comply with applicable law, regulation, stock exchange rule or accounting rule, or to comply with any Company policy regarding the recovery of erroneously awarded incentive-based compensation.

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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 hereunto duly authorized.

ILLINOIS TOOL WORKS INC.

December 16, 2010

By: *James H. Wooten, Jr.*

Name: James H. Wooten, Jr.

Title: Senior Vice President, General Counsel & Secretary

Exhibit No.	Description
99.1	Illinois Tool Works Inc. 2011 Executive Incentive Plan
99.2	Amended and Restated Illinois Tool Works Inc. 2011 Long-Term Incentive Plan
99.3	Illinois Tool Works Inc. 2011 Change-in-Control Severance Compensation Policy

**ILLINOIS TOOL WORKS INC.
2011 EXECUTIVE INCENTIVE PLAN**

(Adopted by the Board of Directors on December 10, 2010)

(Effective March 1, 2011)

SECTION 1 PURPOSE

The purpose of the Plan is to provide key employees with a meaningful annual incentive opportunity geared to the achievement of specific corporate, operating group or individual performance goals.

SECTION 2 DEFINITIONS

162(m) Participant: A Participant in the Plan with respect to whom the Committee determines that the limitation on deductibility imposed by Section 162(m) of the Code could apply.

162(m) Plan: The Illinois Tool Works Inc. 2011 Cash Incentive Plan or any successor plan of the Company that applies to incentive cash compensation paid to 162(m) Participants.

Award: The opportunity to earn cash compensation under this Plan, subject to the achievement by the Company and/or the Participant of one or more Performance Goals and such other terms and conditions as the Committee may impose.

Board: The Board of Directors of the Company.

Cause: A Participant's employment shall be deemed to have been terminated for Cause if, without the written consent of the Company, the Participant (i) participates in dishonesty, fraud, misrepresentation, embezzlement or deliberate injury or attempted injury, in each case related to the Company, an Employer or a Subsidiary, (ii) commits any unlawful or criminal activity of a serious nature, (iii) commits any intentional and deliberate breach of a duty or acting in concert, individually or in the aggregate, are material in relation to the Participant's overall duties or (iv) materially breaches any confidentiality or noncompete agreement entered into with the Company or an Employer. The Company shall have the burden of proving that Cause exists. For purposes of this Plan, the Participant shall not be deemed to have been terminated for "Cause" hereunder unless (i) the Participant receives a Notice of Termination setting forth the grounds for the termination at least 30 calendar days prior to the specified Termination Date, (ii) if requested by the Participant, the Participant (and/or the Participant's counsel or other representative) is granted a hearing before the full Board and (iii) a majority of the members of the full Board determine that the Participant violated one or more of the provisions of the definition of "Cause" set forth above.

Code: The Internal Revenue Code of 1986, as amended.

Committee: The Compensation Committee of the Board or such other committee appointed by the Board to administer the Plan.

Company: Illinois Tool Works Inc., a Delaware corporation, and any successor thereto.

Corporate Change: Any of the following: (i) the dissolution of the Company; (ii) the merger, consolidation, or reorganization of the Company with any other corporation after which the holders of the Company's common stock immediately prior to the effective date thereof hold less than 70% of the outstanding common stock of the surviving or resulting entity; (iii) the sale to any person or entity, other than a wholly owned subsidiary, of Company assets having a total gross fair market value of at least 40% of the total gross fair market value of all Company assets; (iv) any entity, person or group of persons acting in concert, other than descendants of Byron L. Smith and trusts for the benefit of such descendants, becoming the beneficial owner, directly or indirectly, of more than 30% of the Company's outstanding common stock; or (v) the individuals who, as of the close of the most recent annual meeting of the Company's stockholders, are members of the Board (the "Existing Directors") ceasing for any reason to constitute more than 50% of the Board; provided, however, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least 50% of the Existing Directors, such new director shall be considered an Existing Director; provided further, however, that no individual shall be considered an Existing Director if such individual initially assumed office as a result of either (i) a stockholder nomination pursuant to Rule 14a-11 under the Securities Exchange Act of 1934, as amended, or any successor rule thereto, or (ii) an actual or threatened solicitation of proxies by or on behalf of anyone other than the Board.

Disabled: A Participant who is considered disabled within the meaning of the Company's Savings and Investment Plan, as amended from time to time, or other retirement plan applicable to the Participant.

Employer: The Company or any Subsidiary of the Company which employs a Participant.

Final Award: The final cash payment with respect to an Award as determined by the Committee following the end of the Performance Year for such Award.

Good Reason: Means, without the express written consent of the Participant: (i) any material reduction in overall responsibilities, level of authority, or level of reporting (for Vice Presidents and above); (ii) any material reduction in base salary other than a reduction which is applied to all non-union employees of the Company or Subsidiary in the same dollar amount or percentage; or (iii) the Company's or Subsidiary's requiring the Participant to perform services at any office or location that is in excess of 50 miles from the principal location of the Participant's work during the 90-day period immediately preceding the Corporate Change, except for travel reasonably required in the performance of the Participant's responsibilities. Before a termination by the Participant will constitute termination for Good Reason, the Participant must give notice of his or her termination of employment within 90 calendar days of the occurrence of the event that constitutes Good Reason. Failure to provide such notice within such 90-day period shall be conclusive proof that the Participant shall not have Good Reason to terminate employment. For purposes of this paragraph, Good Reason shall exist only if the Company or Subsidiary fails to remedy the event or events constituting Good Reason within 30 calendar days after receipt of the notice of termination of employment from the Participant.

O Factor: Performance objectives for individual key employees determined pursuant to Section 4.

O Factor Award: A Final Award to be paid to a Participant pursuant to Section 6 based on the degree of achievement of the related O Factors.

P Factor: Performance objectives for the Company as a whole or any of its business units determined pursuant to Section 5 based on the degree of achievement of the related P Factors.

P Factor Award: A Final Award to be paid to a Participant pursuant to Section 6.

Participant: Any employee of the Company or a Subsidiary who is approved by the Committee or management of the Company to participate in the Plan.

Performance Goals: The performance objectives established by the Committee with respect to O Factors or P Factors.

Performance Year: The calendar year with respect to which Performance Goals applicable to Awards are measured.

Plan: The Illinois Tool Works Inc. 2011 Executive Incentive Plan, as amended from time to time.

Retirement: Voluntary termination of employment while eligible for retirement as defined by the Committee in connection with an Award or if not so defined, as defined by the Company's tax-qualified defined benefit retirement plan.

Subsidiary: Any entity in which the Company directly or through intervening subsidiaries owns 50% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 50% or more interest in the capital and profits.

SECTION 3 ADMINISTRATION

The Committee shall have full and final authority, in its discretion, but subject to the express provisions of the Plan, to establish the terms and conditions of Awards, to determine the extent to which cash payments are actually earned pursuant to Awards and the amounts to be paid, and to interpret this Plan and to make all determinations necessary or advisable for the administration of this Plan.

The Committee may establish and/or approve O Factors and P Factors that measure the performance of the Company as a whole, of any Subsidiary, division or other business unit of the Company, and/or of the Participant. The Committee may establish and/or approve one or more subjective Performance Goals provided that such Performance Goals comply with the requirements of Treasury Regulation §409A-1(e)(2). In establishing or approving Performance Goals based on financial measures and in measuring the attainment of such Performance Goals, the Committee may in its discretion exclude the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting charges and other unusual or nonrecurring items, asset impairment and the effect of foreign currency fluctuations.

For each Performance Year, the Committee or management of the Company shall determine the Participants who shall receive Awards relating to such Performance Year, and shall establish and/or approve and communicate to such Participants the Performance Goals and other terms and conditions of the Awards for such Performance Year.

As soon as reasonably practicable following the end of a Performance Year, the Committee shall determine to what extent the Performance Goals applicable to each Award have been attained, and in each case shall determine the Final Award. In the event that a Participant has transferred from one position to another during the Performance Year, the Committee may make appropriate adjustments to the Final Award, including adjustments to the combination of Performance Goals applied in determining the Final Award.

Final Awards shall be paid to all Participants who are U.S. taxpayers no later than March 15 of the calendar year following the Performance Year, subject to the Participant's continued employment with the Company or a Subsidiary as of the date on which the Final Award is paid.

The determination of the Committee on all matters relating to the Plan and all Awards shall be made in the sole discretion of the Committee, and shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

SECTION 4 O FACTOR AWARDS

On or before March 31 of each fiscal year (and in any event before the achievement of the performance objectives become substantially certain to be met), the Committee may establish and/or approve written O Factors for each Participant and a formula to determine the percentage of the maximum O Factor Award payable to the Participant based upon the degree of attainment of the O Factors. O Factors shall measure a Participant's management effectiveness for the applicable fiscal year.

SECTION 5 P FACTOR AWARDS

On or before March 31 of each fiscal year (and in any event before the achievement of the performance objectives become substantially certain to be met), the Committee may establish and/or approve written P Factors for each Participant and a formula to determine the percentage of the maximum P Factor Award payable to the Participant based upon the degree of attainment of the P Factors. P Factors shall measure business performance for the applicable fiscal year.

SECTION 6 AWARD PAYMENTS

An O Factor or P Factor Award is payable in cash to a Participant based upon the degree of achievement of the related O Factors or P Factors during the applicable fiscal year, as certified in writing by the Committee following the release of the Company's audited financial statements for the applicable fiscal year. With the approval of the Committee, a Participant who is covered by the stock ownership guidelines adopted by the Board, as amended from time to time, may elect to receive up to 50% of an Award in Common Stock under the Company's 2011 Long-Term Incentive Plan or other equity incentive plan then in effect, and a Participant also may defer payment of an Award under rules established by the Committee. Any O Factor or P Factor Award may be adjusted by the Committee.

SECTION 7 TERMINATION OF EMPLOYMENT OR PARTICIPATION

- (a) Termination of Employment Due to Death, Disability or Retirement. If a Participant's employment is terminated by reason of death, Disability or Retirement, the Participant, or the Participant's estate, shall receive an O Factor Award and/or a P Factor Award, determined as if the Participant had remained employed for the entire fiscal year, prorated for the number of days during the fiscal year that have elapsed as of the Participant's termination, and subject to the first sentence of Section 6.
- (b) Termination of Employment for Other Reasons. If a Participant's employment is terminated for a reason not specified in Section 7(a), the Participant's rights to any O and P Factor Awards for such fiscal year will be forfeited. However, the Committee may pay prorated O and P Factor Awards for the portion of the fiscal year that the Participant was employed by the Company or a Subsidiary.
- (c) Termination of Participation. The Committee may terminate any Participant's rights to an O or P Factor Award at any time prior to the applicable payment date; provided, that the Committee may not, within the 90-day period prior to the date of a Corporate Change or at any time on or after such date, terminate or adjust any Participant's participation with respect to the current fiscal year.

SECTION 8 CORPORATE CHANGE

- (a) Notwithstanding any provisions of Section 7 to the contrary, in the event of a Corporate Change, if a Participant's O Factor and P Factor Awards are not replaced with Replacement Awards (defined below) at the time of the Corporate Change, then each such Award shall be deemed to be earned and immediately payable in an amount equal to the full value of the Award (with all applicable performance goals deemed achieved at the greater of (x) the applicable target amount as notified to the Participant for the performance period in which the Corporate Change occurs, and (y) the level of achievement of the performance goals for each Award as determined by the Committee not later than the date of the Corporate Change, taking into account performance through the latest date preceding the Corporate Change as to which performance can, as a practical matter, be determined (but not later than the end of the performance period)), prorated for the number of days in the fiscal year that have elapsed as of the date of the Corporate Change; provided, however, that such fraction shall be equal to one in the event that the applicable performance goals in respect of an Award have been fully achieved as of the date of such Corporate Change. A "Replacement Award" is an Award that is (i) of the same type as the Award being replaced, (ii) has a value at least equal to the value of the Award being replaced, and (iii) contains terms and conditions that are not less favorable to the Participant than the terms and conditions of the Award being replaced. A Replacement Award may take the form of a continuation of the original Award if the requirements in the preceding sentence are satisfied. The determination of whether such requirements are satisfied shall be made by the Committee, as constituted immediately before the Corporate Change, in its sole discretion.
- (b) Notwithstanding any provisions of Section 7 to the contrary, if a Participant's Awards are replaced with Replacement Awards in connection with a Corporate Change, and prior to the end of the performance period of any such Replacement Award: (i) a Participant's employment by an Employer shall be terminated by the Employer without Cause, or (ii) the Participant shall terminate employment with an Employer for Good Reason, then the Participant shall receive an amount equal to the full value of the Participant's Replacement Awards, as notified to the Participant for the year in which the termination occurs (with all applicable performance goals deemed achieved at the greater of (x) the applicable target amount as notified to the Participant for the performance period in which the termination occurs, and (y) the level of achievement of the performance goals for such Replacement Award, taking into account performance through the latest date preceding the termination as to which performance can, as a practical matter, be determined (but not later than the end of the performance period)), prorated for the number of days in the fiscal year that have elapsed as of the date of the termination, payable immediately in cash. Any adjustment or termination of a Participant's participation in the Plan that occurs at any time on or after the 90th day preceding a Corporate Change shall be of no effect.

SECTION 9 GENERAL PROVISIONS

- (a) With respect to any Participant who is a 162(m) Participant, the Plan shall be interpreted and administered in a manner that is consistent with the provisions of the 162(m) Plan, and in the event of any inconsistency between this Plan and the 162(m) Plan, the relevant provisions of the 162(m) Plan shall prevail.
- (b) The Plan is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code. Awards under the Plan are intended to be "short-term deferrals" and to be "performance-based compensation" within the meaning of the regulations promulgated under Section 409A of the Code. The Plan shall be interpreted and administered in a manner that is consistent with this Section 9(b).
- (c) The Company may withhold or cause to be withheld from Final Awards such amounts as are necessary to satisfy all U.S. federal, state and local and non-U.S. withholding tax requirements related thereto.
- (d) The Plan is intended to constitute an "unfunded" plan and Participants shall have no claim against the Company or its assets other than as unsecured general creditors. Neither the Company nor any Subsidiary shall be required to fund, or otherwise segregate assets to be used for payment of, benefits under the Plan.
- (e) Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Participant the right to continued employment or to any benefits not specifically provided under the Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend or terminate any of their respective employee benefit plans.
- (f) The Committee's determinations under this Plan need not be uniform, and may be made by the Committee selectively among individuals who receive, or are eligible to receive, Awards, whether or not such individuals are similarly situated. Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations as to (a) the identity of the Participants, (b) the terms and provisions of Awards and (c) the treatment of Awards if a Participant's employment terminates.
- (g) Nontransferability. No right or interest of any Participant in this Plan shall be assignable or transferable, or subject to any lien, directly, by operation of law or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy.
- (h) Forfeiture. Notwithstanding anything to the contrary contained in this Plan, any Award hereunder is subject to forfeiture, in whole or in part (and the Committee may from time to time amend the amount of any Award to be paid hereunder) in order to: (i) comply with applicable law, regulation, stock exchange rule or accounting rule, or (ii) comply with any Company policy regarding the recovery of erroneously awarded incentive-based compensation.
- (i) Amendment or Termination. Except as provided in Sections 7(c), 8 and 9(h), the Board may amend, modify or terminate the Plan at any time provided, that, neither the Plan nor any Award may be amended in a manner that would cause the Plan or any Award hereunder to be subject to and not to comply with the provisions of Section 409A of the Code or the regulations promulgated thereunder.
- (j) The law of the State of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to this Plan.

ILLINOIS TOOL WORKS INC. 2011 LONG-TERM INCENTIVE PLAN

(Approved by the Board of Directors December 10, 2010)

(Effective January 1, 2011)

Section 1. Purpose.

The purpose of the Illinois Tool Works Inc. 2011 Long-Term Incentive Plan (the "Plan") is to encourage Key Employees and Directors to have a greater financial interest in the Company through ownership of its Common Stock and/or long-term cash incentives. The Plan is an amendment and restatement of the Illinois Tool Works Inc. 2006 Stock Incentive Plan (the "2006 Plan"), and the 2006 Plan was established as an amendment and restatement of the Illinois Tool Works Inc. 1996 Stock Incentive Plan, as amended (the "1996 Plan"). The Premark International, Inc. 1994 Incentive Plan (the "Premark Plan") was merged into the 1996 Plan effective May 9, 2003. The 2006 Plan amended and restated the 1996 Plan to merge the non-deferral provisions of the Illinois Tool Works Inc. Non-Officer Directors' Fee Conversion Plan (the "Directors' Fee Conversion Plan") into the 2006 Plan, change the name of the 1996 Plan to the "Illinois Tool Works Inc. 2006 Stock Incentive Plan," and make other desired changes. The Plan amends and restates the 2006 Plan and changes the name of the 2006 Plan to the "Illinois Tool Works Inc. 2011 Long-Term Incentive Plan" effective January 1, 2011.

Section 2. Definitions.

Affiliate: A corporation or other entity controlled by, controlling, or under common control with, the Company.

Board: The Board of Directors of the Company.

Cause: A Participant's employment shall be deemed to have been terminated for Cause if, without the written consent of the Company, the Participant (i) participates in dishonesty, fraud, misrepresentation, embezzlement or deliberate injury or attempted injury, in each case related to the Company or a Subsidiary, (ii) commits any unlawful or criminal activity of a serious nature, (iii) commits any intentional and deliberate breach of a duty or duties that, individually or in the aggregate, are material in relation to the Participant's overall duties or (iv) materially breaches any confidentiality or noncompete agreement entered into with the Company or a Subsidiary. The Company shall have the burden of proving that Cause exists. For purposes of this Plan, the Participant shall not be deemed to have been terminated for "Cause" hereunder unless (i) the Participant receives a Notice of Termination setting forth the grounds for the termination at least 30 calendar days prior to the specified Termination Date, (ii) if requested by the Participant, the Participant (and/or the Participant's counsel or other representative) is granted a hearing before the full Board and (iii) a majority of the members of the full Board determine that the Participant violated one or more of the provisions of the definition of "Cause" set forth above.

Code: The Internal Revenue Code of 1986, as amended.

Committee: The Compensation Committee of the Board.

Common Stock: The common stock of the Company or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 10.

Company: Illinois Tool Works Inc., a Delaware corporation, and any successor thereto.

Corporate Change: Any of the following: (i) the dissolution of the Company; (ii) the merger, consolidation or reorganization of the Company with any other corporation, or any similar transaction, after which the holders of Common Stock immediately prior to the effective date thereof hold less than 70% of the outstanding common stock of the surviving or resulting entity; (iii) the sale to any person or entity, other than a wholly owned subsidiary, of Company assets having a total gross fair market value of at least 40% of the total gross fair market value of all Company assets; (iv) any entity, person or group of persons acting in concert, other than descendants of Byron L. Smith and trusts for the benefit of such descendants, becomes the beneficial owner, directly or indirectly, of more than 30% of the outstanding Common Stock; or (v) the individuals who, as of the close of the most recent annual meeting of the Company's stockholders, are members of the Board (the "Existing Directors") cease for any reason to constitute more than 50% of the Board; provided, however, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least 50% of the Existing Directors, such new director shall be considered an Existing Director; provided further, however, that no individual shall be considered an Existing Director if such individual initially assumed office as a result of either (i) a stockholder nomination pursuant to Rule 14a-11 under the Securities Exchange Act of 1934, as amended, or any successor rule thereto, or (ii) an actual or threatened solicitation of proxies by or on behalf of anyone other than the Board.

Corporate Transaction: A transaction defined in Section 10(a) as a Corporate Transaction.

Covered Employee: A Key Employee who is or is expected to be a "covered employee" under Code Section 162(m) for the year in which an Incentive is taxable to such employee.

Director: An individual who is a member of the Board but who is not an employee of the Company.

Fair Market Value: The closing market price of Common Stock on the relevant date, as reported in the New York Stock Exchange section (or any successor thereto) of *The Wall Street Journal*, or, if no sales of Common Stock were reported for that date, on the most recent preceding date on which Common Stock was traded.

Good Reason: Any of the following which occur without the express written consent of the Participant: (i) any material reduction in overall responsibilities, level of authority, or level of reporting (for Vice Presidents and above); (ii) any material reduction in base salary other than a reduction which is applied to all non-union employees of the Company or Subsidiary in the same dollar amount or percentage; or (iii) the Company's or Subsidiary's requiring the Participant to perform services at any office or location that is in excess of 50 miles from the principal location of the Participant's work during the 90-day period immediately preceding the Corporate Change, except for travel reasonably required in the performance of the Participant's responsibilities. Before a termination by the Participant will constitute termination for Good Reason, the Participant must give notice of his or her termination of employment within 90 calendar days of the occurrence of the event that constitutes Good Reason. Failure to provide such notice within such 90-day period shall be conclusive proof that the Participant shall not have Good Reason to terminate employment. For purposes of this paragraph, Good Reason shall exist only if the Company or Subsidiary fails to remedy the event or events constituting Good Reason within 30 calendar days after receipt of the notice of termination of employment from the Participant.

Incentive Stock Option: An Option as defined in Code Section 422.

Incentives: Options (including Incentive Stock Options), Stock Awards, Performance Units, Restricted Stock Units and Stock Appreciation Rights.

Key Employee: An employee of the Company or a Subsidiary who has been approved by the Committee, Chief Executive Officer or other officer, as applicable, for participation in the Plan.

Option: An option to purchase shares of Common Stock granted to a Participant pursuant to Section 5.

Participant: A Key Employee or Director who has been granted an Incentive.

Performance Unit: A unit representing a cash sum or a share of Common Stock that is granted to a Participant pursuant to Section 7.

Plan: The Illinois Tool Works Inc. 2011 Long-Term Incentive Plan, as amended from time to time.

Restricted Stock: Shares of Common Stock issued subject to restrictions pursuant to Section 6(b).

Restricted Stock Unit: A unit representing a share of Common Stock that is granted to a Participant pursuant to Section 8.

Stock Appreciation Right: An award granted to a Participant pursuant to Section 9.

Stock Award: An award of Common Stock granted to a Participant pursuant to Section 6.

Subsidiary: Any entity in which the Company directly or through intervening subsidiaries owns 50% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 50% or more interest in the capital and profits.

Surviving Corporation: A Surviving Corporation as defined in Section 10(a).

Section 3.

Administration.

(a) Committee. The Plan shall be administered by the Committee. To the extent required to comply with Code Section 162(m) and the related regulations, each member of the Committee shall qualify as an "outside director" as defined therein.

(b) Authority of the Committee. The Committee shall have the authority to approve Key Employees and Directors for participation in the Plan, to approve the number and types of Incentives and other terms and conditions, to construe and interpret the Plan, and to establish, amend or waive rules and regulations for its administration; provided, however, that with respect to Participants who are not subject to Section 16 of the Securities Exchange Act of 1934, as amended, the Committee may delegate such authority to the Chief Executive Officer or such other officer as it deems appropriate, except with respect to Stock Awards.

(c) Incentive Provisions. Incentives may be subject to such provisions as the Committee shall deem advisable, which provisions may be amended by the Committee from time to time; provided that, except as otherwise specifically provided in this Plan, no such amendment may adversely affect the rights of the holder of an Incentive without his/her consent. Incentive provisions may include, without limitation, provisions for the forfeiture of, or restrictions on resale or other disposition of Common Stock acquired under, any Incentive; provisions to comply with Federal or state securities laws and stock exchange rules; provisions allowing acceleration of exercise or the lapse of restrictions in the event of death, disability, retirement or other specified event; understandings or conditions as to the Participant's employment in addition to those specifically provided for under the Plan; and provisions allowing the deferral of the receipt of Incentives for such period and upon such terms and conditions as the Committee shall determine.

Section 4. **Common Stock Subject to Plan.**

Subject to Section 10, the aggregate number of shares of Common Stock that may be issued under the Plan, consisting of shares of Common Stock authorized but unissued or treasury shares, and including shares previously reserved for issuance that have not been issued under the 2006 Plan, is 70,000,000. The number of authorized shares that may be issued in the form of Stock Awards, Restricted Stock, Restricted Stock Units and Performance Units is limited to 10,000,000 in the aggregate. In the event of a lapse, expiration, termination, forfeiture or cancellation of any Incentive granted under the Plan, the Common Stock subject to or reserved for such Incentive may not be used again for a new Incentive hereunder. Any shares of Common Stock withheld or surrendered to pay withholding taxes pursuant to Section 12(f) or withheld or surrendered in full or partial payment of the exercise price of an Option pursuant to Section 5(e) shall not be added to the aggregate number of shares of Common Stock available for issuance.

Section 5. **Options.**

(a) Option Agreement. Options may be granted on terms and conditions established by the Committee. The grant of each Option shall be evidenced by a written agreement specifying the type of Option granted, the exercise period, the exercise price, the method of payment of the exercise price, the expiration date, the number of shares of Common Stock subject to each Option and such other terms and conditions, as may be established by the Committee. Each Option shall become exercisable as provided in the agreement; provided that the Committee shall have the discretion, among other things, to accelerate the date as of which any Option shall become exercisable and extend the period during which the Option may be exercised, in the event of the Participant's termination of employment with the Company or a Subsidiary or service on the Board. The Committee may condition the exercisability of any Option on the completion of a specific period of employment or service, or upon the attainment of Company or individual performance goals. Any Option granted under the Plan shall be governed by the terms of the Plan and the applicable Option agreement.

(b) Price. The exercise price per Option share shall be not less than the Fair Market Value on the grant date. The aggregate exercise price of Incentive Stock Options exercisable for the first time by a Key Employee during any calendar year shall not exceed \$100,000.

(c) Limitations. Options for more than 1,000,000 shares of Common Stock may not be granted in any calendar year to any Participant. Incentive Stock Options (i) may not at any time be granted to Directors, and (ii) may not be exercised if at any time more than 10,000,000 shares of Common Stock have already been issued pursuant to the exercise of Incentive Stock Options.

(d) Duration. Each Option shall expire at such time as the Committee may determine at the time of grant, provided that all Options must expire not later than ten years from the grant date.

(e) Payment. The exercise price of an Option shall be paid in full at the time of exercise (i) in cash, (ii) by the surrender of Common Stock previously acquired by the Incentive holder, (iii) by any other method approved by the Committee, or (iv) by a combination of the foregoing as approved by the Committee.

Section 6. **Stock Awards.**

(a) Grant of Stock Awards. Stock Awards may be made to Key Employees and Directors on terms and conditions established by the Committee. The recipient of Common Stock pursuant to a Stock Award shall be a stockholder of the Company with respect thereto, fully entitled to receive dividends, vote and exercise all other rights of a stockholder except to the extent otherwise provided in the Stock Award. Key Employees who are ITW officers may elect to convert up to 50% of their bonuses, and Directors may elect to convert all or any portion of their fees, into shares of Common Stock to be issued to them pursuant to this Section 6(a). The number of shares to be issued to the Key Employee or Director who so elects is determined by dividing the dollar amount of the bonus or fee subject to the election by the Fair Market Value of the Common Stock on the date the bonus or fee otherwise would have been paid in cash to

the Key Employee or Director. Stock Awards (including Restricted Stock awards) for more than 500,000 shares of Common Stock may not be granted in any calendar year to any Participant.

(b) Restricted Stock. Stock Awards may be in the form of Restricted Stock. Restricted Stock may not be sold by the holder, or subject to execution, attachment or similar process, until the lapse of the applicable restriction period or satisfaction of other conditions specified by the Committee. Unless the Committee determines otherwise in its sole discretion (either in the agreement evidencing the Restricted Stock Award at the time of grant or at any time after the grant of the Restricted Stock Award), any dividends or distributions (other than regular quarterly cash dividends in the case of Restricted Stock Awards that are subject only to service-based vesting conditions) paid with respect to shares of Common Stock subject to the unvested portion of a Restricted Stock Award will be subject to the same restrictions as the shares to which such dividends or distributions relate. The Committee will determine in its sole discretion whether any interest will be paid on such restricted dividends or distributions. In its discretion, the Committee may provide in any award agreement evidencing a Restricted Stock Award for the waiver by the Participant of any right to receive dividends and distributions with respect to shares of Common Stock subject to the unvested portion of the Restricted Stock Award. If the Committee intends the Restricted Stock granted to any Covered Employee to satisfy the performance-based compensation exemption under Code Section 162(m) ("Performance Restricted Stock"), the extent to which the Performance Restricted Stock will vest shall be based on the attainment of performance goals established in writing by the Committee from the list in Section 7(b) prior to, or within 90 days following, the commencement of the performance period. The level of attainment of such performance goals and the corresponding number of vested shares of Performance Restricted Stock shall be certified by the Committee in writing pursuant to Code Section 162(m) and the related regulations. The Committee in its discretion may reduce the shares or amount payable to any Covered Employee with respect to Performance Restricted Stock, except as otherwise provided in the award agreement, but may not adjust such amounts upward. The Committee may also provide for pro rata payment of Performance Restricted Stock to a Participant upon retirement, disability or other termination of employment.

Section 7. Performance Units.

(a) Grant of Performance Units. Performance Units may be granted on terms and conditions set forth by the Committee prior to, or within 90 days following, the commencement of the applicable performance period. At such time, the Committee shall establish in writing (i) an initial target value or number of shares of Common Stock for the Performance Units to be granted to a Participant, (ii) the form of payment which may be cash or shares of Common Stock, or a combination thereof, (iii) the duration of the performance period, and (iv) the specific, objective performance goals to be attained, including performance levels at which various percentages of Performance Units will be earned.

(b) Performance Goals. If the Committee intends the Performance Units granted to any Covered Employee to satisfy the performance-based compensation exemption under Code Section 162(m) ("162(m) Performance Units"), the Committee shall specify (i) the minimum level of attainment to be met to earn any portion of the Performance Units, and (ii) the performance goals which shall be based on one or more of the following objective criteria: generation of free cash, earnings per share, revenues, market share, stock price, cash flow, retained earnings, results of customer satisfaction surveys, aggregate product price and other product price measures, diversity, safety record, acquisition activity, management succession planning, improved asset management, improved operating margins, increased inventory turns, product development and liability, research and development integration, proprietary protections, legal effectiveness, handling SEC or environmental issues, manufacturing efficiencies, system review and improvement, service reliability and cost management, operating expense ratios, total stockholder return, return on sales, return on equity, return on invested capital, return on assets, return on investment, net income, operating income, and the attainment of one or more performance goals relative to the performance of other corporations. In establishing performance goals, the Committee may specify that there shall be excluded the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting changes and other unusual or nonrecurring items, asset impairment and the effect of foreign currency fluctuations, in each case as those terms are defined under generally accepted accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company's financial statements, notes to the Company's financial statements and/or management's discussion and analysis in the Company's financial statements.

(c) Payment of Performance Units. After the end of a performance period, the Committee shall certify in writing the extent to which performance goals have been met and shall compute the payout to be received by each Participant. With respect to 162(m) Performance Units, for any calendar year, the maximum amount payable in cash to any Covered Employee shall be \$5,000,000, and the aggregate number of shares of Common Stock that may be issued to any Covered Employee may not exceed 500,000. The Committee in its discretion may reduce the amount payable to any Covered Employee with respect to 162(m) Performance Units, except as otherwise provided in the award agreement, but may not adjust such amounts upward. The Committee may also provide for pro rata payment of Performance Units to a Participant upon retirement, disability or other termination of employment.

Section 8. Restricted Stock Units.

(a) Grant of Restricted Stock Units. Restricted Stock Units may be granted to Participants on terms and conditions set forth by the Committee which may include, without limitation, provisions for (i) the vesting of the Restricted Stock Units, (ii) the lapse of restrictions in the event of death, disability, retirement or other specified event, (iii) the payment of vested Restricted Stock Units in the form of an equivalent number of shares of Common Stock or cash, and (iv) whether additional Restricted Stock Units shall be credited to each Participant with respect to the Participant's current Restricted Stock Units, to reflect dividends paid to stockholders of the Company with respect to its Common Stock. A Participant who has been granted Restricted Stock Units shall not be entitled to any voting or other stockholder rights with respect to shares of Common Stock attributable to Restricted Stock Units until such time as the shares are issued by the Company to the Participant.

(b) Performance Restricted Stock Units. If the Committee intends the Restricted Stock Units granted to any Covered Employee to satisfy the performance-based compensation exemption under Code Section 162(m) ("Performance Restricted Stock Units"), the extent to which the Performance Restricted Stock Units will vest shall be based on the attainment of performance goals established in writing by the Committee from the list in Section 7(b) prior to, or within 90 days following, the commencement of the performance period. The level of attainment of such performance goals and the corresponding number of vested Performance Restricted Stock Units shall be certified by the Committee in writing pursuant to Code Section 162(m) and the related regulations. With respect to Performance Restricted Stock Units, for any calendar year, the maximum amount payable in cash to any Covered Employee shall be \$5,000,000, and the aggregate number of shares of Common Stock that may be issued to any Covered Employee may not exceed 500,000. The Committee in its discretion may reduce the amount payable to any Covered Employee with respect to Performance Restricted Stock Units, except as otherwise provided in the award agreement, but may not adjust such amounts upward. The Committee may also provide for pro rata payment of Performance Restricted Stock Units to a Participant upon retirement, disability or other termination of employment.

(c) Payment of Restricted Stock Units. Upon the vesting of a Participant's Restricted Stock Units, the Participant shall receive from the Company a share of Common Stock with respect to each vested Restricted Stock Unit, with any fractional vested Restricted Stock Unit to be paid in cash based on the Fair Market Value of the Common Stock on the distribution date. If the Committee determines in its sole discretion that a Participant's vested Restricted Stock Units shall be paid in cash, the amount of cash shall be determined by multiplying the number of vested Restricted Stock Units by the Fair Market Value of the Common Stock on the distribution date.

Section 9. Stock Appreciation Rights.

Stock Appreciation Rights may be granted in connection with an Option (at the time of the grant or at any time thereafter) or may be granted independently. Each Stock Appreciation Right will generally entitle the Participant to receive, upon exercise, an amount in cash or shares of Common Stock not exceeding the excess of the Fair Market Value on the exercise date over the Fair Market Value on the grant date, times the number of shares of Common Stock with respect to which the Stock Appreciation Right is being exercised. Stock Appreciation Rights for more than 500,000 shares of Common Stock may not be granted to any Participant in any calendar year. The grant of each Stock Appreciation Right shall be evidenced by a written agreement specifying the

value of the Stock Appreciation Right on the grant date, the exercise period, the expiration date, the number of shares of Common Stock subject to the Stock Appreciation Right, and such other terms and conditions as may be established by the Committee. Each Stock Appreciation Right shall become exercisable as provided in the agreement; provided that the Committee shall have the discretion, among other things, to accelerate the date as of which any Stock Appreciation Right shall become exercisable and extend the period during which the Right may be exercised, in the event of the Participant's termination of employment with the Company or a Subsidiary or service on the Board. Each Stock Appreciation Right shall expire at such time as the Committee may determine at the time of grant, provided that all Stock Appreciation Rights must expire not later than ten years from the grant date.

Section 10. Adjustment Provisions.

The Committee shall have authority to make adjustments under the Plan as provided below:

(a) In the event of a merger, consolidation, reorganization, partial or complete liquidation, or similar event affecting the Company or any of its Subsidiaries (a "Corporate Transaction"), the Committee or the Board (or, if the Company is not the surviving corporation following a Corporate Transaction ("Surviving Corporation"), the board of directors of the Surviving Corporation) may in its discretion, for the prevention of dilution or enlargement of rights of Participants, make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number and kind of shares or other securities issued or reserved for issuance under the Plan, (ii) any maximum share or unit limitations set forth in the Plan, (iii) the number and kind of shares or other securities subject to outstanding Incentives, and (iv) the exercise price of outstanding Incentives. Such adjustments may include, without limitation, (i) the cancellation of outstanding Incentives in exchange for payments of cash, property, or a combination thereof having an aggregate value equal to the value of such Incentives, as determined by the Committee or the Board (or, if the Company is not the Surviving Corporation, the board of directors of the Surviving Corporation) in its sole discretion, it being understood that, in the case of a Corporate Transaction with respect to which holders of Common Stock receive consideration other than publicly traded equity securities of the Surviving Corporation, any such determination that the value of an Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share pursuant to such Corporate Transaction over the exercise price of such Option or Stock Appreciation Right shall be conclusively deemed valid, and (ii) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the shares subject to outstanding Incentives.

(b) In the event of a stock dividend, stock split, reverse stock split, share combination, recapitalization, reclassification or similar event affecting the capital structure of the Company, the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number and kind of shares or other securities issued or reserved for issuance under the Plan, (ii) any maximum share or unit limitations set forth in the Plan, (iii) the number and kind of shares or other securities subject to outstanding Incentives, and (iv) the exercise price of outstanding Incentives.

Section 11. Corporate Change.

(a) Except as may be limited by the provisions of Section 11(d) or the provisions of the applicable Incentive, the provisions of this Section 11(a) shall apply in the event of a Corporate Change:

(i) Upon a Corporate Change, all outstanding Incentives (other than Performance Units representing cash) shall vest in full, be free of restrictions, and be deemed to be earned and immediately payable in an amount equal to the full value of such Incentive, except in each case to the extent that another Incentive meeting the requirements of Section 11(b) (a "Replacement Incentive") is provided to the Participant pursuant to Section 10 to replace such outstanding Incentive (a "Replaced Incentive"), and

(ii) Any outstanding Performance Units representing cash that are not replaced by a Replacement Incentive shall be deemed to be earned and immediately payable in an amount equal to the full value of such Performance Units (with all applicable performance goals deemed achieved at the greater of (x) the applicable target level and (y) the level of achievement of the performance goals for the Performance Units as determined by the Committee not later than the date of the Corporate Change, taking into account performance through the latest date preceding the Corporate Change as to which performance can, as a practical matter, be determined (but not later than the end of the performance period)), multiplied by a fraction, the numerator of which is the number of days during the applicable performance period before the date of the Corporate Change, and the denominator of which is the number of days in the applicable performance period; provided, however, that such fraction shall be equal to one in the event that the applicable performance goals in respect of such Performance Units have been fully achieved as of the date of such Corporate Change.

(b) An Incentive shall meet the conditions of this Section 11(b) (and hence qualify as a Replacement Incentive) if: (i) it is of the same type as the Replaced Incentive; (ii) it has a value at least equal to the value of the Replaced Incentive as of the date of the Corporate Change; (iii) if the underlying Replaced Incentive was an equity-based award, it relates to publicly traded equity securities of the Company or the Surviving Corporation following the Corporate Change; and (iv) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Incentive (including the provisions that would apply in the event of a subsequent Corporate Change) as of the date of the Corporate Change. Without limiting the generality of the foregoing, a Replacement Incentive may take the form of a continuation of the applicable Replaced Incentive if the requirements of the preceding sentence are satisfied. The determination whether the conditions of this Section 11(b) are satisfied shall be made by the Committee, as constituted immediately before the Corporate Change, in its sole discretion.

(c) Upon a termination of employment of a Participant in connection with or during the two years following the date of a Corporate Change by the Participant for Good Reason or by the Company other than for Cause, (i) all Replacement Incentives held by such Participant shall vest in full, be free of restrictions, and be deemed to be earned and immediately payable in an amount equal to the full value of such Replacement Incentive, and (ii) all Options and SARs held by the Participant immediately before the termination of employment that the Participant held as of the date of the Corporate Change or that constitute Replacement Incentives shall remain exercisable until the earlier of (1) the third anniversary of the Corporate Change and (2) the expiration of the stated term of such Option or SAR; provided, that if the terms of the applicable Incentive provide for a longer period of exercisability, that provision shall control.

(d) Excise Tax Limit. In the event that the vesting of Incentives together with all other payments and the value of any benefits received or to be received by a Participant (the "Total Payments") would result in all or a portion of such Total Payments being subject to the excise tax under Section 4999 of the Code (the "Excise Tax"), then the Participant's Total Payments shall be either (i) the full amount of such payments and benefits or (ii) such lesser amount that would result in no portion of the Total Payments being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable Federal, state, and local employment taxes, income taxes and the Excise Tax, results in the receipt by the Participant, on an after-tax basis, of the greatest amount of payments and benefits notwithstanding that all or some portion of such payments and benefits may be taxable under Section 4999 of the Code. Solely to the extent that the Participant is better off on an after-tax basis as a result of the reduction of Total Payments, such payments and benefits shall be reduced or eliminated, as determined by the Company, in the following order: (i) any cash payments, (ii) any taxable benefits, (iii) any nontaxable benefits, and (iv) any vesting or accelerated delivery of equity awards in each case in reverse order beginning with the payments or benefits that are to be paid the farthest in time from the date that triggers the applicable Excise Tax.

(e) Applicability. The provisions of this Section 11 are applicable to all Incentives awarded under this Plan on or after January 1, 2011.

Section 12. General Provisions.

(a) Employment and Service on the Board. Nothing in the Plan or in any related instrument shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment or service on the Board at any time with or without cause, nor confer upon any Participant any right to continue in the employment of the Company or any Subsidiary or continue to serve on the Board.

(b) Legality of Issuance of Shares. The Committee may postpone any grant or settlement of an Incentive or exercise of an Option or Stock Appreciation Right for such time as the Board in its sole discretion may deem necessary in order to allow the Company:

(i) to effect, amend or maintain any necessary registration of the Plan or the shares of Common Stock issuable pursuant to an Incentive under the Securities Act of 1933, as amended, or the securities laws of any applicable jurisdiction;

(ii) to allow any action to be taken in order to (A) list such shares of Common Stock on a stock exchange if shares of Common Stock are then listed on such exchange or (B) comply with restrictions or regulations incident to the maintenance of a public market for its shares of Common Stock, including any rules or regulations of any stock exchange on which the shares of Common Stock are listed; or

(iii) to determine that such shares of Common Stock and the Plan are exempt from such registration or that no action of the kind referred to in (b) (ii) above needs to be taken; and the Company shall not be obligated by virtue of any terms and conditions of any Incentive or any provision of the Plan to sell or issue shares of Common Stock in violation of the Securities Act of 1933 or the law of any government having jurisdiction thereof.

Any such postponement shall not extend the term of an Incentive unless the Committee determines otherwise, and neither the Company nor its Directors or officers shall have any obligation or liability to any Participant or other person with respect to any shares of Common Stock as to which the Incentive shall lapse because of such postponement.

(c) Ownership of Common Stock Allocated to Plan. No individual or group of individuals shall have any right, title or interest in or to any Common Stock allocated or reserved for purposes of the Plan or subject to any Incentive except as to shares of Common Stock, if any, as shall have been issued to such individual or individuals.

(d) Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Illinois.

(e) Incentives Granted to Participants in Foreign Jurisdictions. Incentives may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Incentives in order to minimize the Company's obligation with respect to tax equalization for Participants on assignments outside their home country.

(f) Withholding of Taxes. The Company may withhold, or in its sole discretion allow an Incentive holder to remit to the Company, any Federal, state or local taxes applicable to any grant, exercise, vesting, distribution or other event giving rise to income tax liability with respect to an Incentive. In order to satisfy all or a portion of the income tax liability that arises with respect to any Incentive, the holder of the Incentive may elect to surrender previously acquired Common Stock or to have the Company withhold Common Stock that would otherwise have been issued pursuant to the exercise of an Option or in connection with any other Incentive; provided that any withheld Common Stock, or any surrendered Common Stock previously acquired from the Company and held by the Incentive holder for less than six months, may only be used to satisfy the minimum tax withholding required by law.

(g) Nontransferability. No Incentive may be assigned or subjected to any encumbrance, pledge or charge of any nature, other than (i) by will or by the laws of descent and distribution, (ii) pursuant to a beneficiary designation that meets the requirements of Section 12(i), (iii) pursuant to the terms of a qualified domestic relations order to which the Participant is a party that meets the requirements of any relevant provisions of the Code, or (iv) pursuant to a transfer that meets the requirements set forth hereinafter. Under such rules and procedures as the Committee may establish, the holder of an Incentive may transfer such Incentive to members of the holder's immediate family (i.e., children, grandchildren and spouse) or to one or more trusts for the benefit of such family members or to partnerships in which such family members are the only partners, provided that (i) the agreement, if any, with respect to such Incentives, expressly so permits or is amended by the Committee to so permit, (ii) the holder does not receive any consideration for such transfer, and (iii) the holder provides such documentation or information concerning any such transfer or transferee as the Committee may reasonably request. Any Incentives held by any transferees shall be subject to the same terms and conditions that applied immediately prior to their transfer. Such transfer rights shall in no event apply to any Incentive Stock Options, Stock Appreciation Rights, Performance Units or Restricted Stock Units.

(h) Forfeiture of Incentives. Except for an Incentive that becomes vested pursuant to Section 11, the Committee may immediately forfeit an Incentive, whether vested or unvested, if the holder competes with the Company or the Committee determines that the holder engaged in gross misconduct or conduct that, in the opinion of the Committee, is against the business interests of the Company, or the holder shall at any time (whether before or after termination of the Participant's employment with the Company or a Subsidiary) divulge confidential Company or Subsidiary information to other persons. Notwithstanding anything to the contrary contained in this Plan, any Incentive awarded after January 1, 2011, is subject to forfeiture, in whole or in part (and the Committee may from time to time amend the amount of any Incentive to be paid hereunder) in order to: (i) comply with applicable law, regulation, stock exchange rule or accounting rule, or (ii) comply with any Company policy regarding the recovery of erroneously awarded incentive-based compensation.

(i) Beneficiary Designation. Under such rules and procedures as the Committee may establish, each Participant may designate a beneficiary or beneficiaries to succeed to any rights which the Participant may have with respect to Options, Stock Appreciation Rights, Stock Awards, Performance Units or Restricted Stock Units at death. The designation may be changed or revoked by the Participant at any time. No such designation, revocation or change shall be effective unless made in writing on a form provided by the Company and delivered to the Company prior to the Participant's death. If a Participant does not designate a beneficiary or no designated beneficiary survives the Participant, then the beneficiary shall be the Participant's estate.

(j) Rights as a Stockholder; Dividends. As a holder of Incentives (other than Stock Awards and Restricted Stock Awards), a Participant will have no rights as a stockholder unless and until such Incentives are exercised for, or paid in the form of, shares of Common Stock. Except as otherwise provided in the Plan or otherwise provided by the Committee, no adjustment will be made in the amount of cash payable or in the number of shares of Common Stock issuable under an Incentive denominated in or based on the value of shares of Common Stock as a result of cash dividends or distributions paid to holders of Common Stock prior to the payment of, or issuance of shares of Common Stock under, such Incentive Awards. If the Committee provides in an agreement evidencing a Restricted Stock Unit or a Performance Restricted Stock Unit that the Participant will be entitled to receive dividend equivalents, in the form of a cash credit to an account for the benefit of the Participant, for any such dividends and distributions, the terms of any rights to dividend equivalents will be determined by the Committee and set forth in the agreement evidencing the Restricted Stock Unit or Performance Restricted Stock Unit, including the time and form of payment and whether such equivalents will be credited with interest or deemed to be reinvested in Common Stock; provided, however, that dividend equivalents in respect of the unvested portions of Restricted Stock Units and Performance Restricted Stock Units whose vesting is subject to the achievement of specified Performance Criteria will be subject to the same restrictions as the underlying shares or units to which such dividend equivalents relate. No dividend equivalents may be paid or credited in connection with Options or Stock Appreciation Rights.

(k) Minimum Vesting Periods. Except as otherwise provided in this Section 12, (i) Restricted Stock Awards, Restricted Stock Units and Performance Restricted Stock Units that vest solely as a result of the passage of time and continued service by the Participant shall be subject to a vesting period of not less than three years from the date of grant of the applicable Incentive (but permitting pro rata vesting over such time); and (ii) Restricted Stock Awards, Restricted Stock Units and Performance Restricted Stock Units whose vesting is subject to the achievement of specified performance goals over a performance period shall be subject to a performance period of not less than one year from the date of grant of the applicable Incentive. The minimum vesting periods specified in clauses (i) and (ii) of the preceding sentence shall not apply: (A) to Incentives made in payment of earned performance-based Incentives

and other earned cash-based incentive compensation; (B) to a termination of employment due to death, Disability or Retirement; (C) upon a Corporate Change; (D) to a Replacement Incentive that does not reduce the vesting period of the Incentive being replaced; or (E) to Incentives involving an aggregate number of shares of Common Stock not in excess of 5% of the number of shares available for Incentives under the first sentence of Section 4.

Section 13. Amendment or Termination of the Plan; Repricing Prohibited.

The Board may at any time amend or terminate the Plan as it deems advisable and in the best interests of the Company; provided that, except as otherwise specifically provided in this Plan, no amendment, suspension or termination shall adversely affect the rights of any Participant under any outstanding Incentive in any material way without his/her consent. No amendment to the Plan shall be made without stockholder approval if stockholder approval is required by law or stock exchange rule. Except in connection with a Corporate Transaction or an event described in Section 10(b): (i) the terms of outstanding Incentives may not be amended to reduce the exercise price of outstanding Options or Stock Appreciation Rights; (ii) no outstanding Options or Stock Appreciation Rights may be cancelled in exchange for other Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights, and (iii) no outstanding Options or Stock Appreciation Rights may be cancelled in exchange for cash, Stock Awards or other Incentives at any time that the exercise price of the original Options or Stock Appreciation Rights exceeds the Fair Market Value of the Common Stock.

Section 14. Term.

The Plan shall continue until terminated by the Board or no Common Stock remains available for issuance under Section 4, whichever occurs first. Notwithstanding anything to the contrary contained herein, no Incentives shall be granted under the Plan on or after February 10, 2016.

**ILLINOIS TOOL WORKS INC.
2011 CHANGE-IN-CONTROL SEVERANCE COMPENSATION POLICY**

(Approved by the Board of Directors on December 10, 2010)

(Effective January 1, 2011)

ARTICLE I — INTRODUCTION

Section 1.1 Background. The Board of Directors (the "Board") of Illinois Tool Works Inc. (the "Company") has considered the effect a Corporate Change of the Company may have on certain Executives of the Company. The Board recognizes and understands the concern such Executives have for their careers and their personal financial security in the event of a Corporate Change. As a result, absent appropriate assurances, such Executives are likely to seek more secure career opportunities elsewhere if a Corporate Change of the Company is perceived to be a real possibility or if a Corporate Change transaction is proposed or threatened.

Section 1.2 Purpose. This Policy is designed to encourage Executives to remain employees of the Company and its Subsidiaries notwithstanding the time pressure and financial uncertainty which may result from a proposed or threatened Corporate Change transaction and notwithstanding the outcome of any such proposed transaction, to enable Executives to make career decisions and to assure fair treatment of such Executives in the event of a Corporate Change of the Company. This Policy is not intended to constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code. Severance Payments under the Policy are intended to be "short-term deferrals" within the meaning of the regulations promulgated under Section 409A of the Code.

ARTICLE II — ESTABLISHMENT OF THE POLICY

Section 2.1 Establishment of Policy. As of January 1, 2011, the Company hereby establishes this severance compensation policy known as the "Illinois Tool Works Inc. 2011 Change-in- Control Severance Compensation Policy" (this "Policy").

Section 2.2 Applicability of Policy. The benefits provided by this Policy shall be available to all Executives who, at or after the Effective Date, meet the eligibility requirements of Article IV hereof.

Section 2.3 Contractual Right to Benefits. Subject to the provisions of Article VIII hereof, this Policy establishes and vests in each Participant a contractual right to the benefits to which he or she is entitled hereunder, enforceable by the Participant against the Company on the terms and subject to the conditions hereof.

ARTICLE III — DEFINITIONS AND CONSTRUCTION

Section 3.1 Definitions. The following terms shall have the following meanings when used in this Policy with initial capital letters:

(a) "Base Pay" of a Participant means the Participant's annual base salary rate as in effect on the Termination Date from the Participant's Employer(s); provided, however, that any reductions in Base Pay following the date of the Corporate Change will not be taken into account when determining Base Pay hereunder.

(b) "Board" means the board of directors of the Company.

(c) "Cause" means without the written consent of the Company, the Participant (i) participates in dishonesty, fraud, misrepresentation, embezzlement or deliberate injury or attempted injury, in each case related to the Company, an Employer or a Subsidiary, (ii) commits any unlawful or criminal activity of a serious nature, (iii) commits any intentional and deliberate breach of a duty or duties that, individually or in the aggregate, are material in relation to the Participant's overall duties or (iv) materially breaches any confidentiality or noncompete agreement entered into with the Employer. The Company shall have the burden of proving that Cause exists.

For purposes of this Policy, the Participant shall not be deemed to have been terminated for "Cause" hereunder unless (i) the Participant receives a Notice of Termination setting forth the grounds for the termination at least 30 calendar days prior to the specified Termination Date, (ii) if requested by the Participant, the Participant (and/or the Participant's counsel or other representative) is granted a hearing before the full Board and (iii) a majority of the members of the full Board determine that the Participant violated one or more of the provisions of the definition of "Cause" set forth above.

(d) "Corporate Change" means any of the following: (i) the dissolution of the Company; (ii) the merger, consolidation or reorganization of the Company with any other corporation, or any similar transaction, after which the holders of common stock of the Company immediately prior to the effective date thereof hold less than 70% of the outstanding common stock of the surviving or resulting entity; (iii) the sale to any person or entity, other than a wholly owned subsidiary, of Company assets having a total gross fair market value of at least 40% of the total gross fair market value of all Company assets; (iv) any entity, person or group of persons acting in concert, other than descendants of Byron L. Smith and trusts for the benefit of such descendants, becomes the beneficial owner, directly or indirectly, of more than 30% of the outstanding common stock of the Company; or (v) the individuals who, as of the close of the most recent annual meeting of the Company's stockholders, are members of the Board (the "Existing Directors") cease for any reason to constitute more than 50% of the Board; provided, however, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least 50% of the Existing Directors, such new director shall be considered an Existing Director; provided further, however, that no individual shall be considered an Existing Director if such individual initially assumed office as a result of either (i) a stockholder nomination pursuant to Rule 14a-11 under the Securities Exchange Act of 1934, as amended, or any successor rule thereto, or (ii) an actual or threatened solicitation of proxies by or on behalf of anyone other than the Board.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means the Compensation Committee of the Board.

(g) "Company" means Illinois Tool Works Inc., a Delaware corporation, and any successor thereto as provided in Section 7.1 hereof.

(h) "Effective Date" means January 1, 2011.

(i) "Employer" means the Company or any Subsidiary of the Company which employs an Executive.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(k) "Executive" means any individual who is employed by an Employer as a salaried employee on a substantially full-time basis and who is designated as eligible for participation under this Policy by the Committee.

(l) "Good Reason" means, without the express written consent of the Participant: (i) any material reduction in overall responsibilities, level of authority, or level of reporting (for Vice Presidents and above); (ii) any material reduction in base salary other than a reduction which is applied to all non-union employees of the Company or Subsidiary in the same dollar amount or percentage; or (iii) the Company's or Subsidiary's requiring the Participant to perform services at any office or location that is in excess of 50 miles from the principal location of the Participant's work during the 90-day period immediately preceding the Corporate Change, except for travel reasonably required in the performance of the Participant's responsibilities. Before a termination by the Participant will constitute termination for Good Reason, the Participant must give notice of his or her termination of employment within 90 calendar days of the occurrence of the event that constitutes Good Reason. Failure to provide such notice within such 90-day period shall be conclusive proof that the Participant shall not have Good Reason to terminate employment. For purposes of this paragraph, Good Reason shall exist only if the Company or Subsidiary fails to remedy the event or events constituting Good Reason within 30 calendar days after receipt of the notice of termination of employment from the Participant.

(m) "Incentive Pay" means the average of the last three years annual incentive bonus pursuant to an incentive bonus award which is based on a one-year Performance Period under the Illinois Tool Works Inc. Executive Incentive Plan (or any successor thereto) or other incentive bonus plan, as applicable to the Participant.

(n) "Notice of Termination" means (i) a written notice of termination by the Company to the Executive or (ii) a written notice of termination for Good Reason by the Executive to the Company, in either case, setting forth in reasonable detail the specific reason for termination and the facts and circumstances claimed to provide a basis for termination of employment under the provision indicated.

(o) "Participant" means an Executive who meets the eligibility requirements of Article IV hereof, other than an Executive who has entered into an employment, severance or other similar agreement with the Company (other than a stock option, restricted stock, restricted stock unit or performance unit agreement or other form of participation document entered into pursuant to an Employer-sponsored plan which may incidentally refer to accelerated vesting or accelerated payment upon a change in control (as defined in such separate plan or document)) which becomes operative upon the occurrence of a change in control of the Company (as defined in such agreement).

(p) "Policy" means this Change-in-Control Severance Compensation Policy.

(q) "Protection Period" means the period of time commencing on the date of the first occurrence of a Corporate Change and continuing until the second anniversary of the occurrence of the Corporate Change.

(r) "Severance Payment" means the payment of compensation as provided in Article V hereof subsequent to either a termination of employment or Corporate Change, as applicable.

(s) "Subsidiary" means any corporation or other legal entity in which the Company directly or through intervening subsidiaries owns 50% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 50% or more interest in the capital and profits.

(t) "Termination Date" means, (i) with respect to a termination by the Employer, the date on which the Participant's employment is terminated as stated in the Notice of Termination and (ii) with respect to a termination by the Participant for Good Reason, the date that is 15 calendar days following the Company's receipt of the Notice of Termination.

Section 3.2 Status of Policy/Applicable Law.

(a) This Policy is classified as a "payroll practice" under Department of Labor Regulation Section 2510.3-1(b) and, as such is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. The Policy will be interpreted and administered accordingly.

(b) This Policy shall be administered, construed and enforced according to the laws of the State of Illinois.

Section 3.3 Severability. If a provision of this Policy shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Policy and this Policy shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE IV — ELIGIBILITY

Section 4.1 Participation. Each person who is an Executive on the Effective Date shall be a Participant on the Effective Date. Thereafter, each other person who becomes an Executive prior to both

(a) a Corporate Change, and

(b) unless specifically provided for by the Board at the time a Participant is designated as an Executive, the date a notice of termination of the Policy is provided under Section 8.1(a),

shall automatically become a Participant on the day on which such person becomes an Executive.

Section 4.2 Duration of Participation. A Participant shall cease to be a Participant and shall have no rights hereunder, without further action, when he or she ceases to be an Executive, unless such Participant is then entitled to payment of a Severance Payment as provided in Section 5.1 hereof. A Participant entitled to a Severance Payment shall remain a Participant in this Policy until the full amount of the Severance Payment has been paid to the Participant.

ARTICLE V - SEVERANCE PAYMENTS

Section 5.1 Right to Severance Payment; Severance Payments Subject to Amendment and Forfeiture.

(a) Subject to Subsections (c) and (d) below and to Section 5.2(b), a Participant shall be entitled to receive from the Employer a Severance Payment in the amount provided in Section 5.2 hereof if there has been a Corporate Change and if, after a Corporate Change and within the Protection Period: (i) the Participant's employment by an Employer shall be terminated by the Employer without Cause or (ii) the Participant shall terminate employment with an Employer for Good Reason.

(b) Notwithstanding the provisions of Section 5.1(a), any termination of employment of the Participant or removal of the Participant from the office or position in the Employer that occurs prior to a Corporate Change but which the Participant reasonably demonstrates occurred at the request of a third party who had taken steps reasonably calculated to effect the Corporate Change shall be deemed to be a termination or removal of the Participant after a Corporate Change for purposes of this Policy.

(c) A Participant shall not be entitled to receive any Severance Payment (other than a payment made in accordance with Section 5.2(b)) hereunder unless, no later than by March 1 of the calendar year following the calendar year of the Participant's Termination Date (i) he or she has signed and returned to the Company a release in the form prescribed by the Company and (ii) the applicable rescission period for such release has expired.

(d) Notwithstanding anything to the contrary contained in this Policy, any Severance Payment hereunder is subject to forfeiture, in whole or in part (and the Committee may from time to time amend the amount of any Severance Payment to be paid hereunder) in order to: (i) comply with applicable law, regulation, stock exchange rule or accounting rule, or (ii) comply with any Company policy regarding the recovery of erroneously awarded incentive-based compensation in effect immediately prior to the Corporate Change.

Section 5.2 Amount of Severance Payment.

(a) Each Participant entitled to a Severance Payment under this Policy shall receive the following Severance Payment from the Company; provided, however, that the amount of any such cash payments determined pursuant to this Section 5.2(a) shall be reduced by an amount equal to the aggregate amount of any other cash payments in the nature of severance payments paid or payable by the Company or any other Employer or any Subsidiary pursuant to any agreement, policy, program, arrangement or requirement of statutory or common law (other than this Policy or cash payments received in lieu of stock incentives):

(i) a lump sum cash payment in an amount equal to two times the sum of (A) the Participant's Base Pay plus (B) Incentive Pay; plus

(ii) a lump sum cash payment in an amount equal to the full value of the Participant's annual bonus award, as notified to the Participant for the year in which the Termination Date occurs (with all applicable performance goals deemed achieved at the greater of (x) the applicable target amount as notified to the Participant for the performance period in which the Termination Date occurs, and (y) the level of achievement of the performance goals for such award, taking into account performance through the latest date preceding the Termination Date as to which performance can, as a practical matter, be determined (but not later than the end of the performance period)), as if the Participant were a participant in the Company's Executive Incentive Plan or other successor incentive bonus plan of the Company, prorated for the number of days in the fiscal year that have elapsed as of the Termination Date; plus

(iii) a lump sum cash payment in an amount equal to the full value of any cash incentive award with a performance period greater than one year, as notified to the Participant for the year in which the Termination Date occurs (with all applicable performance goals deemed achieved at the greater of (x) the applicable target amount as notified to the Participant for the performance period in which the Termination Date occurs, and (y) the level of achievement of the performance goals for such award, taking into account performance through the latest date preceding the Termination Date as to which performance can, as a practical matter, be determined (but not later than the end of the performance period)), pursuant to or as if the Participant were a participant in the Company's 2011 Long-Term Incentive Plan or other successor plan for purposes of such cash incentive award, prorated for the number of days in the performance period that have elapsed as of the Termination Date.

(b) Notwithstanding any provisions of Sections 5.1(a), (b) and (c) or 5.2(a) to the contrary with respect to any Participant, if the awards described in Section 5.2(a)(ii) and (iii) ("Awards") above are not replaced with Replacement Awards (defined below) at the time of the Corporate Change, then such Awards shall be deemed to be earned and immediately payable in an amount equal to the full value of such Awards (with all applicable performance goals deemed achieved at the greater of (x) the applicable target amount as notified to the Participant for the performance period in which the Corporate Change occurs, and (y) the level of achievement of the performance goals for the Award as determined by the Committee not later than the date of the Corporate Change, taking into account performance through the latest date preceding the Corporate Change as to which performance can, as a practical matter, be determined (but not later than the end of the performance period)), multiplied by a fraction, the numerator of which is the number of days during the applicable performance period before the date of the Corporate Change, and the denominator of which is the number of days in the applicable performance period; provided, however, that such fraction shall be equal to one in the event that the applicable performance goals in respect of such Awards have been fully achieved as of the date of such Corporate Change; and provided, further, that the amount of any such cash payments determined pursuant to this Section 5.2(b) shall be reduced by an amount equal to the aggregate amount of any other cash payments in the nature of severance payments paid or payable by the Company or any other Employer or any Subsidiary pursuant to any agreement, policy, program, arrangement or requirement of statutory or common law (other than this Policy or cash payments received in lieu of stock incentives). A "Replacement Award" is an Award that is (i) of the same type as the Award being replaced, (ii) has a value at least equal to the value of the Award being replaced, and (iii) contains terms and conditions that are not less favorable to the Participant than the terms and conditions of the Award being replaced. A Replacement Award may take the form of a continuation of the original Award if the requirements in the preceding sentence are satisfied. The determination of whether such requirements are satisfied shall be made by the Committee, as constituted immediately before the Corporate Change, in its sole discretion.

(c) Notwithstanding any provision of this Policy to the contrary, if any amount or benefit to be paid or provided under this Policy or any other plan or agreement between the Participant and an Employer would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided under this Policy shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided to the Participant, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes). If requested by the Participant or the Employer, the determination of whether any reduction in such payments or benefits to be provided under this Policy or otherwise is required pursuant to the preceding sentence shall be made by the Company's independent accountants, at the expense of the Company, and the determination of the Company's independent accounts shall be final and binding on all persons. The fact that the Participant's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5.2(c) shall not of itself limit or otherwise affect any other rights of the Participant pursuant to this Policy. In the event that any payment or benefit intended to be provided under this Policy or otherwise is required to be reduced pursuant to this Section, payment under this Policy shall be reduced before payments under any other arrangements are reduced.

(d) The Participant shall not be required to mitigate damages or the amount of his or her Severance Payment by seeking other employment or otherwise, nor shall the amount of such payment be reduced by any compensation earned by the Participant as a result of employment after the termination of his or her employment by an Employer.

Section 5.3 Time of Severance Payment. The Severance Payment to which a Participant is entitled under Section 5.2(a) shall be paid to the Participant by the Company in cash and in full within 10 business days of the Participant's Termination Date or as soon as practicable but in no event later than March 15 of the calendar year following the calendar year in which the Participant's Termination Date occurs, subject to Section 5.1(c). The Severance Payment to which a Participant is entitled under Section 5.2(b) shall be paid to the Participant by the Company in cash and in full within 10 business days of the Corporate Change or as soon as practicable but in no event later than March 15 of the calendar year following the calendar year in which the Corporate Change occurs, subject to Section 5.1(c). If such a Participant should die before all amounts payable to him have been paid, such unpaid amounts shall be paid to the Participant's spouse, if living, otherwise to the Participant's estate.

Section 5.4 Liability for Payment. The Company shall be solely liable for and shall pay the Severance Payments (or cause the Severance Payments to be paid) to the Executive.

ARTICLE VI — OTHER RIGHTS AND BENEFITS NOT AFFECTED

Section 6.1 Other Benefits. Except as provided in Section 5.2(c), neither the provisions of this Policy nor the Severance Payment provided for hereunder shall reduce or increase any amounts otherwise payable, or in any other way affect a Participant's rights as an employee of an Employer, whether existing now or hereafter, under any benefit, incentive, retirement, stock option, stock bonus, stock purchase or employment agreement, policy (other than this Policy), program or arrangement (collectively, the "Other Plans"), except to the extent specifically provided under such Other Plans.

Section 6.2 Certain Limitations. This Policy does not constitute a contract of employment or impose on any Participant, the Company or any other Employer any obligation to retain any Participant as an employee or in any other capacity, to change or not change the status, terms or conditions of any Participant's employment, or to change or not change the Employer's policies regarding termination of employment.

ARTICLE VII — SUCCESSORS

Section 7.1 Successors. Without limiting the obligations of any person or entity under applicable law, the Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Company, expressly and unconditionally to assume and agree to perform the Company's obligations under this Policy, in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. In such event, the term "Company," as used in this Policy, shall mean the Company as hereinbefore defined and any successor assignee to the business or assets which by reason hereof becomes bound by the terms and provisions of this Policy.

ARTICLE VIII - DURATION, AMENDMENT AND TERMINATION

Section 8.1 Duration/Termination.

(a) If a Corporate Change has not occurred, this Policy will terminate as to all Participants on the date that is 2 years following the giving of notice to each Participant (determined as of the date of the notice) that the Board has determined that the Policy will terminate. If a Corporate Change has occurred, this Policy will terminate as to all Participants upon the expiration of the Protection Period.

(b) Notwithstanding the foregoing, if a Corporate Change occurs, this Policy shall continue in full force and effect, and shall not terminate or expire until after all Participants who were Participants on the date of the Corporate Change who became entitled to a Severance Payment hereunder shall have received such payment in full.

Section 8.2 Amendment. Unless a Corporate Change has previously occurred, this Policy may be amended in any respect by the Board; provided, however, that no such amendment shall adversely affect the rights of a Participant under this Policy without the Participant's consent unless such amendment does not become effective until the date that is two years following the giving of notice to all Participants of the adoption of such amendment. If a Corporate Change occurs, notwithstanding the foregoing, this Policy no longer shall be subject to amendment, change, substitution, deletion or revocation in any respect.

Section 8.3 Form of Amendment/Termination. The form of any proper amendment or termination of this Policy shall be a written instrument signed by a duly authorized officer or officers of the Company, certifying that the amendment or termination has been approved by the Board as provided in Sections 8.1 or 8.2 hereof. A proper amendment of this Policy automatically shall effect a corresponding amendment to all Participants' rights hereunder. A proper termination of this Policy automatically shall effect a termination of all Participants' rights and benefits hereunder without further action.

ARTICLE IX - MISCELLANEOUS SECTION

Section 9.1 Legal Fees and Expenses/Binding Arbitration.

(a) It is the intent of the Company that Participants not be required to incur any expenses associated with the enforcement of rights under this Policy because the cost and expense thereof would substantially detract from the benefits intended to be extended to Participants hereunder. Accordingly, if the Company or any other Employer, as the case may be, has failed to comply with any of its obligations under this Policy or in the event that the Company or any other Employer, or any other person takes any action to declare this Policy void or unenforceable, or institutes any litigation designed to deny, or to recover from, a Participant the benefits intended to be provided to the Participant hereunder, the Company and each Employer irrevocably authorizes the Participant from time to time to retain counsel of his or her choice, at the expense of the Company, as hereafter provided, to represent the Participant in connection with the initiation or defense of any legal action, whether by or against the Company or any Employer, in any jurisdiction. The Company shall pay or cause to be paid and shall be solely responsible for any and all reasonable attorneys' fees and expenses incurred by the Participant in enforcing his or her rights hereunder individually (but not as a representative of any class) as a result of the Company's or any Employer's failure to perform this Policy or any provision hereof or as a result of the Company or any Employer or any successor thereto contesting the validity or enforceability of this Policy or any provision hereof.

(b) Notwithstanding any provision of this Policy to the contrary (including, without limitation, determining whether a termination is for Cause or with Good Reason), any dispute or controversy arising under or in connection with this Policy shall be settled by binding arbitration, conducted before a panel of three arbitrators sitting in a location selected by the Participant within 50 miles from the location of his or her job with his or her Employer, in accordance with current Employment Dispute rules of the American Arbitration Association ("AAA") then in effect. Within fifteen days after the commencement of arbitration, each of the Company and the Participant shall select one person to act as arbitrator, and the two selected shall select a third arbitrator within ten days of their appointment. If the arbitrators are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the AAA. Judgment shall be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration, including the fees and expenses of the counsel for the Participant, shall be borne by the Company.

(c) Notwithstanding any provision of this Policy to the contrary, all fees and expenses subject to payment or reimbursement pursuant to this Section 9.1 shall be paid not later than the last day of the calendar year following the calendar year in which the Participant incurs such fees or expenses. The Participant shall be solely responsible for timely providing to the Company sufficient proof of the fees and expenses to be paid or reimbursed pursuant to this Section.

Section 9.2 Withholding of Taxes. An Employer may withhold from any amounts payable under this Policy all foreign, federal, provincial, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

Section 9.3 Participant Successors.

(a) This Policy shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

(b) The rights under this Policy are personal in nature and neither the Company nor any Participant shall, without the consent of the other, assign, transfer or delegate any rights or obligations hereunder except as contemplated in Section 7.1 hereof. Without limiting the generality of the foregoing, the Participant's right to receive a Severance Payment hereunder shall not be assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his or her will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 9.3(b), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

(c) The Company and each Participant recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company, and each Participant hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Policy.

Section 9.4 Notices. For all purposes of this Policy, all communications, including without limitation notices, consents, requests or approvals provided for herein shall be in writing and shall be deemed to have been duly given when delivered or five business days after having been mailed by registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the General Counsel of the Company) at its principal executive office and to any Participant at his or her principal residence as shown in the relevant records of the Employer, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.