

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission File number 1-4982

PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of
incorporation or organization)

6035 Parkland Blvd., Cleveland, Ohio

(Address of principal executive offices)

34-0451060

(IRS Employer
Identification No.)

44124-4141

(Zip Code)

Registrant's telephone number, including area code: **(216) 896-3000**

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of Common Shares outstanding at December 31, 2015 135,102,576

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Net sales	\$ 2,705,590	\$ 3,134,993	\$ 5,574,938	\$ 6,404,925
Cost of sales	2,140,624	2,401,584	4,341,528	4,861,449
Gross profit	564,966	733,409	1,233,410	1,543,476
Selling, general and administrative expenses	314,666	379,804	684,880	780,644
Interest expense	34,297	27,645	70,057	48,606
Other (income), net	(13,877)	(17,306)	(27,056)	(25,675)
Income before income taxes	229,880	343,266	505,529	739,901
Income taxes	46,743	75,931	127,366	192,395
Net income	183,137	267,335	378,163	547,506
Less: Noncontrolling interest in subsidiaries' earnings	155	83	203	165
Net income attributable to common shareholders	\$ 182,982	\$ 267,252	\$ 377,960	\$ 547,341
Earnings per share attributable to common shareholders:				
Basic	\$ 1.35	\$ 1.84	\$ 2.78	\$ 3.72
Diluted	\$ 1.33	\$ 1.80	\$ 2.74	\$ 3.66
Cash dividends per common share	\$ 0.63	\$ 0.63	\$ 1.26	\$ 1.11

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Net income	\$ 183,137	\$ 267,335	\$ 378,163	\$ 547,506
Less: Noncontrolling interests in subsidiaries' earnings	155	83	203	165
Net income attributable to common shareholders	182,982	267,252	377,960	547,341
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment and other	(91,177)	(216,913)	(203,357)	(518,940)
Retirement benefits plan activity	28,221	25,064	57,117	51,922
Other comprehensive (loss)	(62,956)	(191,849)	(146,240)	(467,018)
Less: Other comprehensive (loss) for noncontrolling interests	(34)	(52)	(131)	(153)
Other comprehensive (loss) attributable to common shareholders	(62,922)	(191,797)	(146,109)	(466,865)
Total comprehensive income attributable to common shareholders	\$ 120,060	\$ 75,455	\$ 231,851	\$ 80,476

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	(Unaudited) December 31, 2015	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,047,494	\$ 1,180,584
Marketable securities and other investments	820,682	733,490
Trade accounts receivable, net	1,419,934	1,620,194
Non-trade and notes receivable	293,913	364,534
Inventories	1,279,760	1,300,459
Prepaid expenses	141,030	241,684
Deferred income taxes	148,198	142,147
Total current assets	5,151,011	5,583,092
Plant and equipment	4,775,462	4,862,611
Less: Accumulated depreciation	3,177,277	3,198,589
	1,598,185	1,664,022
Other assets	1,116,315	1,091,805
Intangible assets, net	975,515	1,013,439
Goodwill	2,913,065	2,942,679
Total assets	\$ 11,754,091	\$ 12,295,037
LIABILITIES		
Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 574,302	\$ 223,142
Accounts payable, trade	948,157	1,092,138
Accrued payrolls and other compensation	279,119	409,762
Accrued domestic and foreign taxes	109,495	140,295
Other accrued liabilities	457,026	484,793
Total current liabilities	2,368,099	2,350,130
Long-term debt	2,724,860	2,723,960
Pensions and other postretirement benefits	1,475,351	1,699,197
Deferred income taxes	76,405	77,967
Other liabilities	306,655	336,214
Total liabilities	6,951,370	7,187,468
EQUITY		
Shareholders' equity:		
Serial preferred stock, \$.50 par value; authorized 3,000,000 shares; none issued	—	—
Common stock, \$.50 par value; authorized 600,000,000 shares; issued 181,046,128 shares at December 31 and June 30	90,523	90,523
Additional capital	639,921	622,729
Retained earnings	10,047,759	9,841,885
Accumulated other comprehensive (loss)	(1,884,727)	(1,738,618)
Treasury shares, at cost; 45,943,552 shares at December 31 and 42,487,389 shares at June 30	(4,094,070)	(3,712,232)
Total shareholders' equity	4,799,406	5,104,287
Noncontrolling interests	3,315	3,282
Total equity	4,802,721	5,107,569
Total liabilities and equity	\$ 11,754,091	\$ 12,295,037

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended	
	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 378,163	\$ 547,506
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	96,675	103,671
Amortization	59,418	56,954
Share incentive plan compensation	39,026	52,217
Deferred income taxes	(20,899)	(35,253)
Foreign currency transaction loss (gain)	8,169	(23,186)
(Gain) loss on sale of plant and equipment	(336)	8,092
Gain on sale of businesses	—	(5,791)
Gain on sale of marketable securities	(158)	—
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	173,590	211,530
Inventories	3,346	(155,335)
Prepaid expenses	99,511	(33,655)
Other assets	(20,673)	(4,175)
Accounts payable, trade	(135,070)	(53,990)
Accrued payrolls and other compensation	(124,866)	(113,482)
Accrued domestic and foreign taxes	(31,962)	(81,483)
Other accrued liabilities	(31,669)	(826)
Pensions and other postretirement benefits	(120,488)	79,332
Other liabilities	(25,149)	(13,629)
Net cash provided by operating activities	346,628	538,497
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (net of cash of \$3,814 in 2015 and \$3,979 in 2014)	(67,552)	(18,640)
Capital expenditures	(75,419)	(109,781)
Proceeds from sale of plant and equipment	8,506	3,902
Proceeds from sale of businesses	—	22,779
Purchases of marketable securities and other investments	(575,183)	(971,606)
Maturities of marketable securities and other investments	527,819	475,851
Other	(41,450)	(43,239)
Net cash (used in) investing activities	(223,279)	(640,734)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	80	2,724
Payments for common shares	(400,070)	(871,567)
Tax benefit from share incentive plan compensation	5,960	16,319
Proceeds from (payments for) notes payable, net	574,299	(815,172)
Proceeds from long-term borrowings	1,689	1,485,505
Payments for long-term borrowings	(219,397)	(358)
Dividends	(171,707)	(164,758)
Net cash (used in) financing activities	(209,146)	(347,307)
Effect of exchange rate changes on cash	(47,293)	(88,704)
Net (decrease) in cash and cash equivalents	(133,090)	(538,248)
Cash and cash equivalents at beginning of year	1,180,584	1,613,555
Cash and cash equivalents at end of period	\$ 1,047,494	\$ 1,075,307

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
BUSINESS SEGMENT INFORMATION
(Dollars in thousands)
(Unaudited)

The Company operates in two reportable business segments: Diversified Industrial and Aerospace Systems.

Diversified Industrial - This segment produces a broad range of motion-control and fluid systems and components used in all kinds of manufacturing, packaging, processing, transportation, mobile construction, refrigeration and air conditioning, agricultural and military machinery and equipment and has a significant portion of international operations. Sales are made directly to major original equipment manufacturers (OEMs) and through a broad distribution network to smaller OEMs and the aftermarket.

Aerospace Systems - This segment designs and manufactures products and provides aftermarket support for commercial, business jet, military and general aviation aircraft, missile and spacecraft markets. The Aerospace Systems Segment provides a full range of systems and components for hydraulic, pneumatic and fuel applications.

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Net sales				
Diversified Industrial:				
North America	\$ 1,160,774	\$ 1,389,207	\$ 2,447,104	\$ 2,861,019
International	992,464	1,187,400	2,030,911	2,450,897
Aerospace Systems	552,352	558,386	1,096,923	1,093,009
Total net sales	<u>\$ 2,705,590</u>	<u>\$ 3,134,993</u>	<u>\$ 5,574,938</u>	<u>\$ 6,404,925</u>
Segment operating income				
Diversified Industrial:				
North America	\$ 153,581	\$ 226,888	\$ 366,329	\$ 491,124
International	95,367	136,525	224,662	326,330
Aerospace Systems	81,764	66,817	155,767	132,166
Total segment operating income	330,712	430,230	746,758	949,620
Corporate general and administrative expenses	31,210	51,360	84,261	106,804
Income before interest expense and other expense	299,502	378,870	662,497	842,816
Interest expense	34,297	27,645	70,057	48,606
Other expense	35,325	7,959	86,911	54,309
Income before income taxes	<u>\$ 229,880</u>	<u>\$ 343,266</u>	<u>\$ 505,529</u>	<u>\$ 739,901</u>

PARKER-HANNIFIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share amounts

1. Management representation

In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position as of December 31, 2015, the results of operations for the three and six months ended December 31, 2015 and 2014 and cash flows for the six months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2015 Annual Report on Form 10-K and its previously filed fiscal 2016 Form 10-Q. Interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

The Company has evaluated subsequent events that have occurred through the date these financial statements were issued. No subsequent events have occurred that required adjustment to these financial statements.

2. New accounting pronouncements

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, "Recognition and Measurement of Financial Assets and Liabilities." ASU 2016-01 requires equity investments (excluding equity method investments and investments that are consolidated) to be measured at fair value with changes in fair value recognized in net income. Equity investments that do not have a readily determinable fair value may be measured at cost, adjusted for impairment and observable price changes. The ASU also simplifies the impairment assessment of equity investments, eliminates the disclosure of the assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at cost on the balance sheet and requires the exit price to be used when measuring fair value of financial instruments for disclosure purposes. Under ASU 2016-01, changes in fair value (resulting from instrument-specific credit risk) will be presented separately in other comprehensive income for liabilities measured using the fair value option and financial assets and liabilities will be presented separately by measurement category and type either on the balance sheet or in the financial statement disclosures. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has not yet determined the effect that ASU 2016-01 will have on its results of operations, statement of financial position or financial statement disclosures.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes - Balance Sheet Classification of Deferred Taxes." ASU 2015-17 requires companies to present deferred tax assets and deferred tax liabilities as noncurrent in the statement of financial position. ASU 2015-17 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted at the beginning of an interim or annual reporting period. The Company has not yet determined the effect that ASU 2015-17 will have on its statement of financial position or financial statement disclosures.

In July 2015, the FASB issued ASU 2015-11, "Inventory - Simplifying the Measurement of Inventory." ASU 2015-11 requires companies to measure inventory (valued using first-in, first-out or average cost methods) at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The measurement of inventory valued using the last-in, first-out method is unchanged. ASU 2015-11 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has not yet determined the effect that ASU 2015-11 will have on its results of operations, statement of financial position or financial statement disclosures.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in the ASU. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect ASU 2015-03 will have a material impact on its statement of financial position or financial statement disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration that a company expects to be entitled to in exchange for the goods or services. To achieve this principle, a company must apply five steps including identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the company satisfies the performance obligations. Additional quantitative and qualitative disclosure to enhance the understanding

2. New accounting pronouncements, cont'd

about the nature, amount, timing, and uncertainty of revenue and cash flows is also required. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has not yet determined the effect that ASU 2014-09 will have on its results of operations, statement of financial position or financial statement disclosures.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 requires the recognition of adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined. The effects of the adjustments to provisional amounts on depreciation, amortization or other income effects should be recognized in current-period earnings as if the accounting had been completed at the acquisition date. Disclosure of the portion of the adjustment recorded in current-period earnings that would have been reported in prior reporting periods if the adjustment to the provisional amounts had been recognized at the acquisition date is also required. During the first quarter of fiscal 2016, the Company adopted ASU 2015-16. The adoption of ASU 2015-16 did not materially affect the Company's results of operations, statement of financial position or financial statement disclosures.

3. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three and six months ended December 31, 2015 and 2014.

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
<u>Numerator:</u>				
Net income attributable to common shareholders	\$ 182,982	\$ 267,252	\$ 377,960	\$ 547,341
<u>Denominator:</u>				
Basic - weighted average common shares	135,373,356	145,493,247	136,108,930	147,116,038
Increase in weighted average common shares from dilutive effect of equity-based awards	1,692,091	2,689,530	1,679,289	2,347,242
Diluted - weighted average common shares, assuming exercise of equity-based awards	137,065,447	148,182,777	137,788,219	149,463,280
Basic earnings per share	\$ 1.35	\$ 1.84	\$ 2.78	\$ 3.72
Diluted earnings per share	\$ 1.33	\$ 1.80	\$ 2.74	\$ 3.66

For the three months ended December 31, 2015 and 2014, 3,534,042 and 873,214 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive. For the six months ended December 31, 2015 and 2014, 2,894,106 and 1,004,789 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

4. Share repurchase program

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized for repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a fiscal year. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury stock. During the three-month period ended December 31, 2015, the Company repurchased 893,010 shares at an average price, including commissions, of \$100.78 per share. During the six-month period ended December 31, 2015, the Company repurchased 3,663,634 shares at an average price, including commissions, of \$109.18 per share.

5. Trade accounts receivable, net

Trade accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. Receivables are written off to bad debt primarily when, in the judgment of the Company, the receivable is deemed to be uncollectible due to the insolvency of the debtor. Allowance for doubtful accounts was \$8,269 and \$9,284 at December 31, 2015 and June 30, 2015, respectively.

6. Non-trade and notes receivable

The non-trade and notes receivable caption in the Consolidated Balance Sheet is comprised of the following components:

	December 31, 2015	June 30, 2015
Notes receivable	\$ 101,675	\$ 90,470
Reverse repurchase agreements	48,874	113,558
Accounts receivable, other	143,364	160,506
Total	<u>\$ 293,913</u>	<u>\$ 364,534</u>

Reverse repurchase agreements are collateralized lending arrangements and have a maturity longer than three months from the date of purchase. The Company does not record an asset or liability for the collateral associated with the reverse repurchase agreements.

7. Inventories

The inventories caption in the Consolidated Balance Sheet is comprised of the following components:

	December 31, 2015	June 30, 2015
Finished products	\$ 514,415	\$ 526,708
Work in process	681,699	688,727
Raw materials	83,646	85,024
Total	<u>\$ 1,279,760</u>	<u>\$ 1,300,459</u>

8. Business realignment charges

The Company incurred business realignment charges in fiscal 2016 and fiscal 2015.

Business realignment charges by business segment are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Diversified Industrial	\$ 22,956	\$ 9,084	\$ 42,999	\$ 14,933
Aerospace Systems	235	—	1,980	—

Work force reductions in connection with such business realignment charges by business segment are as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Diversified Industrial	890	72	2,054	174
Aerospace Systems	9	—	66	—

8. Business realignment charges, cont'd

The charges primarily consist of severance costs related to actions taken under the Company's Simplification initiative aimed at reducing organizational and process complexity, as well as plant closures, with the majority of the charges incurred in Europe and North America. Also, during the current-year quarter, \$80 of severance costs for two people were included in the corporate general and administrative expenses caption in the Business Segment Information. In addition, asset write-downs of \$116 and \$1,915 for the six months ended December 31, 2015 and 2014, respectively, were recognized in connection with plant closures in the Diversified Industrial Segment and are reflected in the other expense caption in the Business Segment Information. In connection with a plant closure, the Company recognized an expense associated with enhanced retirement benefits (refer to Note 11 for further discussion). The Company believes the realignment actions will positively impact future results of operations but will not have a material effect on liquidity and sources and uses of capital.

The business realignment charges are presented in the Consolidated Statement of Income as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Cost of sales	\$ 18,258	\$ 5,489	\$ 32,931	\$ 10,607
Selling, general and administrative expenses	5,013	3,595	12,128	4,326
Other (income), net	—	—	116	1,915

As of December 31, 2015, approximately \$23 million in severance payments had been made relating to charges incurred during fiscal 2016, the remainder of which are expected to be paid by December 31, 2016. Severance payments relating to prior-year actions are being made as required. Remaining severance payments related to current-year and prior-year actions of approximately \$36 million are primarily reflected within the other accrued liabilities caption in the Consolidated Balance Sheet. Additional charges may be recognized in future periods related to the realignment actions described above, the timing and amount of which are not known at this time.

9. Equity

Changes in equity for the three months ended December 31, 2015 and 2014 are as follows:

	Shareholders' Equity	Noncontrolling Interests	Total Equity
September 30, 2015	\$ 4,851,518	\$ 3,233	\$ 4,854,751
Net income	182,982	155	183,137
Other comprehensive (loss)	(62,922)	(34)	(62,956)
Dividends paid	(85,681)	(39)	(85,720)
Stock incentive plan activity	3,509	—	3,509
Shares purchased at cost	(90,000)	—	(90,000)
Balance at December 31, 2015	\$ 4,799,406	\$ 3,315	\$ 4,802,721

	Shareholders' Equity	Noncontrolling Interests	Total Equity
September 30, 2014	\$ 6,579,003	\$ 3,361	\$ 6,582,364
Net income	267,252	83	267,335
Other comprehensive (loss)	(191,797)	(52)	(191,849)
Dividends paid	(93,151)	—	(93,151)
Stock incentive plan activity	12,141	—	12,141
Shares purchased at cost	(816,699)	—	(816,699)
Balance at December 31, 2014	\$ 5,756,749	\$ 3,392	\$ 5,760,141

9. Equity, cont'd

Changes in equity for the six months ended December 31, 2015 and 2014 are as follows:

	Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at June 30, 2015	\$ 5,104,287	\$ 3,282	\$ 5,107,569
Net income	377,960	203	378,163
Other comprehensive (loss)	(146,109)	(131)	(146,240)
Dividends paid	(171,668)	(39)	(171,707)
Stock incentive plan activity	34,936	—	34,936
Shares purchased at cost	(400,000)	—	(400,000)
Balance at December 31, 2015	<u>\$ 4,799,406</u>	<u>\$ 3,315</u>	<u>\$ 4,802,721</u>

	Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at June 30, 2014	\$ 6,659,428	\$ 3,380	\$ 6,662,808
Net income	547,341	165	547,506
Other comprehensive income (loss)	(466,865)	(153)	(467,018)
Dividends paid	(164,758)	—	(164,758)
Stock incentive plan activity	48,302	—	48,302
Shares purchased at cost	(866,699)	—	(866,699)
Balance at December 31, 2014	<u>\$ 5,756,749</u>	<u>\$ 3,392</u>	<u>\$ 5,760,141</u>

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the six months ended December 31, 2015 and 2014 are as follows:

	Foreign Currency Translation Adjustment and Other	Retirement Benefit Plans	Total
Balance at June 30, 2015	\$ (641,018)	\$ (1,097,600)	\$ (1,738,618)
Other comprehensive (loss) income before reclassifications	(203,133)	—	(203,133)
Amounts reclassified from accumulated other comprehensive (loss)	(93)	57,117	57,024
Balance at December 31, 2015	<u>\$ (844,244)</u>	<u>\$ (1,040,483)</u>	<u>\$ (1,884,727)</u>

	Foreign Currency Translation Adjustment and Other	Retirement Benefit Plans	Total
Balance at June 30, 2014	\$ 124,392	\$ (947,890)	\$ (823,498)
Other comprehensive (loss) before reclassifications	(518,889)	—	(518,889)
Amounts reclassified from accumulated other comprehensive (loss)	102	51,922	52,024
Balance at December 31, 2014	<u>\$ (394,395)</u>	<u>\$ (895,968)</u>	<u>\$ (1,290,363)</u>

9. Equity, cont'd

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three and six months ended December 31, 2015 and 2014 are as follows:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended	Six Months Ended	
	December 31, 2015	December 31, 2015	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	\$ (1,643)	\$ (3,686)	See Note 11
Recognized actuarial loss	(42,577)	(85,824)	See Note 11
Total before tax	(44,220)	(89,510)	
Tax benefit	15,999	32,393	Income taxes
Net of tax	\$ (28,221)	\$ (57,117)	

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended	Six Months Ended	
	December 31, 2014	December 31, 2014	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	\$ (1,900)	\$ (4,544)	See Note 11
Recognized actuarial loss	(37,548)	(77,227)	See Note 11
Total before tax	(39,448)	(81,771)	
Tax benefit	14,384	29,849	Income taxes
Net of tax	\$ (25,064)	\$ (51,922)	

10. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the six months ended December 31, 2015 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2015	\$ 2,844,045	\$ 98,634	\$ 2,942,679
Acquisitions	31,134	—	31,134
Foreign currency translation and other	(60,741)	(7)	(60,748)
Balance at December 31, 2015	\$ 2,814,438	\$ 98,627	\$ 2,913,065

Acquisitions represent the original goodwill allocation and final adjustments to purchase price allocations during the measurement period subsequent to the applicable acquisition dates. The impact of final purchase price allocation adjustments on the Company's results of operations and financial position were immaterial.

10. Goodwill and intangible assets cont'd

Intangible assets are amortized on the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets:

	December 31, 2015		June 30, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 150,579	\$ 91,131	\$ 149,066	\$ 88,540
Trademarks	341,997	171,325	355,108	172,187
Customer lists and other	1,361,048	615,653	1,369,380	599,388
Total	<u>\$ 1,853,624</u>	<u>\$ 878,109</u>	<u>\$ 1,873,554</u>	<u>\$ 860,115</u>

Total intangible amortization expense for the six months ended December 31, 2015 was \$55,024. The estimated amortization expense for the five years ending June 30, 2016 through 2020 is \$101,542, \$97,228, \$92,425, \$84,899 and \$77,274, respectively.

Intangible assets are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition may be less than their net carrying value. No such events or circumstances occurred during the six months ended December 31, 2015.

11. Retirement benefits

Net pension benefit cost recognized included the following components:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Service cost	\$ 23,406	\$ 24,583	\$ 47,519	\$ 49,657
Interest cost	45,663	44,305	91,734	90,798
Special termination cost	7,088	—	7,088	—
Expected return on plan assets	(55,566)	(54,961)	(111,215)	(110,189)
Amortization of prior service cost	1,669	1,927	3,738	4,597
Amortization of net actuarial loss	42,299	37,297	85,268	76,725
Amortization of initial net obligation	4	4	8	9
Net pension benefit cost	<u>\$ 64,563</u>	<u>\$ 53,155</u>	<u>\$ 124,140</u>	<u>\$ 111,597</u>

During the three months ended December 31, 2015 and 2014, the Company recognized \$5,608 and \$1,118, respectively, in expense related to other postretirement benefits. During the six months ended December 31, 2015 and 2014, the Company recognized \$6,695 and \$2,236, respectively, in expense related to other postretirement benefits.

During the current-year quarter, the Company provided enhanced retirement benefits in connection with a plant closure, which resulted in an increase in net pension benefit cost of \$7,088 and an increase in expense related to other postretirement benefits of \$4,521.

12. Income taxes

The Company and its subsidiaries file federal and state income tax returns in the U.S. and in various foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. The Company is open to assessment of its federal income tax returns by the U.S. Internal Revenue Service for fiscal years after 2011. The Company is also open to assessment for all significant state, local and foreign jurisdictions for fiscal years after 2006. Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts reflected in the financial statements.

12. Income taxes, cont'd

As of December 31, 2015, the Company had gross unrecognized tax benefits of \$130,830. The total amount of gross unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$74,195. If recognized, a significant portion of the gross unrecognized tax benefits would be offset against an asset currently recorded in the Consolidated Balance Sheet. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, is \$10,375. It is reasonably possible that within the next 12 months the amount of gross unrecognized tax benefits could be reduced by up to approximately \$100,000 as a result of the revaluation of existing uncertain tax positions arising from developments in the examination process or the closure of tax statutes. Any increase in the amount of gross unrecognized tax benefits within the next 12 months is expected to be insignificant.

13. Financial instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities and other investments, accounts receivable and long-term investments as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, accounts payable, trade and notes payable approximate fair value.

Marketable securities and other investments include deposits, which are recorded at cost, and investments classified as available-for-sale, which are recorded at fair value with unrealized gains and losses recorded in accumulated other comprehensive (loss). Gross unrealized gains and losses were not material as of December 31, 2015 and June 30, 2015. All available-for-sale investments in an unrealized loss position have been in that position for less than 12 months. There were no facts or circumstances that indicated the unrealized losses were other than temporary.

The contractual maturities of available-for-sale investments at December 31, 2015 and June 30, 2015 are as follows:

	December 31, 2015		June 30, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than one year	\$ 14,141	\$ 14,141	\$ 13,561	\$ 13,555
One to three years	184,281	184,115	188,539	188,057
Above three years	11,696	11,598	15,673	15,587

Actual maturities of available-for-sale investments may differ from their contractual maturities as the Company has the ability to liquidate the available-for-sale investments after giving appropriate notice to the issuer.

The carrying value of long-term debt and estimated fair value of long-term debt are as follows:

	December 31, 2015	June 30, 2015
Carrying value of long-term debt	\$ 2,724,862	\$ 2,947,102
Estimated fair value of long-term debt	2,892,998	3,107,735

The fair value of long-term debt was determined based on observable market prices in the active market in which the security is traded and is classified within level 2 of the fair value hierarchy.

The Company utilizes derivative and non-derivative financial instruments, including, forward exchange contracts, costless collar contracts, cross-currency swap contracts and certain foreign denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. The derivative financial instrument contracts are with major investment grade financial institutions and the Company does not anticipate any material non-performance by any of the counterparties. The Company does not hold or issue derivative financial instruments for trading purposes.

13. Financial instruments cont'd

The Company's Euro bonds, which matured in November 2015, and Japanese Yen credit facility have each been designated as a hedge of the Company's net investment in certain foreign subsidiaries. The translation of the Euro bonds and Japanese Yen credit facility into U.S. dollars is recorded in accumulated other comprehensive (loss) and remains there until the underlying net investment is sold or substantially liquidated.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value.

The following summarizes the location and fair value of significant derivative financial instruments reported in the Consolidated Balance Sheet as of December 31, 2015 and June 30, 2015:

	Balance Sheet Caption	December 31, 2015	June 30, 2015
Net investment hedges			
Cross-currency swap contracts	Other assets	\$ 25,695	\$ 17,994
Cash flow hedges			
Costless collar contracts	Non-trade and notes receivable	4,354	5,627
Costless collar contracts	Other accrued liabilities	2,887	1,970

The cross-currency swap and costless collar contracts are reflected on a gross basis in the Consolidated Balance Sheet. The Company has not entered into any master netting arrangements.

Gains or losses on derivatives that are not hedges are adjusted to fair value through the cost of sales caption in the Consolidated Statement of Income. Gains or losses on derivatives that are hedges are adjusted to fair value through accumulated other comprehensive (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings.

Cross-currency swap contracts have been designated as hedging instruments. Costless collar contracts and forward exchange contracts have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

Gains (losses) on derivative financial instruments that were recorded in the Consolidated Statement of Income for the three and six months ended December 31, 2015 and 2014 were not material.

Gains (losses) on derivative and non-derivative financial instruments that were recorded in accumulated other comprehensive (loss) in the Consolidated Balance Sheet are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Cross-currency swap contracts	\$ 4,630	\$ 10,233	\$ 7,793	\$ 22,128
Foreign denominated debt	5,407	9,255	4,273	25,145

There was no ineffectiveness of the cross-currency swap contracts or foreign denominated debt, nor was any portion of these financial instruments excluded from the effectiveness testing, during the six months ended December 31, 2015 and 2014.

13. Financial instruments cont'd

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at December 31, 2015 and June 30, 2015 are as follows:

	Fair Value at December 31, 2015	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity securities	\$ 1,618	\$ 1,618	\$ —	\$ —
Government bonds	16,667	16,667	—	—
Corporate bonds	185,837	185,837	—	—
Asset-backed and mortgage-backed securities	7,350	—	7,350	—
Derivatives	28,886	—	28,886	—
Investments measured at net asset value	246,042			
Liabilities:				
Derivatives	2,887	—	2,887	—

	Fair Value at June 30, 2015	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Government bonds	\$ 60,512	\$ 60,512	\$ —	\$ —
Corporate bonds	145,717	145,717	—	—
Asset-backed and mortgage-backed securities	10,970	—	10,970	—
Derivatives	23,598	—	23,598	—
Investments measured at net asset value	187,534			
Liabilities:				
Derivatives	1,970	—	1,970	—

The fair values of the equity securities, government bonds, corporate bonds and asset-backed and mortgage-backed securities are determined using the closing market price reported in the active market in which the fund is traded or the market price for similar assets that are traded in an active market.

Derivatives consist of forward exchange, costless collar and cross-currency swap contracts, the fair values of which are calculated using market observable inputs including both spot and forward prices for the same underlying currencies. The calculation of fair value of the cross-currency swap contracts also utilizes a present value cash flow model that has been adjusted to reflect the credit risk of either the Company or the counterparty.

Investments measured at net asset value primarily consist of investments in fixed income mutual funds, which are measured at fair value using the net asset value per share practical expedient. These investments have not been categorized in the fair value hierarchy. The Company has the ability to liquidate these investments after giving appropriate notice to the issuer.

The primary investment objective for all investments is the preservation of principal and liquidity while earning income.

There are no other financial assets or financial liabilities that are marked to market on a recurring basis. Fair values are transferred between levels of the fair value hierarchy when facts and circumstances indicate that a change in the method of estimating the fair value of a financial asset or financial liability is warranted.

PARKER-HANNIFIN CORPORATION
FORM 10-Q
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2015
AND COMPARABLE PERIODS ENDED DECEMBER 31, 2014

OVERVIEW

The Company is a leading worldwide diversified manufacturer of motion and control technologies and systems, providing precision engineered solutions for a wide variety of mobile, industrial and aerospace markets.

The Company's order rates provide a near-term perspective of the Company's outlook particularly when viewed in the context of prior and future order rates. The Company publishes its order rates on a quarterly basis. The lead time between the time an order is received and revenue is realized generally ranges from one day to 12 weeks for mobile and industrial orders and from one day to 18 months for aerospace orders. The Company believes the leading economic indicators of these markets that have a strong correlation to the Company's future order rates are as follows:

- Purchasing Managers Index (PMI) on manufacturing activity specific to regions around the world with respect to most mobile and industrial markets;
- Global aircraft miles flown and global revenue passenger miles for commercial aerospace markets and Department of Defense spending for military aerospace markets; and
- Housing starts with respect to the North American residential air conditioning market and certain mobile construction markets.

A PMI above 50 indicates that the manufacturing activity specific to a region of the world in the mobile and industrial markets is expanding. A PMI below 50 indicates the opposite. Recent PMI levels for some regions around the world were as follows:

	December 31, 2015	September 30, 2015	June 30, 2015
United States	48.2	50.2	53.5
Eurozone countries	53.2	52.0	52.5
China	48.2	47.2	49.4
Brazil	45.6	47.0	46.5

Global aircraft miles flown have increased approximately six percent from their comparable fiscal 2015 level and global revenue passenger miles have increased approximately seven percent from their comparable fiscal 2015 level. The Company anticipates that U.S. Department of Defense spending with regard to appropriations and operations and maintenance for the U.S. Government's fiscal year 2016 will be approximately 10 percent higher than the comparable fiscal 2015 level.

Housing starts in December 2015 were approximately six percent higher than housing starts in December 2014 and were approximately two percent lower than housing starts in June 2015.

The Company remains focused on maintaining its financial strength by adjusting its cost structure to reflect changing demand levels, maintaining a strong balance sheet and managing its cash. The Company has been able to borrow funds at affordable interest rates and had a debt to debt-shareholders' equity ratio of 40.7 percent at December 31, 2015 compared to 40.9 percent at September 30, 2015 and 36.6 percent at June 30, 2015. Net of cash and cash equivalents and marketable securities and other investments, the debt to debt-shareholders' equity ratio was 23.0 percent at December 31, 2015 compared to 24.4 percent at September 30, 2015 and 16.8 percent at June 30, 2015.

The Company believes many opportunities for profitable growth are available. The Company intends to focus primarily on business opportunities in the areas of energy, water, food, environment, defense, life sciences, infrastructure and transportation.

The Company believes it can meet its strategic objectives by:

- Successfully executing its Win Strategy initiatives relating to engaged people, premier customer experience, profitable growth and financial performance;
- Successfully executing its Simplification initiative which is aimed at reducing organizational and process complexity;
- Serving the customer and continuously enhancing its experience with the Company;
- Maintaining its decentralized division and sales company structure;
- Fostering a safety first and entrepreneurial culture;
- Engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- Delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- Acquiring strategic businesses;
- Organizing around targeted regions, technologies and markets;
- Driving efficiency by implementing lean enterprise principles; and
- Creating a culture of empowerment through its values, inclusion and diversity, accountability and teamwork.

Acquisitions will be considered from time to time to the extent there is a strong strategic fit while at the same time, maintaining the Company's strong financial position. In addition, the Company will continue to assess its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term strategic fit for the Company. Future business divestitures could have a negative effect on the Company's results of operations.

The discussion below is structured to separately discuss the Consolidated Statement of Income, Results by Business Segment, Consolidated Balance Sheet and Consolidated Statement of Cash Flows.

CONSOLIDATED STATEMENT OF INCOME

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net sales	\$ 2,705.6	\$ 3,135.0	\$ 5,574.9	\$ 6,404.9
Gross profit	\$ 565.0	\$ 733.4	\$ 1,233.4	\$ 1,543.5
Gross profit margin	20.9%	23.4%	22.1%	24.1%
Selling, general and administrative expenses	\$ 314.7	\$ 379.8	\$ 684.9	\$ 780.6
Selling, general and administrative expenses, as a percent of sales	11.6%	12.1%	12.3%	12.2%
Interest expense	34.3	27.6	70.1	48.6
Other (income), net	\$ (13.9)	\$ (17.3)	\$ (27.1)	\$ (25.7)
Effective tax rate	20.3%	22.1%	25.2%	26.0%
Net income	\$ 183.1	\$ 267.3	\$ 378.2	\$ 547.5
Net income, as a percent of sales	6.8%	8.5%	6.8%	8.5%

Net sales for the current-year quarter and first six months of fiscal 2016 decreased from the comparable prior-year periods primarily due to lower sales in the Diversified Industrial Segment. The effect of currency rate changes decreased net sales by approximately \$139 million in the current-year quarter (\$119 million of which was attributable to the Diversified Industrial International businesses) and \$325 million for the first six months of fiscal 2016 (\$279 million of which was attributable to the Diversified Industrial International businesses). Acquisitions made in the last 12 months contributed approximately \$10 million and \$22 million in sales in the current-year quarter and first six months of fiscal 2016, respectively.

Gross profit margin decreased in the current-year quarter and first six months of fiscal 2016 primarily due to the lower sales volume in the Diversified Industrial Segment, resulting in manufacturing inefficiencies, and an unfavorable product mix in the Diversified Industrial International businesses, partially offset by a favorable product mix in the Aerospace Systems Segment and lower operating expenses resulting from the Company's Simplification initiative and prior-year restructuring activities. Foreign currency transaction gain (loss) (primarily relating to cash, marketable securities and other investments and intercompany transactions) included in cost of sales for the current-year quarter and prior-year quarter were \$(13.4) million and \$10.5 million, respectively, and \$(8.2) million and \$23.2 million for the first six months of fiscal 2016 and 2015, respectively. Pension cost included in cost of sales for the current-year quarter and prior-year quarter were \$46.6 million and \$39.3 million,

respectively, and \$87.8 million and \$81.9 million for the first six months of fiscal 2016 and 2015, respectively. Cost of sales for the current-year quarter and prior-year quarter also included business realignment charges of \$18.3 million and \$5.5 million, respectively, and \$32.9 million and \$10.6 million for the first six months of fiscal 2016 and 2015, respectively.

Selling, general and administrative expenses decreased for the current-year quarter and first six months of fiscal 2016 primarily due to lower selling expenses resulting from the decrease in sales, lower expenses resulting from the Company's Simplification initiative, lower net expenses associated with the Company's deferred compensation programs, lower incentive compensation expense, lower stock compensation expense and lower research and development expenses. Stock compensation expense decreased primarily as a result of a lower number of stock awards granted in fiscal 2016. Pension cost included in selling, general and administrative expenses for the current-year quarter and prior-year quarter was \$17.9 million and \$14.4 million, respectively, and \$37.6 million and \$31.2 for the first six months of fiscal 2016 and 2015, respectively. Business realignment charges included in selling, general and administrative expenses were \$5.0 million and \$3.6 million for the current-year quarter and prior-year quarter, respectively, and \$12.1 million and \$4.3 million for the first six months of fiscal 2016 and 2015, respectively.

Interest expense for the current-year quarter and first six months of fiscal 2016 increased from the comparable prior-year periods primarily due to higher weighted-average borrowings. Higher weighted-average interest rates also contributed to the higher interest expense for the first six months of fiscal 2016.

Other (income), net in the current-year quarter and first six months of fiscal 2016 includes income of \$5.4 million and \$10.6 million, respectively, related to equity method investments. Other (income), net in the prior-year quarter and first six months of fiscal 2015 included income of \$5.3 million and \$11.2 million, respectively, related to equity method investments and a gain of \$1.9 million and \$7.7 million, respectively, related to the sale of businesses.

Effective tax rate for the current-year quarter and first six months of fiscal 2016 was lower than the comparable prior-year periods primarily due to additional tax benefits related to the re-enactment of the U.S. Research and Development tax credit and increased discrete tax benefits. These benefits were partially offset by a decrease in estimated foreign earnings in lower tax jurisdictions. The Company expects the effective tax rate for fiscal 2016 will be approximately 28 percent.

RESULTS BY BUSINESS SEGMENT

Diversified Industrial Segment

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net sales				
North America	\$ 1,160.8	\$ 1,389.2	\$ 2,447.1	\$ 2,861.0
International	992.5	1,187.4	2,030.9	2,450.9
Operating income				
North America	153.6	226.9	366.3	491.1
International	\$ 95.4	\$ 136.5	\$ 224.7	\$ 326.3
Operating margin				
North America	13.2 %	16.3 %	15.0 %	17.2 %
International	9.6 %	11.5 %	11.1 %	13.3 %
Backlog	\$ 1,448.0	\$ 1,761.3	\$ 1,448.0	\$ 1,761.3

The Diversified Industrial Segment operations experienced the following percentage changes in net sales in the current-year period versus the comparable prior-year period:

	Period Ending December 31,	
	Three Months	Six Months
Diversified Industrial North America – as reported	(16.4)%	(14.5)%
Acquisitions	0.1 %	0.2 %
Currency	(1.3)%	(1.4)%
Diversified Industrial North America – without acquisitions and currency	(15.2)%	(13.3)%
Diversified Industrial International – as reported	(16.4)%	(17.1)%
Acquisitions	0.7 %	0.7 %
Currency	(10.0)%	(11.4)%
Diversified Industrial International – without acquisitions and currency	(7.1)%	(6.4)%
Total Diversified Industrial Segment – as reported	(16.4)%	(15.7)%
Acquisitions	0.4 %	0.4 %
Currency	(5.3)%	(6.0)%
Total Diversified Industrial Segment – without acquisitions and currency	(11.5)%	(10.1)%

The above presentation reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with U.S. GAAP to percentage changes in net sales adjusted to remove the effects of acquisitions made within the prior four fiscal quarters as well as the effects of currency exchange rates. The effects of acquisitions and currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

Excluding the effects of acquisitions and changes in currency exchange rates, Diversified Industrial North American sales decreased for the current-year quarter and first six months of fiscal 2016 primarily due to lower demand from both distributors and end-users in most markets. The markets that experienced the largest decline in end-user demand were the oil and gas, construction equipment and farm and agriculture equipment markets. Excluding the effects of acquisitions and changes in currency exchange rates, Diversified Industrial International sales for the current-year quarter and first six months of fiscal 2016 decreased primarily due to lower volume in all regions with half of the decrease occurring in Europe and one-third of the decrease occurring in the Asia Pacific region. Within these regions, the largest decrease in sales was experienced from both distributors and end-users in the oil and gas and construction equipment markets.

The decrease in operating margin in the Diversified Industrial North American businesses for the current-year quarter and first six months of fiscal 2016 was primarily due to the lower sales volume and higher business realignment charges, partially offset by lower operating expenses primarily resulting from the Company's Simplification initiative. The decrease in operating margin in the Diversified Industrial International businesses for the current-year quarter and first six months of fiscal 2016 was primarily due to the lower sales volume and an unfavorable product mix, partially offset by lower operating expenses primarily resulting from the Company's Simplification initiative and prior-year restructuring activities.

The following business realignment expenses are included in Diversified Industrial North America and Diversified Industrial International operating income:

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Diversified Industrial North America	\$ 8.8	\$ 0.1	\$ 17.0	\$ 0.3
Diversified Industrial International	14.1	9.0	26.0	14.6

The business realignment charges primarily consist of severance costs related to actions taken under the Company's Simplification initiative implemented by operating units throughout the world as well as plant closures. The majority of the Diversified Industrial International business realignment charges were incurred in Europe. In addition to the business realignment charges presented in the table above, the Company recognized \$11.6 million of expense associated with enhanced retirement benefits in connection with a plant closure. The Company anticipates that cost savings realized from the work force

reduction measures taken during the first six months of fiscal 2016 will increase fiscal 2016 and fiscal 2017 annual operating income by approximately three percent and five percent, respectively, in both the Diversified Industrial North American and Diversified Industrial International businesses. The Company expects to continue to take the actions necessary to structure appropriately the operations of the Diversified Industrial Segment. Such actions are expected to result in approximately \$40 million of additional business realignment charges in the remainder of fiscal 2016.

Diversified Industrial Segment backlog decreased from the prior-year quarter and from the June 30, 2015 amount of \$1,585.8 million as shipments exceeded orders in all of the North American and International businesses. Approximately half of the decrease in the International businesses from both the prior-year quarter and the June 30, 2015 amount was experienced in Europe. Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale. The Company anticipates Diversified Industrial North American sales for fiscal 2016 will decrease between 16 percent and 12 percent and Diversified Industrial International sales for fiscal 2016 will decrease between 15 percent and 12 percent from their fiscal 2015 levels. Diversified Industrial North American operating margins in fiscal 2016 are expected to range from 15.2 percent to 15.4 percent and Diversified Industrial International operating margins in fiscal 2016 are expected to range from 11.1 percent to 11.3 percent.

Aerospace Systems Segment

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net sales	\$ 552.4	\$ 558.4	\$ 1,096.9	\$ 1,093.0
Operating income	\$ 81.8	\$ 66.8	\$ 155.8	\$ 132.2
Operating margin	14.8%	12.0%	14.2%	12.1%
Backlog	\$ 1,720.6	\$ 1,916.5	\$ 1,720.6	\$ 1,916.5

The decrease in net sales in the Aerospace Systems Segment for the current-year quarter was due to lower volume in the commercial original equipment manufacturer (OEM) and military aftermarket businesses, partially offset by higher volume in the military OEM and commercial aftermarket businesses. The increase in net sales for the first six months of fiscal 2016 was primarily due to higher volume in the commercial aftermarket business, partially offset by lower volume in the military aftermarket business and commercial OEM business. The higher margin in the current-year quarter was primarily due to higher commercial aftermarket sales volume, lower operating expenses and lower engineering development costs. The higher margin for the first six months of fiscal 2016 was due to a favorable commercial aftermarket to OEM sales mix, lower engineering and development expenses and lower operating costs.

The decrease in backlog from the prior-year quarter and from the June 30, 2015 amount of \$1,755.8 million was primarily due to shipments exceeding orders in the military and commercial OEM businesses and in the commercial aftermarket business, partially offset by orders exceeding shipments in the military aftermarket business. Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale. For fiscal 2016, sales are expected to range from being flat to increasing two percent from the fiscal 2015 level and operating margins are expected to range from 14.5 percent to 14.7 percent. A higher concentration of commercial OEM volume in future product mix and higher than expected new product development costs could result in lower margins.

Corporate general and administrative expenses

Corporate general and administrative expenses were \$31.2 million in the current-year quarter compared to \$51.4 million in the comparable prior-year quarter and were \$84.3 million for the first six months of fiscal 2016 compared to \$106.8 million for the first six months of fiscal 2015. As a percent of sales, corporate general and administrative expenses decreased to 1.2 percent in the current-year quarter from 1.6 percent in the prior-year quarter and decreased to 1.5 percent in the first six months of fiscal 2016 from 1.7 percent in the first six months of fiscal 2015. The lower expense in the current-year quarter and first six months of fiscal 2016 is primarily due to lower net expenses associated with the Company's deferred compensation programs, lower incentive compensation expense and lower research and development expenses.

Other expense (in the Results By Business Segment) included the following:

(dollars in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Expense (income)				
Foreign currency transaction	\$ 13.4	\$ (10.5)	\$ 8.2	\$ (23.2)
Stock-based compensation	8.2	9.9	32.7	39.4
Pensions	27.1	23.0	57.0	49.5
Divestitures and asset sales and writedowns	(1.1)	(1.0)	(1.8)	0.4
Other items, net	(12.3)	(13.4)	(9.2)	(11.8)
	<u>\$ 35.3</u>	<u>\$ 8.0</u>	<u>\$ 86.9</u>	<u>\$ 54.3</u>

Foreign currency transaction primarily relates to the impact of changes in foreign exchange rates on cash, marketable securities and other investments and intercompany transactions.

CONSOLIDATED BALANCE SHEET

(dollars in millions)	December 31, 2015	June 30, 2015
Cash	\$ 1,868.2	\$ 1,914.1
Trade accounts receivable, net	1,419.9	1,620.2
Inventories	1,279.8	1,300.5
Notes payable and long-term debt payable within one year	574.3	233.1
Shareholders' equity	4,799.4	5,104.3
Working capital	\$ 2,782.9	\$ 3,233.0
Current ratio	2.18	2.38

Cash (comprised of cash and cash equivalents and marketable securities and other investments) includes \$1,829 million and \$1,777 million held by the Company's foreign subsidiaries at December 31, 2015 and June 30, 2015, respectively. Generally, cash and cash equivalents and marketable securities and other investments held by foreign subsidiaries are not readily available for use in the United States without adverse tax consequences. The Company's principal sources of liquidity are its cash flows provided by operating activities, commercial paper borrowings or borrowings directly from its line of credit. The Company does not believe the amount of cash held outside the U.S. will have an adverse effect on working capital needs, planned growth, repayment of maturing debt, benefit plan funding, dividend payments or share repurchases.

Trade accounts receivable, net are receivables due from customers for sales of product. Days sales outstanding relating to trade accounts receivable was 50 days at December 31, 2015 and 48 days at June 30, 2015. The Company believes that its receivables are collectible and appropriate allowances for doubtful accounts have been recorded.

Inventories as of December 31, 2015 decreased \$21 million (which includes a decrease of \$29 million from the effect of foreign currency translation and an increase of \$9 million from current-year acquisitions) compared to June 30, 2015. The decrease in inventories was primarily in the Diversified Industrial Segment, with approximately 90 percent of the decrease occurring in the Diversified Industrial International businesses. Days' supply of inventory was 74 days at December 31, 2015, 65 days at June 30, 2015 and 72 days at December 31, 2014.

Notes payable and long-term debt payable within one year as of December 31, 2015 increased from the June 30, 2015 amount due primarily to higher commercial paper notes outstanding, partially offset by the repayment of the Company's Euro bonds in the current-year quarter. The Company from time to time will utilize short-term intercompany loans to repay commercial paper borrowings. At times, the short-term intercompany loans are outstanding at the end of a fiscal quarter.

Shareholders' equity activity during the first six months of fiscal 2016 included a decrease of approximately \$400 million as a result of share repurchases and a decrease of approximately \$205 million related to foreign currency translation adjustments.

CONSOLIDATED STATEMENT OF CASH FLOWS

(dollars in millions)	Six Months Ended December 31,	
	2015	2014
Cash provided by (used in):		
Operating activities	\$ 346.6	\$ 538.5
Investing activities	(223.3)	(640.7)
Financing activities	(209.1)	(347.3)
Effect of exchange rates	(47.3)	(88.7)
Net (decrease) in cash and cash equivalents	\$ (133.1)	\$ (538.2)

Cash flows provided by operating activities for the first six months of fiscal 2016 was lower than the prior-year first six months primarily due to a decrease in net income and a \$200 million voluntary cash contribution made in fiscal 2016 to the Company's domestic qualified defined benefit pension plan. Cash flows provided by operating activities in the first six months of fiscal 2016 benefited from a decrease in cash used by working capital items. The Company continues to focus on managing its inventory and other working capital requirements.

Cash flows used in investing activities was lower in the first six months of fiscal 2016 due primarily to a decrease in marketable securities and other investments activity partially offset by an increase in acquisition activity.

Cash flows used in financing activities for the first six months of fiscal 2016 includes \$574 million of net commercial paper borrowings versus \$815 million of net commercial paper repayments in first six months of fiscal 2015. Cash flows used in financing activities for the first six months of fiscal 2016 included the repayment of long-term debt of \$219 million and for the first six months of fiscal 2015 included the issuance of \$1,500 million of medium-term notes. Cash flows used in financing activities included repurchase activity under the Company's share repurchase program. The Company repurchased 3.7 million common shares for \$400 million in the first six months of fiscal 2016 as compared to the repurchase of 6.8 million common shares for \$867 million in the first six months of fiscal 2015.

The Company's goal is to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. As a means of achieving this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-shareholders' equity of no more than 37 percent. From time to time, such as at December 31, 2015, fluctuations in cash flows from operations or capital deployment actions may cause the ratio of debt to debt-shareholders' equity to exceed the 37 percent goal. The Company does not believe that its ability to borrow funds at affordable interest rates will be impacted if the debt to debt-shareholders' ratio temporarily exceeds the 37 percent goal.

(dollars in millions)	December 31, 2015	June 30, 2015
Debt to Debt-Shareholders' Equity Ratio		
Debt	\$ 3,299	\$ 2,947
Debt & Shareholders' equity	\$ 8,099	\$ 8,051
Ratio	40.7%	36.6%

At December 31, 2015, the Company had a line of credit totaling \$2,000 million through a multi-currency revolving credit agreement with a group of banks, \$1,426 million of which was available. The credit agreement expires in October 2017; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement requires the payment of an annual facility fee, the amount of which may increase in the event the Company's credit ratings are lowered. Although a lowering of the Company's credit ratings would likely increase the cost of future debt, it would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

As of December 31, 2015, the Company was authorized to sell up to \$1,850 million of short-term commercial paper notes. As of December 31, 2015, \$574 million commercial paper notes were outstanding and the largest amount of commercial paper notes outstanding during the second quarter of fiscal 2016 was \$655 million.

The Company's credit agreements and indentures governing certain debt securities contain various covenants, the violation of which would limit or preclude the use of the credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. Based on the Company's rating level at December 31, 2015, the most restrictive financial covenant provides that the ratio of secured debt to net tangible assets be less than 10 percent. However, the Company currently does not have secured debt in its debt portfolio. The Company is in compliance with all covenants and expects to remain in compliance during the term of the credit agreements and indentures.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the future performance and earnings projections of the Company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the Company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments, disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs, and changes in product mix;
- ability to identify acceptable strategic acquisition targets;
- uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions;
- the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities;
- ability to implement successfully the Company's capital allocation initiatives, including timing, price and execution of share repurchases;
- increases in raw material costs that cannot be recovered in product pricing;
- the Company's ability to manage costs related to insurance and employee retirement and health care benefits;
- threats associated with and efforts to combat terrorism and cyber-security risks;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- competitive market conditions and resulting effects on sales and pricing;
and
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability.

The Company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages foreign currency transaction and translation risk by utilizing derivative and non-derivative financial instruments, including forward exchange contracts, costless collar contracts, cross-currency swap contracts and certain foreign denominated debt designated as net investment hedges. The derivative financial instrument contracts are with major investment grade financial institutions and the Company does not anticipate any material non-performance by any of the counterparties. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value. Further information on the fair value of these contracts is provided in Note 13 to the Consolidated Financial Statements. Gains or losses on derivatives that are not hedges are adjusted to fair value through the Consolidated Statement of Income. Gains or losses on derivatives that are hedges are adjusted to fair value through accumulated other comprehensive (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings. The translation of the foreign denominated debt that has been designated as a net investment hedge is recorded in accumulated other comprehensive (loss) and remains there until the underlying net investment is sold or substantially liquidated.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near-term interest rates.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2015. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of December 31, 2015, the Company's disclosure controls and procedures were effective.

There was no change in the Company's internal control over financial reporting during the quarter ended December 31, 2015 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings. Parker ITR S.r.l. (Parker ITR), a subsidiary acquired on January 31, 2002, has been the subject of a number of lawsuits and regulatory investigations. The lawsuits and investigations relate to allegations that for a period of up to 21 years, the Parker ITR business unit that manufactures and sells marine hose, typically used in oil transfer, conspired with competitors in unreasonable restraint of trade to artificially raise, fix, maintain or stabilize prices, rig bids and allocate markets and customers for marine oil and gas hose in the United States and in other jurisdictions. Parker ITR and the Company have cooperated with all of the regulatory authorities investigating the activities of the Parker ITR business unit that manufactures and sells marine hose and continue to cooperate with the investigations that remain ongoing. Several of the investigations and all of the lawsuits have concluded. The following investigation remains pending.

On May 15, 2007, the European Commission issued its initial Request for Information to the Company and Parker ITR. On January 28, 2009, the European Commission announced the results of its investigation of the alleged cartel activities. As part of its decision, the European Commission found that Parker ITR infringed Article 81 of the European Community Treaty from April 1986 to May 2, 2007 and fined Parker ITR 25.61 million euros. The European Commission also determined that the Company was jointly and severally responsible for 8.32 million euros of the total fine which related to the period from January 2002, when the Company acquired Parker ITR, to May 2, 2007, when the cartel activities ceased. Parker ITR and the Company filed an appeal to the General Court of the European Union on April 10, 2009. On May 12, 2013, the court reversed in part the decision of the European Commission, reducing the original fine of 25.61 million euros to 6.40 million euros and holding that the Company and Parker ITR are jointly and severally liable for payment of the fine up to 6.30 million euros. The European Commission appealed the ruling to the European Court of Justice. On December 18, 2014, the European Court of Justice reversed the ruling of the General Court and referred the case back to the General Court.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) *Unregistered Sales of Equity Securities.* Not applicable.
- (b) *Use of Proceeds.* Not applicable.
- (c) *Issuer Purchases of Equity Securities.*

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2015 through October 31, 2015	255,195	(2) \$ 100.89	254,501	21,413,031
November 1, 2015 through November 30, 2015	447,340	\$ 101.39	447,340	20,965,691
December 1, 2015 through December 31, 2015	191,169	\$ 99.13	191,169	20,774,522
Total:	893,704	\$ 100.76	893,010	20,774,522

- (1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3 million shares of its common stock. From time to time thereafter, the Board of Directors has adjusted the overall maximum number of shares authorized for repurchase under this program. On October 22, 2014, the Company publicly announced that the Board of Directors increased the overall maximum number of shares authorized for repurchase under this program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million shares. There is no limitation on the amount of shares that can be repurchased in a fiscal year. There is no expiration date for this program.
- (2) Includes 694 shares surrendered to the Company by certain non-employee directors to satisfy tax withholding obligations on restricted stock issued under the Company's non-employee directors' stock incentive plan.

ITEM 6. Exhibits.

The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

Exhibit No.	Description of Exhibit
10(a)	Parker-Hannifin Corporation 2015 Performance Bonus Plan incorporated by reference to Appendix B to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on September 28, 2015 (Commission File No. 1-4982).
10(b)	Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program.*
10(c)	Parker-Hannifin Corporation Amended and Restated Defined Contribution Supplemental Executive Retirement Program.*
10(d)	Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan.*
10(e)	Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan.*
10(f)	Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan.*
10(g)	Form of Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Unit Award Agreement.*
10(h)	Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Unit Award Terms and Conditions.*
10(i)	Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation.*
12	Computation of Ratio of Earnings to Fixed Charges as of December 31, 2015.*
31(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
31(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three months ended December 31, 2015 and 2014, (ii) Consolidated Statement of Income for the six months ended December 31, 2015 and 2014, (iii) Consolidated Statement of Comprehensive Income for the three months ended December 31, 2015 and 2014, (iv) Consolidated Statement of Comprehensive Income for the six months ended December 31, 2015 and 2014, (v) Consolidated Balance Sheet at December 31, 2015 and June 30, 2015, (vi) Consolidated Statement of Cash Flows for the six months ended December 31, 2015 and 2014, and (vii) Notes to Consolidated Financial Statements for the six months ended December 31, 2015.

SIGNATURE

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

PARKER-HANNIFIN CORPORATION

(Registrant)

/s/ Jon. P. Marten

Jon P. Marten

Executive Vice President - Finance & Administration and Chief Financial Officer

Date: February 3, 2016

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
10(a)	Parker-Hannifin Corporation 2015 Performance Bonus Plan incorporated by reference to Appendix B to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on September 28, 2015 (Commission File No. 1-4982).
10(b)	Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program.*
10(c)	Parker-Hannifin Corporation Amended and Restated Defined Contribution Supplemental Executive Retirement Program.*
10(d)	Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan.*
10(e)	Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan.*
10(f)	Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan.*
10(g)	Form of Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Unit Award Agreement.*
10(h)	Parker-Hannifin Corporation Non-Employee Directors' Restricted Stock Unit Award Terms and Conditions.*
10(i)	Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation.*
12	Computation of Ratio of Earnings to Fixed Charges as of December 31, 2015.*
31(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
31(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three months ended December 31, 2015 and 2014, (ii) Consolidated Statement of Income for the six months ended December 31, 2015 and 2014, (iii) Consolidated Statement of Comprehensive Income for the three months ended December 31, 2015 and 2014, (iv) Consolidated Statement of Comprehensive Income for the six months ended December 31, 2015 and 2014, (v) Consolidated Balance Sheet at December 31, 2015 and June 30, 2015, (vi) Consolidated Statement of Cash Flows for the six months ended December 31, 2015 and 2014, and (vii) Notes to Consolidated Financial Statements for the six months ended December 31, 2015.

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
SUPPLEMENTAL EXECUTIVE
RETIREMENT BENEFITS PROGRAM

Adopted: December 16, 2015

Effective: January 22, 2015

WHEREAS, by instrument effective as of January 1, 1980, this supplemental executive retirement benefits program (the "Program") was established for the benefit of certain employees of Parker-Hannifin Corporation and their beneficiaries; and

WHEREAS, the Program has been amended and restated from time to time; and

WHEREAS, the Human Resources and Compensation Committee (the "Committee") of the Board of Directors of the Company desires to amend and restate the terms, provisions, and conditions of the Program;

NOW, THEREFORE, the Program is hereby amended and restated in its entirety as of January 22, 2015.

The Program underwent a significant and comprehensive change when it was amended and restated as of July 21, 2008 to reflect the requirements of the American Jobs Creation Act (the "Act") with respect to the terms and conditions applicable to amounts that are accrued and vested after December 31, 2004 and subject to Section 409A of the Code. All benefits accrued and vested under the Program prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code (the "Grandfathered Amounts") shall continue to be subject solely to the terms of the separate Program as in effect on December 31, 2004. The Program will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Program that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Program to the contrary, nothing shall be read to preclude the Program from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

1. Definitions

Except as otherwise required by the context, the terms used in this Program shall have the meanings hereinafter set forth.

(a) Actuarial Equivalent or Actuarially Equivalent: An amount that is the actuarial equivalent (within the meaning of Section 1.409A-2(b)(2)(ii) of the Regulations) of a value using the actuarial assumptions specified for the relevant purpose under the Consolidated Plan.

(b) Actuarial Value: As defined in the PRP.

(c) Administrator: The Parker Total Rewards Administration Committee of the Company or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Program.

(d) Affiliated Group: The Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining an Affiliated Group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.

(e) Beneficiary: The person or persons or entity designated as such in accordance with Article 8 of the Program.

(f) Board: The Board of Directors of the Company.

(g) Business Combination: A merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise.

(h) Change in Control: The occurrence of one of the following events:

(1) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to

own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1(h)(2) of this Program). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

- (2) A change in effective control of the Company, which occurs on either of the following dates:

(i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1(h)(1) of this Program). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.

- (3) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to:

- (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
- (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;
- (iii) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company; or
- (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1(h)(3)(iii) of this Program.

Notwithstanding Sections 1(h)(1), 1(h)(2)(i) and 1(h)(3) above, the consummation of a Business Combination shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the Surviving Corporation or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination); and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination; (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation); and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1(h)(1) or 1(h)(2)(i) above shall not be

deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

- (i) Change in Control Lump Sum Payment: The lump sum payment made upon a Change in Control as calculated under Section 4.03(b).
- (j) Change in Control Severance Agreement: The agreement between an Eligible Executive and the Company that provides for certain benefits if the Eligible Executive's employment terminates following a Corporate Change Vesting Event; provided, that in the case of a former Participant who is receiving benefits under the Program, Change in Control Severance Agreement shall mean the change in control severance agreement that was in effect between the Participant and the Company at the time of his or her retirement.
- (k) Code: The Internal Revenue Code of 1986, as amended, or any successor statute, and regulations and guidance issued thereunder.
- (l) Committee: The Administrator, the Investment Committee or the Compensation Committee, as applicable.
- (m) Company: Parker-Hannifin Corporation, an Ohio corporation, its corporate successors, and the surviving corporation resulting from any merger of Parker-Hannifin Corporation with any other corporation or corporations.
- (n) Company Voting Securities: Securities of the Company eligible to vote for the election of the Board.
- (o) Compensation Committee: The Human Resources and Compensation Committee of the Board.
- (p) Consolidated Plan: The Parker-Hannifin Consolidated Pension Plan as it currently exists and as it may subsequently be amended.
- (q) Contingent Annuitant: In the event of a Participant's election of an annuity (other than a single life annuity) under Section 4.02(c) or the Participant's deemed election of an annuity under Section 6.02(a), the person designated by such Participant or deemed designated by such Participant as a contingent annuitant.
- (r) Corporate Change Vesting Event: The occurrence of one of the following events:
- (1) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding Company Voting Securities; provided, however, that the event described in this paragraph shall not be deemed to be a Corporate Change Vesting Event by virtue of any of the following situations:
 - (i) an acquisition by the Company or any Subsidiary;
 - (ii) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary;
 - (iii) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities;
 - (iv) a Non-Control transaction (as defined in paragraph (3));
 - (v) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or
 - (vi) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Corporate Change Vesting Event under this paragraph (1);
 - (2) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors

comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (2), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

- (3) the consummation of a Business Combination, unless:
- (i) immediately following such Business Combination:
- (A) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination;
- (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation); and
- (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction"); or
- (ii) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Corporate Change Vesting Event under this paragraph (3); or
- (4) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Corporate Change Vesting Event shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change Vesting Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Corporate Change Vesting Event shall then occur.

Notwithstanding anything in this Program to the contrary, if the Participant's employment is terminated prior to a Corporate Change Vesting Event, and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Corporate Change Vesting Event, then for all purposes of this Program, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Corporate Change Vesting Event for such Participant.

(s) Disability: The condition whereby a Participant is:

(1) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

(2) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Executive Long-Term Disability Plan or any other accident and health plan covering employees of the Company.

(t) Executive Long-Term Disability Plan: Parker-Hannifin Corporation Executive Long-Term Disability Plan, as it may be amended from time to time.

- (u) Highest Average Three-Year Compensation: One-third of the aggregate amount of compensation paid to a Participant from the Affiliated Group during the three calendar years of the Participant's employment which were the three highest years of annual compensation, including base salary, bonuses payable under the Company's Return on Net Assets (RONA) Plan (except to the extent determined by the Compensation Committee to be extraordinary) and Target Incentive Bonus Program, any amounts which would otherwise be paid as compensation during a calendar year but which are deferred by a Participant pursuant to any qualified or nonqualified deferred compensation program sponsored by the Affiliated Group, and any amounts that would otherwise be paid as compensation during a calendar year but which are deferred under Section 125, 127, or 129 of the Code, but excluding:
- (1) any deferred compensation received during any such year but credited under the Program to the Participant for a prior year;
 - (2) any income realized due to the exercise of stock options or stock appreciation rights;
 - (3) any payments, in cash, deferred or otherwise, payable to the Participant under the Company's Long-Term Incentive bonus program, under any extraordinary bonus arrangements, under any severance agreement (other than as may be required under Section 4.03(b)), or as an executive perquisite; and
 - (4) such items as fringe benefits includible in income as compensation for federal tax purposes, moving and educational reimbursement expenses, overseas allowances received by the Participant from the Affiliated Group, and any other irregular payments.
- (v) Investment Committee: The Parker Total Rewards Investment Committee of the Company or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Program.
- (w) Life Expectancy: The expected remaining lifetime (to the nearest integer) based on the Mortality Table and the age at the nearest birthday of the Participant or Recipient at the date the Lump Sum Payment or Change in Control Lump Sum Payment is made (unless otherwise specified herein). If a joint and contingent survivor annuity has been elected, then Life Expectancy shall reflect the joint Life Expectancy of the Participant or Recipient and Contingent Annuitant.
- (x) Lump Sum Payment: The Lump Sum Payment provided in Section 4.02 with the amount determined as set forth in Section 4.03(a).
- (y) Mortality Table: For Participants who entered the Program before July 1, 2006 and commenced payment prior to August 12, 2015, eighty percent (80%) of the 1983 Group Annuity Mortality factor (male only); for all other Participants, the "applicable mortality table" prescribed under Section 417(e) of the Code for qualified plans.
- (z) Normal Retirement Date: As defined in the Consolidated Plan.
- (aa) Parent Corporation: The ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of a Surviving Corporation.
- (bb) Participant: An employee of the Company designated to participate in the Program pursuant to Article 2 who has timely submitted a Participation Agreement to the Company, while so employed; provided, however, that any employee of the Company who, as of the date of a Corporate Change Vesting Event, has entered into a Change in Control Severance Agreement with the Company shall automatically be a Participant in the Program.
- (cc) Participation Agreement: An employee's written or electronic agreement to participate in the Program and, to the extent permitted under Section 409A of the Code, initial election of the form of payment of retirement benefits pursuant to Section 4.02(a).
- (dd) Profit Sharing Account Balance: As defined in the Consolidated Plan.
- (ee) Program: The Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program set forth herein as it may subsequently be amended.
- (ff) PRP: The Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan as it currently exists and as it may subsequently be amended.
- (gg) Qualified Plan Death Benefit: The death benefit payable to the surviving spouse under the Consolidated Plan (and/or any death benefit payable to a surviving spouse under any other defined benefit arrangement described in Sections 3.03(c), (d), or (h)), *multiplied* by a factor equal to 1 plus (0.025 multiplied by each year of Service less than 35 but equal to or greater than 15). Thus, the factor will range from 1.5 at 15 years of Service to 1 at 35 or more years of Service, as illustrated by the following examples:

Years of Service

Factor

35 or more	1.000
30	1.125
25	1.250
20	1.375
15	1.500

- (hh) Recipient: A retiree, Contingent Annuitant, or Beneficiary, who is currently receiving benefits or is entitled to receive benefits under the Program.
- (ii) Regulations: The regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- (jj) RIA Balance: The total contributions to the Participant's Retirement Income Account under the Savings Plan (or any successor thereto) and the Participant's Nonqualified Retirement Income Account under the Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan (or any successor thereto), plus hypothetical earnings/losses calculated as if the accounts had been invested from the time of the first contribution 60% in the securities represented in the Standard & Poor's 500 Index (in the proportions represented therein) and 40% in the securities represented in the Lehman Brothers Intermediate Government/Corporate Bond Fund Index (in the proportions represented therein).
- (kk) Savings Plan: The Parker Retirement Savings Plan as it currently exists and as it may subsequently be amended.
- (ll) Service: Employment as an employee by any member of the Affiliated Group, as well as employment by a corporation, trade or business, that is now part of the Affiliated Group at a time prior to its becoming part of the Affiliated Group, but in such case only if and to the extent that the Compensation Committee shall so direct at any time prior to retirement. For purposes of determining a Participant's eligibility to receive a benefit hereunder, Service shall include any additional years credited to a Participant under Section 2.06.
- (mm) Specified Employee: A person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- (nn) Specified Rate:
- (1) For retirements after January 1, 2011, the Specified Rate means the average of the daily closing On-The-Run Long Bond rates as displayed by the Bloomberg Professional Financial System at screen "GT 30 GVT" (or any successor screen), for the five year period ending on the last day of the second full calendar month preceding the month in which a Participant's Termination of Employment occurs; provided, however that while 30-Year Treasury Bonds are issued by the U.S. Treasury, the Specified Rate shall be the monthly average annual yield of 30-Year United States Treasury Bonds for constant maturities as published by the Federal Reserve Bank ending for the five year period ending with the month in which a Participant's Termination of Employment occurs.
- (2) Notwithstanding the foregoing, for purposes of calculating a Change in Control Lump Sum Payment, the Specified Rate shall be the interest rate for immediate annuities of the Pension Benefit Guaranty Corporation (PBGC) in effect on the date of the Change in Control as set forth in Appendix B to Part 2619 of 29 Code of Federal Regulations, or any other successor or similar rate.
- (oo) Subsidiary: Any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- (pp) Surviving Corporation: The corporation resulting from a Business Combination.
- (qq) Termination of Employment: A Participant's "separation from service" with the Affiliated Group, within the meaning of Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Administrator reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant, who would otherwise experience a separation from service with the Affiliated Group as part of the disposition of assets, will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.

2. Participation

2.01 Participants. The Participants in the Program shall be:

- (a) such officers and other key executives of the Company as shall be designated as Participants from time to time by the Compensation Committee, and who have submitted to the Company, within 30 days after such designation, a Participation Agreement evidencing agreement to the terms of the Program, including, but not limited to, the non-competition provisions of Article 7; and
- (b) upon a Corporate Change Vesting Event, those individuals who have entered into a Change in Control Severance Agreement with the Company as of the date of such Corporate Change Vesting Event.

2.02 Designation of Participants. An individual may be designated a Participant by action of the Compensation Committee or in a written employment agreement approved by the Compensation Committee. Participation of each individual designated as a Participant shall be subject to the terms, conditions, and limitations set forth in the Program and to such other terms, conditions and limitations as the Compensation Committee may, in its discretion, impose upon the participation of any such individual at the time the individual is designated a Participant in the Program.

2.03 Continuation of Participation. Subject only to the provisions of Section 2.04 and Article 7, an individual designated as a Participant shall continue to be a Participant for the purpose of eligibility to receive the supplemental retirement benefits provided by the Program and his or her participation in the Program shall not be terminated; provided, however, that a Participant who terminates employment at a time when he or she is not eligible for a benefit under Article 3 shall cease to be a Participant in the Program.

2.04 Effect of Voluntary Termination of Employment. To be eligible for supplemental retirement benefits under the Program a Participant shall not voluntarily Terminate Employment with the Company without the consent of the Compensation Committee for a period, not exceeding 60 calendar months, set by the Compensation Committee at the time he is designated a Participant. If a Participant voluntarily Terminates his or her Employment within such period, his or her participation in the Program shall terminate, he or she shall cease to be a Participant and (subject to Section 3.02) shall forfeit all benefits under the Program. Notwithstanding the foregoing, for purposes of this Section 2.04, in no event shall an exercise by a Participant of his or her right to Terminate his or her Employment for "Good Reason" (as defined under any Change in Control Severance Agreement between the Participant and the Company) following a Corporate Change Vesting Event be deemed to be a voluntary Termination of Employment with the Company.

2.05 13-Month Service Requirement. Notwithstanding any other provision of this Program and commencing with employees designated as Participants on and after January 1, 2009, a Participant shall not be eligible for supplemental retirement benefits under the Program unless the Participant remains employed by the Affiliated Group until the date that is 13 months after the date upon which he is designated as a Participant; provided, however, that the 13-month service requirement of this Section 2.05 shall be deemed to be satisfied upon the earlier of the Participant's death, Disability, or the occurrence of a Change in Control.

2.06 Additional Age and Service Credit and Compensation Amount. Notwithstanding any other provision of this Program, for purposes of determining the amount of any benefits payable under Sections 3.03, 3.04, 4.02(e), 4.03, 4.04, 5.01 and 6.02 of this Program to any Participant who has entered into a Change in Control Severance Agreement with the Company, upon the date of a Corporate Change Vesting Event,

- (a) such Participant (but not a Recipient) shall be treated as having been employed, for purposes of determining age and service under this Program, for the lesser of:
 - (1) the duration of the "Termination Period", if any, under the Participant's Change in Control Severance Agreement;
or
 - (2) the period of time remaining until Normal Retirement Date;
and
- (b) such Participant's Highest Average Three-Year Compensation shall be the greater of:
 - (1) the amount that would otherwise be taken into account in determining the Participant's benefit under the Program;
or
 - (2) the lump sum severance payment that would be made under Section 2(a)(ii) of the Participant's (but not the Recipient's) Change in Control Severance Agreement (as if he had been terminated immediately following the Corporate Change Vesting Event) divided by the multiple used under such section of the Change in Control Severance Agreement to determine severance pay.

3. Supplemental Retirement Benefits

3.01 Eligibility At or After Normal Retirement Date. Any provision of Section 2.04 to the contrary notwithstanding, provided that the 13-month service requirement of Section 2.05 is satisfied, any Participant with at least 60 calendar months of Service who Terminates his or her Employment with the Affiliated Group on or after his or her Normal Retirement Date shall be eligible for a monthly supplemental retirement benefit computed as set forth in Section 3.03.

3.02 Eligibility Prior to Normal Retirement Date. Provided that the 13-month service requirement of Section 2.05 is satisfied, any Participant with at least 60 calendar months of Service:

- (a) who Terminates his or her Employment with the Affiliated Group with the consent of the Compensation Committee after attainment of age 55; or
- (b) who is employed at the time of a Corporate Change Vesting Event; or
- (c) whose Employment with the Affiliated Group is Terminated by the Company for reasons other than for cause (as determined solely by the Compensation Committee) after attainment of age 55 but prior to the expiration of the requisite period of employment established by the Compensation Committee with respect to the Participant pursuant to Section 2.04; or
- (d) who Terminates the Participant's Employment with the Affiliated Group prior to his or her Normal Retirement Date due to Disability or with entitlement to any benefits under the Executive Long-Term Disability Plan; or
- (e) who Terminates his or her Employment with the Affiliated Group after attainment of age 60 (and after completion of the requisite period of employment established by the Compensation Committee with respect to him or her pursuant to Section 2.04) but prior to his or her Normal Retirement Date; shall be eligible for a monthly supplemental retirement benefit as set forth in Section 3.04.

3.03 Amount of Normal Retirement Supplemental Benefit. The monthly supplemental retirement benefit payable to an eligible Participant at Normal Retirement Date shall be an amount equal to 1/12th of 55% of the Participant's Highest Average Three-Year Compensation, reduced by all of the following that are applicable:

- (a) in the case of a Participant who does not have at least 15 years of Service at the time of his or her retirement, .3055 percent for each calendar month the Participant's Service is less than 15 years;
- (b) the monthly single life Actuarial Equivalent of any benefit to which the Participant is entitled under the Consolidated Plan, including the single life monthly equivalent attributable to the Participant's Profit-Sharing Account Balance, determined as if the Profit-Sharing Account Balance had remained in the Consolidated Plan until retirement, whether or not such Profit-Sharing Account Balance has been transferred to the Savings Plan;
- (c) the monthly single life Actuarial Equivalent of any benefit to which the Participant is entitled under any other tax-qualified or other tax-favored defined benefit plan of the Company and which is attributable to contributions of the Company, unless benefit service for employment on which such benefit is based is credited to the Participant under the Consolidated Plan;
- (d) the monthly single life Actuarial Equivalent of any benefit to which the Participant is entitled under the PRP;
- (e) the monthly single life Actuarial Equivalent of any benefit attributable to the Participant's RIA Balance;
- (f) the monthly single life Actuarial Equivalent of any benefit attributable to any non-US defined benefit or defined contribution program where the program is the primary retirement program of the Participant and where the benefit is attributable solely to contributions of the Company and its Subsidiaries;
- (g) 50 percent of the monthly primary Social Security benefit, or 100 percent of the portion of any other state-provided retirement benefits which is attributable to contributions by the Company and its Subsidiaries, to which the Participant is entitled or would be entitled as of the earliest date following the Participant's Termination of Employment for which Social Security benefits or other state-provided retirement benefits would be payable (whether or not Social Security benefits or other state-provided retirement benefits are actually paid to the Participant at such time), with such reduction to begin at the earliest date after retirement for which Social Security benefits or other state-provided retirement benefits would be payable to the Participant; and
- (h) the monthly single life Actuarial Equivalent of any benefit which the Participant is entitled to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service for service with the previous employer and the contract states the amount to be offset.

Notwithstanding the foregoing provisions of this Section 3.03, if the Participant's PRP monthly benefit will commence to be paid 5 years later than the Participant's monthly supplemental retirement benefit under this Program in accordance with Section 3.3(b)(iii) of the PRP, then the amount of the Participant's monthly supplemental retirement benefit shall be the monthly single life actuarial equivalent (determined using the assumptions specified in this Program) of the excess of:

- (a) the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's Termination of Employment) of the amount of the monthly benefit determined under the foregoing provisions of this Section 3.03, disregarding Section 3.03(d), over
- (b) the Actuarial Value of the monthly benefit described in Section 3.03(d), discounted (using the Specified Rate in effect on the first day of the month following the Participant's Termination of Employment) from the scheduled date of

commencement of payment of the PRP benefit to the scheduled date of commencement of the monthly supplemental retirement benefit.

3.04 Amount of Early Retirement Supplemental Benefit. The monthly supplemental retirement benefit payable to a Participant who retires prior to Normal Retirement Date shall be an amount equal to 1/12th of 55 percent of the Highest Average Three-Year Compensation, reduced by all of the following that are applicable:

(a) in the case of a Participant who does not have at least 15 years of Service at the time of his or her retirement, .3055 percent for each month that his or her Service is less than 15 years; and

(b) after applying Section 3.04(a) if applicable, .1515 percent for each of the first 60 months by which commencement of the benefit precedes Normal Retirement Date, and by .3030 percent for each additional month by which commencement of the benefit precedes Normal Retirement Date; provided, however, that if the Participant has at least 30 years of Service, and entitlement to payment is a result of a Change in Control, the .1515 shall be reduced to .07575, and the .3030 shall be reduced to .1515;

(c) any amounts described in Sections 3.03(b)-(h).

Notwithstanding the foregoing provisions of this Section 3.04, if the Participant's PRP monthly benefit will commence to be paid 5 years later than the Participant's monthly supplemental retirement benefit under this Program in accordance with Section 3.3(b)(iii) of the PRP, then the amount of the Participant's monthly supplemental retirement benefit shall be the monthly single life actuarial equivalent (determined using the assumptions specified in this Program) of the excess of:

(a) the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's Termination of Employment) of the amount of the monthly benefit determined under the foregoing provisions of this Section 3.04, disregarding Section 3.03(d), over

(b) the Actuarial Value of the monthly benefit described in Section 3.03(d), discounted (using the Specified Rate in effect on the first day of the month following the Participant's Termination of Employment) from the scheduled date of commencement of payment of the PRP benefit to the scheduled date of commencement of the monthly supplemental retirement benefit.

3.05 Gross-Up Payment. Anything in this Program notwithstanding, in the event it shall be determined that any payment, distribution or acceleration of vesting of any benefit hereunder would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Participant with respect to such excise tax, then the Participant shall be entitled to receive an additional payment calculated as set forth in the Change in Control Severance Agreement with respect to such benefit hereunder; provided, however, that there shall be no duplication of such additional payment under this Program and the Change in Control Severance Agreement, and provided further that any such payment shall be made by the end of the calendar year after the Participant pays the excise tax (and interest or penalties incurred), or as otherwise required by Section 409A of the Code.

4. Payment of Benefits

4.01 Commencement of Benefits. Subject to Sections 4.02 (a) through (f), supplemental retirement benefits shall be paid or commence to be paid to an eligible Participant as of the first day of the month following Termination of Employment and if applicable terminating with the month in which the death of such Participant occurs; provided, however, that supplemental retirement benefits shall be paid or commence to be paid to a Specified Employee on the first day of the seventh month following the Participant's Termination of Employment with the present value of a Lump Sum Payment referred to in Section 4.02(a) determined based on the Participant's age on the first day of the seventh month following the Participant's Termination of Employment and the actuarial assumptions in effect on the first day of the month following the Participant's Termination of Employment and in the case of payments made in the form of an annuity shall include any payments that would have been made between the Participant's Termination of Employment and the actual commencement of payment if the Participant had not been a Specified Employee. Notwithstanding the foregoing, to the extent required by Section 4.02(b), payment of a Participant's supplemental retirement benefit shall commence or be made on the date that is five years from the date payment would otherwise commence or be made under this Section 4.01.

4.02 Payments Under Certain Situations.

(a) Initial Election of Payment Form. To the extent permitted by Section 1.409A-2(a)(5) of the Regulations, within 30 days of the time an individual is designated as a Participant under this Program, he may elect, on his or her initial Participation Agreement, to receive payment of his or her supplemental retirement benefit under this Program in the form of a single Lump Sum Payment, or in the form of a single life annuity. In the event that a Participant fails to make a valid election, the Participant's supplemental retirement benefit under this Program shall be paid in the form of a single life annuity.

(b) One-Time Change by Participant. In addition to any election pursuant to Section 4.02(c) or 4.02(d), a Participant shall be allowed a one-time election to change the form of payment of his or her supplemental retirement benefit; provided, however, that:

(1) any such election shall not be effective for at least 12 months following the date made;
and

(2) as a result of any such election, payment shall be delayed for 5 years from the date the payment was scheduled to commence or to be made (taking into account any delay in payment or commencement of payment under Section 4.01 on account of a Participant's status as a Specified Employee).

(c) Changes Between Actuarially Equivalent Forms of Annuity. A Participant may elect at any time prior to Termination of Employment to convert his or her supplemental retirement benefit payable as an annuity to any of the Actuarially Equivalent forms of annuity offered under the Consolidated Plan.

(d) Transitional Rule. Notwithstanding any other elections under this Program and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Committee pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his or her supplemental retirement benefit under this Program, provided that:

(1) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year;

(2) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year; and

(3) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any election(s) must be made by the date specified by the Committee consistent with guidance pursuant to Section 409A of the Code.

(e) Payment Upon a Change in Control. 30 days after a Change in Control, in lieu of any other payments due with respect to benefits earned under the Program to the date of the Change in Control, each Participant and each Recipient shall receive a Change in Control Lump Sum Payment, as calculated under Section 4.03(b).

(f) Special Rule Applicable to Specified Employees. If a Specified Employee dies after Termination of Employment but prior to commencement of benefits, the Specified Employee's Beneficiary shall receive a payment as of the first of the month following the Specified Employee's date of death equal to the aggregate of the monthly payments that would have been made to the Specified Employee in accordance with Section 4.01 but substituting the Specified Employee's date of death for the actual commencement of payment; provided however that if the Specified Employee's supplemental retirement benefit is payable in the form of a lump sum, such amount shall be calculated in accordance with Section 4.03 but substituting the Specified Employee's date of death for the first day of the seventh month following the Participant's Termination of Employment. Any additional amounts payable to the Specified Employee's Beneficiary shall be determined as of the Specified Employee's date of death in accordance with the form of payment applicable to the Specified Employee as of the Specified Employee's Termination of Employment.

4.03 Determination of the Lump Sum Payment.

(a) If the Participant is a Specified Employee immediately prior to Termination of Employment, the Lump Sum Payment referred to in Section 4.02(a) shall be equal to the sum of:

(1) the aggregate monthly benefits the Participant would have received under the Single Life Annuity form of payment prior to the first day of the seventh month following the Participant's Termination of Employment if the Participant were not a Specified Employee; plus

(2) the excess of:

(i) the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's Termination of Employment), determined as of the first day of the seventh month following the Participant's Termination of Employment, of the monthly benefit determined under Section 3.03 or 3.04, as applicable, disregarding Section 3.03(d) and the monthly "add-on" benefit as set forth on Addendum XV of the Consolidated Plan (if applicable) included in Section 3.03(b), over

(ii) the sum of:

(A) the present value (as defined in the Consolidated Plan) of the "add-on" benefit set forth on Addendum XV of the Consolidated Plan (if applicable) included in Section 3.03(b), plus

(B)the Actuarial Value of the monthly benefit described in Section 3.03(d), provided that if the Participant's PRP benefit will be paid 5 years later than the Participant's SERP benefit in accordance with Section 3.3(b)(iii) of the PRP, the amount referred to in (B) above shall equal the lump sum Actuarial Value of the monthly benefit described in Section 3.03(d), discounted (using the Specified Rate in effect on the first day of the month following the Participant's Termination of Employment) from the scheduled date of payment of such benefit to the scheduled date of payment of the SERP Lump Sum Payment.

If the Participant is not a Specified Employee immediately prior to Termination of Employment, the Lump Sum Payment referred to in Section 4.02(a) shall be equal to the excess of: (1) the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's Termination of Employment) of the monthly benefit determined under Section 3.03 or 3.04, as applicable, disregarding Section 3.03(d) and the monthly "add-on" benefit as set forth on Addendum XV of the Consolidated Plan (if applicable) included in Section 3.03(b), over (2) the sum of (i) the present value (as defined in the Consolidated Plan) of the "add-on" benefit as set forth in Addendum XV of the Consolidated Plan (if applicable) included in Section 3.03(b) plus (ii) the Actuarial Value of the monthly benefit described in Section 3.03(d), provided that if the Participant's PRP benefit will be paid 5 years later than the Participant's SERP benefit in accordance with Section 3.3(b)(iii) of the PRP, the amount referred to in (ii) above shall equal the lump sum Actuarial Value of the monthly benefit described in Section 3.03(d), discounted (using the Specified Rate in effect on the first day of the month following the Participant's Termination of Employment) from the scheduled date of payment of such benefit to the scheduled date of payment of the SERP Lump Sum Payment.

For purposes of this Section 4.03(a), present value for a Participant who entered the Program before July 1, 2006 and commenced payment prior to August 12, 2015, shall be determined assuming that the Participant lives the number of years equal to his or her Life Expectancy on the date of his or her Termination of Employment (or, in the case of a Specified Employee, on the first day of the seventh month following the Participant's Termination of Employment). For purposes of this Section 4.03(a), Actuarial Value shall be determined as provided under the PRP.

(b)The Change in Control Lump Sum Payment referred to in Section 4.02(e) shall be equal to the amount determined under Section 4.03(a) using the following assumptions:

(1)present value is determined using the Specified Rate and Mortality Table;

(2)for purposes of determining present value for a Participant who entered the Program before July 1, 2006 and commenced payment prior to August 12, 2015, the Participant (or, if applicable, Recipient) lives the number of years equal to his or her Life Expectancy (calculated as of the date which includes any additional Service credited hereunder);

(3)Actuarial Value shall be determined as provided under the PRP;
and

(4)with respect to any benefit to be deducted as an offset as described inSection 3.03(b) through (h), the Participant terminated employment with the Company on the date of the Change in Control and began to receive such benefits at the earliest date thereafter permitted under the applicable plan, agreement or statute.

4.04 Certain Matters Following a Lump Sum Payment.

(a) A Participant who has received a Change in Control Lump Sum Payment pursuant to Section 4.02(e) shall thereafter:

(1) while in the employ of the Company, continue to accrue benefits under the Program;
and

(2) be eligible for further benefits under Section 4.01 or 4.02. The amount of such benefit shall be determined by:

(i) calculating the benefit that would be payable to the Participant if there had been no previous Change in Control Lump Sum Payment;

(ii) determining the present lump sum value of such benefit, using the Specified Rate and the Mortality Table and, for a Participant who entered the Program before July 1, 2006 and commenced payment prior to August 12, 2015, assuming the Participant lives the number of years equal to his or her Life Expectancy on the date of the Participant's Termination of Employment;

- (iii) determining the present lump sum value of the Change in Control Lump Sum Payment, assuming the Change in Control Lump Sum Payment had earned interest at the average Specified Rate in effect from the time of payment of the Change in Control Lump Sum Payment until the date of Termination of Employment;
- (iv) reducing the amount determined in (ii) by the amount determined in (iii);
and
- (v) if applicable, converting the amount determined in (iv) to an Actuarially Equivalent single life only form of payment.

5. Disability Benefits

5.01 Eligibility. If a Participant suffers a Disability prior to Termination of Employment, the Participant shall be eligible for a benefit under this Article 5.

5.02 Amount.

(a) Disability Before January 27, 2012. If a Participant suffers a Disability before January 27, 2012, the amount of the benefit payable to the Participant under this Article 5 shall be equal to the supplemental retirement benefit described in Article 3, determined as if the Participant's Termination of Employment occurred on the date of the Participant's Disability.

(b) Disability on or After January 27, 2012.

(1) Disability After Age 55. If a Participant suffers a Disability on or after January 27, 2012 and after the Participant's attainment of age 55, the amount of the benefit payable to the Participant under this Article 5 shall be equal to the amount of the Lump Sum Payment under Section 4.03, determined as if the Participant was not a Specified Employee and had retired (with the consent of the Compensation Committee, if the Participant's Disability occurs prior to attainment of age 60) on the date of his or her Disability.

(2) Disability Before Age 55. If a Participant suffers a Disability on or after January 27, 2012 and prior to the Participant's attainment of age 55, then the amount of the benefit payable to the Participant under this Article 5 shall be determined by (i) calculating the Lump Sum Payment under Section 4.03 (using the Specified Rate, Mortality Table and the Participant's Highest Average Three-Year Compensation determined as of the date of the Participant's Disability) that the Participant would be eligible to receive as of the first of the month following attainment of age 55 if the Participant had not become Disabled and had continued to be employed by the Company (with credit for Service) until retirement on the date that the Participant would attain age 55 (assuming, for this purpose, that the Participant would not be a Specified Employee on such date); and (ii) discounting the amount determined under the preceding clause (i) from the first of the month following the date the Participant would attain age 55 to the first of the month following the Participant's Disability, using the Specified Rate in effect on the date of the Participant's Disability.

5.03 Form of Disability Benefits.

(a) Disability Before January 27, 2012. If a Participant suffers a Disability before January 27, 2012, the Participant's disability benefit pursuant to this Article 5 shall be paid in the form of a single life annuity; provided, however, that if the Participant is married to a person who has been the Participant's spouse for at least one year immediately prior to the date of the Participant's Disability, the Participant's disability benefit shall be paid in the form of a joint and 100% survivor annuity.

(b) Disability on or After January 27, 2012. If a Participant suffers a Disability on or after January 27, 2012, the Participant's disability benefit pursuant to this Article 5 shall be paid in the form of a single lump sum payment.

5.04 Time of Payment of Disability Benefits. Payment of a Participant's disability benefit shall be made (or commence, as applicable) as of the first of the month following the Participant's Disability, and the provisions of Article 4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 5.

6. Death Benefits

6.01 Eligibility. If a Participant dies after completing 60 calendar months of Service (without regard to the requirements of Section 2.04) but prior to the Participant's Termination of Employment, his or her Beneficiary shall be eligible for a benefit under this Article 6.

6.02 Benefit Amount.

(a) The amount of the benefit payable under this Article 6 to a deceased Participant's Beneficiary shall be equal to the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's death) of the total monthly payments the Beneficiary would have received had the Participant retired on the day before his or her death after having effectively elected to receive payment in the form of a Joint and 100% Survivor Annuity under the Program, with his or her Beneficiary as Contingent Annuitant under such option; provided, that:

- (1) in lieu of the offset for the Participant's primary Social Security benefit under Section 3.03(g), the benefit to the Beneficiary shall be offset by 50% of the primary or survivor Social Security benefit to which the Beneficiary is entitled at the earliest date as of which such payments become payable; and
 - (2) in lieu of the offset for the Consolidated Plan benefit set forth in Section 3.03(b) (and/or any other retirement benefit under any defined benefit arrangement described in Sections 3.03(c), (d), or (h)), the benefit to the Beneficiary shall be offset by the Qualified Plan Death Benefit. For purposes of this Section 6.02(a), present value for the Beneficiary of a deceased Participant who entered the Program before July 1, 2006 and commenced payment prior to August 12, 2015, shall be determined assuming that the Beneficiary lives the number of years equal to his or her Life Expectancy on the date of death of the Participant.
- (b) If the estate is the death beneficiary as a result of the Participant not having a Beneficiary, the Participant's estate shall receive a lump sum payment equal to the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's death) of the total monthly payments that would have been paid to the Participant assuming the Participant had not died but rather:
- (1) retired on the day before the date of his or her death (or the first day of the month following the time he would have reached age 55, if later);
 - (2) elected a 10-Year Certain Annuity;
and
 - (3) received 120 monthly payments. For purposes of this Section 6.02(b), present value for the estate of a deceased Participant who entered the Program before July 1, 2006 and commenced payment prior to August 12, 2015, shall be determined assuming that the Participant had lived the number of years equal to his or her Life Expectancy on the date of his or her death.
- (c) If the Participant dies before reaching the age that is ten years prior to the Participant's Normal Retirement Date, then the monthly payments used to determine the death benefit under Section 6.02(a) or Section 6.02(b), as applicable, shall be further reduced by .3030 for each month that the Participant's death preceded his or her Normal Retirement Date.

6.03 Benefit Payments. The benefit under this Article 6 shall be paid to the deceased Participant's Beneficiary, or, if no such Beneficiary, to the Participant's estate, in a single lump sum payment as of the first of the month following the date of the Participant's death, and the provisions of Article 4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 6.

7. Non-Competition

7.01 Condition of Payment. In consideration of payment of supplemental retirement benefits under the Program, whether in the form of a lump-sum payment or installment payments, the Participant or retiree Recipient shall not engage in competition (as defined in Section 7.02) with the Company at any time during the five (5) year period after the date of Termination of Employment with the Company; provided, however, that this Section 7.01 shall not apply to a Participant following his or her Termination of Employment if such Termination of Employment occurs after the date of a Corporate Change Vesting Event that occurs at the time the Participant is actively employed by the Affiliated Group.

7.02 Competition. Competition for purposes of the Program shall mean assuming an ownership position or a consulting, management, employee or director position with a business engaged in the manufacture, processing, purchase or distribution of products of the type manufactured, processed or distributed by the Affiliated Group; provided, however, that in no event shall ownership of less than two percent of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons in itself be deemed Competition; and provided further, that all of the following shall have taken place:

- (a) the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that, in the opinion of the Compensation Committee, the Participant or retiree-Recipient is engaged in Competition within the meaning of the foregoing provisions of this Section 7.02, specifying the details;
- (b) the Participant or retiree-Recipient shall have been given a reasonable opportunity, upon receipt of such notice, to appear before and to be heard by the Compensation Committee with respect to his or her views regarding the Compensation Committee's opinion that the Participant or retiree-Recipient engaged in Competition;
- (c) following any hearing pursuant to Section 7.02(b), the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that the Compensation Committee determined that the Participant or retiree-Recipient is engaged in Competition; and
- (d) the Participant or retiree-Recipient shall neither have ceased to engage in such Competition within thirty days from his or her receipt of notice of such determination nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

8. Beneficiary Designation

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Program shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary. The spouse of a married Participant shall consent to any designation of a Beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

9. General Provisions

9.01 Claims Procedure. The Administrator shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Program. If the Administrator determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth:

- (a) the specific reasons for such denial;
- (b) a specific reference to the provisions of the Program on which the denial is based;
- (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and
- (d) an explanation of the Program's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

9.02 Review Procedure. If a Participant is determined by the Administrator not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Administrator by filing a petition for review with the Administrator within sixty (60) days after receipt of the notice issued by the Administrator. The petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Administrator of the petition, the Administrator shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Administrator shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Program on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Administrator, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's Beneficiary.

9.03 ERISA Plan. The Program is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.

9.04 Trust. The Company shall be responsible for the payment of all benefits under the Program. The Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Program. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to a Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Program.

9.05 Rights of Participants. Except as expressly provided in any grantor trust agreement established by the Company:

- (a) no Participant or Recipient shall have any right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations under the Program;
- (b) nothing contained in the Program shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, Recipient or any other person;

- (c) to the extent that any person acquires a right to receive payments from the Company under the Program, such right shall be no greater than the right of an unsecured general creditor of the Company; and
- (d) all payments to be made under the Program shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under the Program.

9.06 Administration. The Administrator shall be responsible for the general administration of the Program and for carrying out the provisions thereof. Any act authorized, permitted or required to be taken by the Company under the Program may be taken by action of a Committee. Subject to the provisions of Section 9.01 relating to denial of claims and claims review procedure, any action taken by a Committee which is authorized, permitted or required under the Program shall be final and binding upon the Company, all persons who have or who claim an interest under the Program, and all third parties dealing with the Company.

9.07 Program Non-Contractual. Nothing herein contained shall be construed as a commitment or agreement on the part of any person to continue his or her employment with the Company, and nothing herein contained shall be construed as a commitment on the part of the Company to continue the employment or the rate of compensation of any such person for any period, and all employees of the Company shall remain subject to discharge to the same extent as if the Program had never been put into effect.

9.08 Non-Alienation of Retirement Rights or Benefits. No right or benefit under the Program shall at any time be subject in any manner to alienation or encumbrances. If any person shall attempt to, or shall, alienate or in any way encumber his or her rights or benefits under the Program, or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time any such benefits would otherwise be received by anyone else or would not be enjoyed by him or her, his or her interest in all such benefits shall automatically terminate and the same, at the discretion of the Compensation Committee, shall be held or applied to or for the benefit of such person, his or her spouse, children, or other dependents as the Compensation Committee may select.

9.09 Payment of Benefits to Others. If any person to whom a retirement benefit is payable is unable to care for his or her affairs because of illness or accident, any payment due (unless prior claim therefor shall have been made by a duly qualified guardian or legal representative) may be paid to the spouse, parent, brother, or sister, or any other individual deemed by the Administrator to be maintaining or responsible for the maintenance of such person. Any payment made in accordance with the provisions of this Section 9.09 shall be a complete discharge of any liability of the Program with respect to the retirement benefit so paid.

9.10 Notices. All notices provided for by the Program shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail or personally delivered to the party entitled thereto at the address stated below or to such changed address as the addressee may have given by a similar notice:

To the Company or the Administrator: Attention: Secretary
Parker-Hannifin Corporation
6035 Parkland Blvd.
Cleveland, Ohio 44124-4141

To the Participant: address of residence

Any such notice delivered in person shall be deemed to have been received on the date of delivery.

9.11 Amendment, Modification, Termination. The Program may at any time be terminated, or at any time or from time to time be amended or otherwise modified, prospectively, by the Company; provided, however, that no such termination, amendment or modification of the Program shall operate to:

- (a) reduce or terminate the benefit of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (b) terminate the participation of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (c) increase the eligibility requirements applicable to a Participant participating in the Program at the time of any such termination, amendment or modification;
- (d) terminate the Program, or reduce or terminate any benefit, or terminate the participation or any rights or benefits, after the occurrence of a Corporate Change Vesting Event, with respect to a Participant or Recipient who was a Participant or Recipient, or became a Participant or Recipient, at the time of the occurrence of such Corporate Change Vesting Event; or
- (e) permit an acceleration of time of payment of a Participant's benefit under the Program, other than:
 - (1) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code;

- (2) as necessary to pay Federal Insurance Contribution (“FICA”) taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Program, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations;
- (3) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure;
- (4) due to a termination of the Program that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations;
or
- (5) as otherwise may be permitted under Section 409A of the Code.

The Company’s power to amend or terminate the Program shall be exercisable by the Company’s Board of Directors or by the committee or individual authorized by the Company’s Board of Directors to exercise such powers.

9.12 Applicable Law. Except to the extent preempted by ERISA or the Code, the laws of the State of Ohio shall govern the Program and any disputes arising thereunder.

9.13 Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

9.14 Headings. All headings are for convenience only and shall not be used in interpreting any text to which they relate.

9.15 Off-sets for Foreign Currency Benefits. To the extent that a Participant’s supplemental retirement benefit under this Program is subject to reduction or off-set under the provisions of Section 3.03(a) through (h) or Section 3.04(a) through (c) for amounts that are to be paid over the Participant’s life expectancy and which are denominated in a currency other than U.S. Dollars, then for purposes of determining the supplemental retirement benefit payable under this Program, such reduction or off-set amounts shall be converted to the U.S. Dollar equivalent based on the Foreign Exchange Rate. For purposes of this Program, the Foreign Exchange Rate means the fixed exchange rate derived from the two-point average of the Bid/Asked spread of the market implied forward exchange rates as calculated by Bloomberg’s FRD function, or its successor function on the same or comparable financial information system, determined on a weighted average basis for the period beginning at the date of Separation from Service of the Participant and ending on a date estimated to be the Participant’s date of death based upon the Mortality Table.

EXECUTED at Cleveland, Ohio this 16th day of December, 2015.

PARKER-HANNIFIN CORPORATION

By: /s/Jon P. Marten

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

By: /s/Daniel S. Serbin

Title: Executive Vice President – Human Resources
& External Affairs

**PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
DEFINED CONTRIBUTION SUPPLEMENTAL EXECUTIVE
RETIREMENT PROGRAM**

Adopted: December 16, 2015

Effective: January 22, 2015

WHEREAS, by instrument effective as of July 1, 2014, this defined contribution supplemental executive retirement plan (the “Program”) was established for the benefit of certain officers and key management employees of Parker-Hannifin Corporation; and

WHEREAS, the Program is intended to be an unfunded plan maintained primarily to provide deferred compensation for a select group of management or highly compensated employees; and

WHEREAS, the Human Resources and Compensation Committee (the “Compensation Committee”) of the Board of Directors of the Company desires to amend and restate the terms, provisions, and conditions of the Program;

NOW, THEREFORE, the Program is hereby amended and restated in its entirety as of January 22, 2015.

1. Definitions

Except as otherwise required by the context, the terms used in this Program shall have the meanings hereinafter set forth.

- (a) Account: A notional account or sub-account established for record-keeping purposes for a Participant.
- (b) Administrator: The Parker Total Rewards Administration Committee of the Company or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Program.
- (c) Affiliated Group: The Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining an Affiliated Group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a) (1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in that regulation.

Such term shall be interpreted in a manner consistent with the definition of “service recipient” contained in Section 409A of the Code.

- (d) Beneficiary: The person or persons or entity designated as such in accordance with Article 8 of the Program.
- (e) Board: The Board of Directors of the Company.
- (f) Business Combination: A merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company’s stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise.
- (g) Change in Control: The occurrence of one of the following events:
 - (1) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1(g)(2) of this Program). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company’s acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.
 - (2) A change in effective control of the Company, which occurs on either of the following dates:
 - (i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting

power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1(g)(1) of this Program). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

- (ii) The date that a majority of the Board is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the Board prior to the date of such appointment or election.
- (3) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to:
- (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
 - (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

- (iii) a person or group (within the meaning of the Regulations) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company; or
- (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1(g)(3)(iii) of this Program.

Notwithstanding Sections 1(g)(1), 1(g)(2)(i) and 1(g)(3) above, the consummation of a Business Combination shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the Surviving Corporation or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination); and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination; (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation); and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1(g)(1) or 1(g)(2)(i) above shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

- (h) Change in Control Severance Agreement: The agreement between a Participant and the Company that provides for certain benefits if the Participant's employment terminates following a Corporate Change Vesting Event.
- (i) Code: The Internal Revenue Code of 1986, as amended, or any successor statute, and regulations and guidance issued thereunder.
- (j) Committee: The Administrator, the Investment Committee or the Compensation Committee, as applicable.

- (k) Company: Parker-Hannifin Corporation, an Ohio corporation, its corporate successors, and the surviving corporation resulting from any merger of Parker-Hannifin Corporation with any other corporation or corporations.
- (l) Company Voting Securities: Securities of the Company eligible to vote for the election of the Board.
- (m) Compensation: The amount of compensation paid to a Participant from the Affiliated Group during the calendar year including base salary, bonuses payable under the Company's Return on Net Assets (RONA) Plan (except or to the extent determined by the Compensation Committee to be extraordinary) and Target Incentive Bonus Program, any amounts which would otherwise be paid as compensation during the calendar year but which are deferred by a Participant pursuant to any qualified or nonqualified deferred compensation program sponsored by the Affiliated Group, and any amounts that would otherwise be paid as compensation during the calendar year but which are deferred under Sections 125, 127 or 129 of the Code, but excluding:
- (1) any deferred compensation received during such year but credited under the Program to the Participant for a prior year;
 - (2) any income realized due to the exercise of stock options or stock appreciation rights;
 - (3) any payments, in cash, deferred or otherwise, payable to the Participant under the Company's Long-Term Incentive bonus program, under any extraordinary bonus arrangements, under any severance agreement, or as or in lieu of an executive perquisite; and
 - (4) such items as fringe benefits includible in income as compensation for federal tax purposes, moving and educational reimbursement expenses, overseas allowances received by the Participant from the Affiliated Group, and any other irregular payments.
- (n) Compensation Committee: The Human Resources and Compensation Committee of the Board.
- (o) Contribution Percentage: For a Participant in a Plan Year, an amount equal to a percentage of his or her Compensation based upon salary grade as of the last day of the Plan Year, determined as follows:

<u>Salary Grade</u>	<u>Contribution Percentage</u>
24-25	8%
26-28	10%
29 and above	12%

- (p) Corporate Change Vesting Event: The occurrence of one of the following events:
- (1) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Exchange Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding Company Voting Securities; provided, however, that the event described in this paragraph shall not be deemed to be a Corporate Change Vesting Event by virtue of any of the following situations:
 - (i) an acquisition by the Company or any Subsidiary;
 - (ii) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary;
 - (iii) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities;
 - (iv) a Non-Control transaction (as defined in paragraph (3));
 - (v) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity’s outstanding voting interests); or
 - (vi) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Corporate Change Vesting Event under this paragraph (1);
 - (2) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company’s shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (2), considered as though such person were a member of the

Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

- (3) the consummation of a Business Combination, unless:
 - (i) immediately following such Business Combination:
 - (A) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination;
 - (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation); and
 - (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction"); or
 - (ii) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Corporate Change Vesting Event under this paragraph (3); or

- (4) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Corporate Change Vesting Event shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change Vesting Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Corporate Change Vesting Event shall then occur.

Notwithstanding anything in this Program to the contrary, if the Participant's employment is terminated prior to a Corporate Change Vesting Event, and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Corporate Change Vesting Event, then for all purposes of this Program, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Corporate Change Vesting Event for such Participant.

- (q) Corporate Change Vesting Event Compensation: The sum of (1) the Participant's highest annual rate of base salary during the 12-month period immediately preceding the Corporate Change Vesting Event and (2) the highest of (x) the Participant's average bonus (annualized for any partial years of employment) earned during the 3-year period immediately preceding the year in which the Corporate Change Vesting Event occurs (or shorter annualized period if the Participant had not been employed for the full three-year period), (y) the Participant's target bonus amounts for the year in which the Change in Control occurs and (z) the Participant's target bonus amounts for the year in which the Corporate Change Vesting Event occurs.
- (r) Crediting Rate: For any Participant's Account over any period, the notional gains or losses equal to those that would have been generated if the Account had been invested in those investment alternatives available under the Savings Restoration Plan (or as otherwise designated by the Investment Committee) as shall have been chosen by such Participant for such period.

A Participant may elect to allocate his or her Account among the available investment alternatives. The gains or losses shall be credited based upon the daily unit values for the alternative(s) selected by the Participant. The Participant's allocation is solely for the purpose of calculating the Crediting Rate.

Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by the Participant.

- (s) Disability: The condition whereby a Participant is:
 - (1) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
 - (2) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Executive Long-Term Disability Plan or any other accident and health plan covering employees of the Company.
- (t) ERISA: The Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations and guidance issued thereunder.
- (u) Executive Long-Term Disability Plan: The Parker-Hannifin Corporation Executive Long-Term Disability Plan, as it may be amended from time to time.
- (v) Investment Committee: The Parker Total Rewards Investment Committee of the Company or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Program.
- (w) Normal Retirement Date: The date on which a Participant attains age 65.
- (x) Parent Corporation: The ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of a Surviving Corporation.
- (y) Participant: An eligible executive designated to participate in the Program pursuant to Article 2 who has timely submitted a Participation Agreement to the Administrator, while employed by the Company.
- (z) Participation Agreement: An employee's written or electronic agreement to participate in the Program and initial election of the form of payment of supplemental retirement benefits pursuant to Section 4.02(a).
- (aa) Plan Year: The calendar year.
- (bb) Program: The Parker-Hannifin Corporation Defined Contribution Supplemental Executive Retirement Program set forth herein, as it may subsequently be amended.

- (cc) Recipient: A retiree or Beneficiary who is currently receiving benefits or is entitled to receive benefits under the Program.
- (dd) Regulations: The regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- (ee) Savings Restoration Plan: The Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan as it currently exists, and as it may subsequently be amended.
- (ff) Seed Contribution: A discretionary contribution to a Participant's Account determined solely by the Compensation Committee.
- (gg) Service: Employment as an employee by any member of the Affiliated Group, as well as employment by a corporation, trade or business, that is now part of the Affiliated Group at a time prior to its becoming part of the Affiliated Group, but in such case only if and to the extent that the Compensation Committee shall so direct at any time prior to retirement. For purposes of determining a Participant's eligibility to receive a benefit hereunder, Service shall include any additional years credited to a Participant under Section 2.06.
- (hh) Specified Employee: A person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- (ii) Spouse: An individual of the same or opposite sex of a Participant to whom the Participant is married in, and under the laws of, the state of celebration of such marriage.
- (jj) Subsidiary: Any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- (kk) Surviving Corporation: The corporation resulting from a Business Combination.
- (ll) Termination of Employment: A Participant's "separation from service" with the Affiliated Group, within the meaning of Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed

for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Administrator reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant, who would otherwise experience a separation from service with the Affiliated Group as part of the disposition of assets, will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.

(mm) Valuation Date: Each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Articles 4, 5 and 6 it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

2. Participation

2.01 Participants. The Participants in the Program shall be such officers and other key executives of the Company as shall be designated as Participants from time to time by the Compensation Committee, and who have submitted to the Administrator, within 30 days after such designation or such earlier date required by the Regulations, a Participation Agreement evidencing agreement to the terms of the Program, including, but not limited to, the non-competition provisions of Article 7, and specifying the form of payment of his or her Account payable on retirement.

2.02 Designation of Participants. An individual may be designated a Participant by action of the Compensation Committee or in a written employment agreement approved by the Compensation Committee. Participation of each individual designated as a Participant shall be subject to the terms, conditions, and limitations set forth in the Program and to such other terms, conditions and limitations as the Compensation Committee may, in its discretion, impose upon the participation of any such individual at the time the individual is designated a Participant in the Program.

2.03 Continuation of Participation. Subject only to the provisions of Section 2.04 and Article 7, an individual designated as a Participant shall continue to be a Participant for the purpose of eligibility to receive the supplemental retirement benefits provided by the Program and his or her participation in the Program shall not be terminated; provided, however, that a Participant who terminates employment at a time when he or she is not eligible for a benefit under Article 3 shall cease to be a Participant in the Program.

2.04 Effect of Voluntary Termination of Employment. To be eligible for supplemental retirement benefits under the Program a Participant shall not voluntarily Terminate Employment with the Company without the consent of the Compensation Committee for a period, not exceeding 60 calendar months, set by the Compensation Committee at the time he is designated a Participant. If a Participant voluntarily Terminates his or her Employment within such period, his or her participation in the Program shall terminate, he or she shall cease to be a Participant and

(subject to Section 3.02) shall forfeit all benefits under the Program. Notwithstanding the foregoing, for purposes of this Section 2.04, in no event shall an exercise by a Participant of his or her right to Terminate his or her Employment for “Good Reason” (as defined under any Change in Control Severance Agreement between the Participant and the Company) following a Corporate Change Vesting Event be deemed to be a voluntary Termination of Employment with the Company.

2.05 13-Month Service Requirement. Notwithstanding any other provision of this Program, a Participant shall not be eligible for supplemental retirement benefits under the Program unless the Participant remains employed by the Affiliated Group until the date that is 13 months after the date upon which he is designated as a Participant; provided, however, that the 13-month service requirement of this Section 2.05 shall be deemed to be satisfied upon the earlier of the Participant’s death, Disability, or the occurrence of a Change in Control.

2.06 Additional Service Credit and Contributions. Notwithstanding any other provision of this Program, for purposes of determining the amount of any benefits payable to any Participant upon the date of a Corporate Change Vesting Event:

- (a) such Participant (but not a Recipient) shall be treated as having been employed, for purposes of determining Service under this Program for three additional years from the date of the Corporate Change Vesting Event; and
- (b) such Participant’s (but not a Recipient’s) Account shall be increased by the product of (i) the lesser of (A) three (3) and (B) the quotient resulting from dividing the number of full and partial months from the date of a Corporate Change Vesting Event until the Participant’s Normal Retirement Date, by twelve (12) and (ii) his or her Contribution Percentage for the Plan Year in which the Corporate Change Vesting Event occurs, based upon the Participant’s salary grade on the date of the Corporate Change Vesting Event and the Corporate Change Vesting Event Compensation. For the avoidance of doubt, such increase shall not include or reflect deemed interest or earnings at the Crediting Rate or otherwise.

3. Supplemental Retirement Benefits

3.01 Accrual of Benefits. For each Plan Year, each active Participant’s Account shall be credited on the following February 1 with his or her Contribution Percentage. In addition, each active Participant’s Account shall be credited as of the effective date as the Compensation Committee may determine in its sole discretion with such Seed Contributions (if any) for such Plan Year as the Compensation Committee may determine in its sole discretion. Seed Contributions may differ from Plan Year to Plan Year and from Participant to Participant. Gains or losses shall be credited to the Participant’s Account as of the close of business on each Valuation Date, based on the Crediting Rate in effect for the day.

3.02 Eligibility At or After Normal Retirement Date. Any provision of Section 2.04 to the contrary notwithstanding, provided that the 13-month service requirement of Section 2.05 is satisfied, any Participant with at least 60 calendar months of Service who Terminates his or her

Employment with the Affiliated Group on or after his or her Normal Retirement Date shall be eligible for a supplemental retirement benefit.

3.03 Eligibility Prior to Normal Retirement Date; Vesting. Provided that the 13-month service requirement of Section 2.05 is satisfied, any Participant with at least 60 calendar months of Service:

- (a) who Terminates his or her Employment with the Affiliated Group with the consent of the Compensation Committee after attainment of age 55; or
- (b) who is employed at the time of a Corporate Change Vesting Event; or
- (c) whose Employment with the Affiliated Group is Terminated by the Company for reasons other than for cause (as determined by the Compensation Committee in its sole discretion) after attainment of age 55 but prior to the expiration of the requisite period of employment established by the Compensation Committee with respect to the Participant pursuant to Section 2.04; or
- (d) who Terminates the Participant's Employment with the Affiliated Group prior to his or her Normal Retirement Date due to Disability; or
- (e) who Terminates his or her Employment with the Affiliated Group after attainment of age 60 (and after completion of the requisite period of employment established by the Compensation Committee with respect to him or her pursuant to Section 2.04) but prior to his or her Normal Retirement Date;

shall be eligible for a supplemental retirement benefit. For the avoidance of doubt, any Participant who Terminates his or her Employment with the Affiliated Group after failing to obtain the consent of the Compensation Committee as contemplated under paragraph (a) shall forfeit his or her supplemental retirement benefit.

4. Payment of Benefits

4.01 Commencement of Benefits. Subject to Section 4.02, supplemental retirement benefits shall be paid or commence to be paid to an eligible Participant as of the first day of the month following Termination of Employment; provided, however, that supplemental retirement benefits shall be paid or commence to be paid to a Specified Employee on the first day of the seventh month following the Participant's Termination of Employment and in the case of payments made in the form of installments shall include any payments that would have been made between the Participant's Termination of Employment and the actual commencement of payment if the Participant had not been a Specified Employee. Notwithstanding the foregoing, to the extent required by Section 4.02(b), payment of a Participant's supplemental retirement benefit shall commence or be made on the date that is five (5) years from the date payment would otherwise commence or be made under this Section 4.01.

4.02 Payments Under Certain Situations.

- (a) Initial Election of Payment Form. To the extent permitted by Section 1.409A-2(a)(5) of the Regulations, within 30 days of the time an individual is designated as a Participant under this Program, he or she may elect, on his or her initial Participation Agreement, to receive payment of his or her supplemental retirement benefit under this Program in the form of a single lump sum payment equal to the value of his or her account as of the Valuation Date or in substantially equal annual installments over five, ten or fifteen years commencing on the date specified in Section 4.01 and on January 1 of each succeeding year in the applicable 5, 10 or 15 year period. If a Participant fails to make a valid election, the Participant's supplemental retirement benefit under this Program shall be paid in a lump sum.
- (b) One-Time Change by Participant. A Participant shall be allowed a one-time election to change the form of payment of his or her supplemental retirement benefit; provided, however, that:
 - (1) any such election shall not be effective for at least 12 months following the date made;
and
 - (2) as a result of any such election, payment shall be delayed for five (5) years from the date the payment was scheduled to commence or to be made (taking into account any delay in payment or commencement of payment under Section 4.01 on account of a Participant's status as a Specified Employee).
- (c) Payment Upon a Change in Control. Thirty (30) days after a Change in Control, in lieu of any other payments due with respect to benefits earned under the Program to the date of the Change in Control, each Participant and each Recipient shall receive a lump sum payment equal to the value of his or her account as of the Valuation Date.
- (d) Special Rule Applicable to Specified Employees. If a Specified Employee dies after Termination of Employment but prior to commencement of benefits, the Specified Employee's Beneficiary shall receive a payment as of the first of the month following the Specified Employee's date of death equal to the aggregate of the monthly payments that would have been made to the Specified Employee in accordance with Section 4.01 but substituting the Specified Employee's date of death for the actual commencement of payment. Any additional amounts payable to the Specified Employee's Beneficiary shall be determined as of the Specified Employee's date of death in accordance with the form of payment applicable to the Specified Employee as of the Specified Employee's Termination of Employment.
- (e) Certain Matters Following a Lump Sum Payment. A Participant who has received a Change in Control lump sum payment shall thereafter, while in the employ of the Company, continue to accrue benefits under the Program.

- (f) Payment of Taxes. A Participant's Account shall be reduced by, and the Participant shall be paid, the amount necessary to satisfy (and in no event to exceed) the aggregate of the Federal Insurance Contributions Act (FICA) tax and any local income taxes (and any federal, state, local or foreign income tax withholding related to such taxes) imposed on compensation deferred under the Program pursuant to Section 1.409A-3(j)(4)(vi) of the Regulations.
- (g) Miscellaneous. For purposes of Section 409A of the Code, each installment payment shall be considered a separate payment.

5. Disability Benefits

5.01 Benefits. If a Participant suffers a Disability prior to Termination of Employment, the Participant shall be eligible for a benefit under this Article 5.

5.02 Form of Disability Benefits. A Participant's disability benefit pursuant to this Article 5 shall be paid in the form of a single lump sum payment equal to the value of his or her account as of the Valuation Date.

5.03 Time of Payment of Disability Benefits. Payment of a Participant's disability benefit shall be made (or commence, as applicable) as of the first day of the second month following the Participant's Disability, and the provisions of Article 4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 5.

6. Death Benefits

6.01 Eligibility. If a Recipient dies or if a Participant dies after completing 60 calendar months of Service (without regard to the requirements of Section 2.05) but prior to the Participant's Termination of Employment, the Recipient's or Participant's Beneficiary shall be eligible for a benefit under this Article 6.

6.02 Benefit Payments. The benefit under this Article 6 shall be paid to the deceased Recipient's or Participant's Beneficiary, or, if no such Beneficiary, to the Recipient's or Participant's estate, in a single lump sum payment equal to the value of his or her account as of the Valuation Date as of the first day of the second month following the date of the Recipient's or Participant's death, and the provisions of Article 4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 6.

7. Non-Competition

7.01 Condition of Payment. In consideration of payment of supplemental retirement benefits under the Program, whether in the form of a lump-sum payment or installment payments, the Participant or retiree Recipient shall not engage in competition (as defined in Section 7.02) with the Company at any time during the five (5) year period after the date of

Termination of Employment with the Company; provided, however, that this Section 7.01 shall not apply to a Participant following his or her Termination of Employment if such Termination of Employment occurs after the date of a Corporate Change Vesting Event that occurs at the time the Participant is actively employed by the Affiliated Group.

7.02 Competition. Competition for purposes of the Program shall mean assuming an ownership position or a consulting, management, employee or director position with a business engaged in the manufacture, processing, purchase or distribution of products of the type manufactured, processed or distributed by the Affiliated Group; provided, however, that in no event shall ownership of less than two percent of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons in itself be deemed Competition; and provided further, that all of the following shall have taken place:

- (a) the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that, in the opinion of the Compensation Committee, the Participant or retiree-Recipient is engaged in Competition within the meaning of the foregoing provisions of this Section 7.02, specifying the details;
- (b) the Participant or retiree-Recipient shall have been given a reasonable opportunity, upon receipt of such notice, to appear before and to be heard by the Compensation Committee with respect to his or her views regarding the Compensation Committee's opinion that the Participant or retiree-Recipient engaged in Competition;
- (c) following any hearing pursuant to Section 7.02(b), the Secretary of the Company shall have given written notice to the Participant or retiree-Recipient that the Compensation Committee determined that the Participant or retiree-Recipient is engaged in Competition; and
- (d) the Participant or retiree-Recipient shall neither have ceased to engage in such Competition within thirty days from his or her receipt of notice of such determination nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

8. Beneficiary Designation

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Program shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous

Spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new Spouse has previously been designated as Beneficiary. The Spouse of a married Participant shall consent to any designation of a Beneficiary other than the Spouse, and the Spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

9. General Provisions

9.01 Claims Procedure. The Administrator shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Program. If the Administrator determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth:

- (a) the specific reasons for such denial;
- (b) a specific reference to the provisions of the Program on which the denial is based;
- (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and
- (d) an explanation of the Program's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

9.02 Review Procedure. If a Participant is determined by the Administrator not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Administrator by filing a petition for review with the Administrator within sixty (60) days after receipt of the notice issued by the Administrator. The petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Administrator of the petition, the Administrator shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Administrator shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Program on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred

for up to another sixty-day period at the election of the Administrator, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's Beneficiary.

9.03 ERISA Plan. The Program is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.

9.04 Trust. The Company shall be responsible for the payment of all benefits under the Program. The Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Program. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to a Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Program.

9.05 Rights of Participants. Except as expressly provided in any grantor trust agreement established by the Company:

- (a) no Participant or Recipient shall have any right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations under the Program;
- (b) nothing contained in the Program shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, Recipient or any other person;
- (c) to the extent that any person acquires a right to receive payments from the Company under the Program, such right shall be no greater than the right of an unsecured general creditor of the Company; and
- (d) all payments to be made under the Program shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under the Program.

9.06 Administration. The Administrator shall be responsible for the general administration of the Program and for carrying out the provisions thereof. Any act authorized, permitted or required to be taken by the Company under the Program may be taken by action of the appropriate Committee. Subject to the provisions of Section 9.01 relating to denial of claims and claims review procedure, any action taken by a Committee which is authorized, permitted or required under the Program shall be final and binding upon the Company, all persons who have or who claim an interest under the Program, and all third parties dealing with the Company.

9.07 Program Non-Contractual. Nothing herein contained shall be construed as a commitment or agreement on the part of any person to continue his or her employment with the

Company, and nothing herein contained shall be construed as a commitment on the part of the Company to continue the employment or the rate of compensation of any such person for any period, and all employees of the Company shall remain subject to discharge to the same extent as if the Program had never been put into effect.

9.08 Non-Alienation of Retirement Rights or Benefits. No right or benefit under the Program shall at any time be subject in any manner to alienation or encumbrances. If any person shall attempt to, or shall, alienate or in any way encumber his or her rights or benefits under the Program, or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time any such benefits would otherwise be received by anyone else or would not be enjoyed by him or her, his or her interest in all such benefits shall automatically terminate and the same, at the discretion of the Compensation Committee, shall be held or applied to or for the benefit of such person, his or her Spouse, children, or other dependents as the Compensation Committee may select.

9.09 Payment of Benefits to Others. If any person to whom a supplemental retirement benefit is payable is unable to care for his or her affairs because of illness or accident, any payment due (unless prior claim therefor shall have been made by a duly qualified guardian or legal representative) may be paid to the Spouse, parent, brother, or sister, or any other individual deemed by the Administrator to be maintaining or responsible for the maintenance of such person. Any payment made in accordance with the provisions of this Section 9.08 shall be a complete discharge of any liability of the Program with respect to the supplemental retirement benefit so paid.

9.10 Notices. All notices provided for by the Program shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail or personally delivered to the party entitled thereto at the address stated below or to such changed address as the addressee may have given by a similar notice:

To the Company or the Administrator: Attention:
Secretary
Parker-Hannifin Corporation
6035 Parkland Blvd.
Cleveland, Ohio 44124-4141

To the Participant: Address of residence on file with the
Company

Any such notice delivered in person shall be deemed to have been received on the date of delivery.

9.11 Amendment, Modification, Termination. The Program may at any time be terminated, or at any time or from time to time be amended or otherwise modified, prospectively, by the Board of Directors of the Company or by the committee or individual authorized by the Board of Directors of the Company to exercise such powers; provided, however, that no such termination, amendment or modification of the Program shall operate to:

- (a) reduce or terminate the benefit of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (b) terminate the participation of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (c) increase the eligibility requirements applicable to a Participant participating in the Program at the time of any such termination, amendment or modification;
- (d) terminate the Program, or reduce or terminate any benefit, or terminate the participation or any rights or benefits, after the occurrence of a Corporate Change Vesting Event, with respect to a Participant or Recipient who was a Participant or Recipient, or became a Participant or Recipient, at the time of the occurrence of such Corporate Change Vesting Event; or
- (e) permit an acceleration of time of payment of a Participant's benefit under the Program, other than:
 - (1) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code;
 - (2) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Program, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations;
 - (3) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure;
 - (4) due to a termination of the Program that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or
 - (5) as otherwise may be permitted under Section 409A of the Code.

9.12 Applicable Law. Except to the extent preempted by ERISA or the Code, the laws of the State of Ohio shall govern the Program and any disputes arising thereunder.

9.13 Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

9.14 Headings. All headings are for convenience only and shall not be used in interpreting any text to which they relate.
[signature page follows]

EXECUTED at Cleveland, Ohio this 16th day of December, 2015.

PARKER-HANNIFIN CORPORATION

By: /s/Jon P. Marten

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

By: /s/Daniel S. Serbin

Title: Executive Vice President – Human Resources
& External Affairs

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
SAVINGS RESTORATION PLAN

Adopted: December 16, 2015

Effective: January 22, 2015

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), established this Savings Restoration Plan (the "Plan"), originally effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring some of the deferral opportunities and employer-provided benefits that are lost under The Parker Retirement Savings Plan due to legislative limits.

The Plan has been amended and restated from time to time. The Plan underwent significant and comprehensive changes when it was amended during December 2005 to provide for certain transitional rules and was amended and restated as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act ("the Act") with respect to Section 409A of the Code. Except as otherwise specifically provided in Sections 4.1(a), 6.2(c) and 8.4 of this Plan, all benefits deferred and vested under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code, including the portion of a Participant's Excess RIA Account that was vested under the terms of the Plan in effect on December 31, 2004 and earnings thereon, (the "Grandfathered Amounts") shall continue to be subject solely to the terms of the separate Plan as in effect on December 31, 2004. The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

The Plan is hereby amended and restated in its entirety as of January 22, 2015.

ARTICLE 1

DEFINITIONS

- 1.1. Account shall mean the notional account established for record-keeping purposes for a Participant pursuant to Article 5. The term Account shall include the Restoration Account and/or the Excess RIA Account, as applicable.
- 1.2. Adjusted Matching Percentage shall mean the sum of 100% of the first 3% of a Participant's Total Deferral Percentage, plus 50% of the next 2% of the Participant's Total Deferral Percentage. The maximum Adjusted Matching Percentage for any Plan Year shall be 4%.

- 1.3. Administrator shall mean the Parker Total Rewards Administration Committee of the Company or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Plan.
- 1.4. Affiliated Group shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.
- 1.5. Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3.
- 1.6. Annualized Base Salary shall mean a Participant's annualized base salary, determined by the Administrator as of November 1 of the calendar year immediately preceding the Plan Year for which the Matching Limit is being determined.
- 1.7. Applicable Dollar Amount shall mean the "applicable dollar amount" determined under Section 402(g)(1)(B) of the Code for the Plan Year for which the Matching Limit is being determined.
- 1.8. Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14.
- 1.9. Change in Control means the occurrence of one of the following events:
 - (a) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.9(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would

occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(b) A change in effective control of the Company, which occurs on either of the following dates:

(i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.9(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.

(c) a change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (ii)

an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (iii) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1.9(c)(iii) of this Plan.

Notwithstanding Sections 1.9(a), 1.9(b)(i) and 1.9(c) above, the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by securities of the Company eligible to vote for the election of the Board (the "Company Voting Securities") that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1.9(a) or 1.9(b)(i) above shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

- 1.10. Code shall mean the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.11. Committee shall mean the Administrator, the Investment Committee or the Compensation Committee, as applicable.
- 1.12. Compensation shall mean:

(a) For amounts that are due and payable before January 1, 2007, the sum of the Participant's base salary and regular bonuses (including profit-sharing, the Company's Return on Net Assets (RONA) Plan, and target incentive bonus, but excluding sales commissions, payments under any long term incentive plan, volume incentive plan, or other extraordinary bonus or incentive plan) for a Plan Year before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation.

(b) For Plan Years beginning on and after January 1, 2007, Compensation shall mean a Participant's base salary before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.

1.13. Compensation Committee shall mean the Human Resources and Compensation Committee of the Board.

1.14. Crediting Rate shall mean: (a) the amount described in Section 1.14.1 to the extent the Account balance represents either Annual Deferrals under Article 3 or earnings previously credited on such deferrals under Section 5.2(d), or Excess RIA Contributions under Section 4.1(b) or earnings previously credited on such Excess RIA Contributions under Section 5.2(d); or (b) the amount described in Section 1.14.2 to the extent the Restoration Account balance represents either Matching Credits under Section 4.1(a) or interest previously credited on such Matching Credits under Section 5.2(d).

1.14.1 Crediting Rate for Annual Deferrals and Excess RIA Contributions shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Annual Deferrals under Article 3 and the Excess RIA Account Balance attributable to Excess RIA Contributions under Section 4.1(b) had been invested in one or more of the investment portfolios designated as available by the Investment Committee, less separate account fees and less applicable administrative charges determined annually by the Administrator.

A Participant may elect to allocate his or her Restoration Account and Excess RIA Account among the available portfolios. The gains or losses shall be credited based upon the daily unit values for the portfolio(s) selected by the Participant. The rules and procedures for allocating the Restoration Account and Excess RIA Account balance among the portfolios shall be determined by the Administrator. The Participant's allocation is solely for the purpose of calculating the Crediting Rate. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by the Participant.

1.14.2 Crediting Rate for Matching Credits shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Matching Credits

under Section 4.1(a) had been invested in the Common Stock of the Company, including reinvestment of dividends. The rules and procedures for determining the value of the Common Stock of the Company shall be determined by the Administrator. The rules and procedures for re-allocating the Restoration Account balance attributable to the Matching Credits among the other portfolios offered under the Plan shall be determined by the Administrator.

- 1.15. Disability shall mean the condition whereby a Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.
- 1.16. Disability Benefit shall mean the benefit payable pursuant to Article 9.
- 1.17. Early Retirement Date shall mean age 55 with ten or more years of employment with the Company.
- 1.18. Eligible Executive shall mean a key employee of the Company or any of its subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan; and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.
- 1.19. Eligible RIA Executive shall mean an employee of the Company or any of its subsidiaries who is entitled to receive an allocation to the Retirement Income Account portion of the Savings Plan, and (a) who receives compensation, as such term is used to determine contributions under the Savings Plan, in excess of the amount specified in Section 401(a)(17) of the Code, or (b) whose benefits payable from the Savings Plan are directly or indirectly limited pursuant to Section 415(c) of the Code.
- 1.20. ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.21. Estimated Bonuses shall mean:
- (a) For each Plan Year beginning before January 1, 2007, the sum of a Participant's RONA and Target Incentive bonuses payable during the Plan Year for which the Matching Limit

is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year.

(b) For each Plan Year beginning on and after January 1, 2007, the sum of a Participant's RONA and Target Incentive bonuses payable in August of the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year.

- 1.22. Excess RIA Account shall mean the Account established pursuant to Section 5.1(b) of this Plan.
- 1.23. Excess RIA Contribution shall mean the difference between the amount actually contributed to a Participant's Retirement Income Account under the Savings Plan with respect to a Plan Year and the amount that would have been contributed for such Plan Year but for the application of the Statutory Limits, as adjusted for cost of living increases.
- 1.24. Executive Deferral Plan shall mean the Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan as it currently exists and as it may subsequently be amended.
- 1.25. Investment Committee shall mean the Parker Total Rewards Investment Committee of the Company or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Plan.
- 1.26. Matching Credit shall mean the Company's credit to the Participant's Restoration Account under Section 4.1(a).
- 1.27. Matching Limit shall mean, for any Plan Year, the excess of: (a) the lesser of: (i) \$17,000 or (ii) the product of the Adjusted Matching Percentage times the sum of the Participant's Projected Gross Compensation, over (b) the product of 4% times the lesser of: (i) the Statutory Limit under Section 401(a)(17) of the Code on compensation that may be taken into account under the Savings Plan for the Plan Year, or (ii) the excess of a Participant's Projected Gross Compensation over the Participant's Projected SRP Deferral and Projected EDP Deferral.
- 1.28. Matching Percentage shall mean, for any Plan Year, the percentage determined by dividing a Participant's Matching Limit by the Participant's Projected SRP Deferral.
- 1.29. Normal Retirement Date shall mean the date on which a Participant attains age 65.
- 1.30. Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2 or an Eligible RIA Executive entitled to receive an Excess RIA Contribution.
- 1.31. Participation Agreement shall mean the Eligible Executive's or Eligible RIA Executive's written or electronic election to participate in the Plan and/or to select distribution options in accordance with Article 6.

- 1.32. Plan Year shall mean the calendar year.
- 1.33. Projected EDP Deferral shall mean the amount that would be deferred by a Participant under Section 3.1(a) of the Executive Deferral Plan for the Plan Year for which the Matching Limit is being determined, if the terms "Salary" and "Bonuses" used therein referred to the Participant's Annualized Base Salary and Estimated Bonuses, respectively.
- 1.34. Projected Gross Compensation shall mean the sum of a Participant's RONA and target incentive bonuses payable during the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year, plus the Participant's Annualized Base Salary.
- 1.35. Projected Savings Plan Deferral shall mean the lesser of (a) the Applicable Dollar Amount, or (b) 75% of the excess of a Participant's Projected Gross Compensation over the Participant's Projected SRP Deferral and Projected EDP Deferral.
- 1.36. Projected SRP Deferral shall mean:
- (a) For the Plan Year beginning January 1, 2005:
- (i) For a Participant who is not eligible to participate in the Executive Deferral Plan for such Plan Year, the lesser of: (A) \$25,000 or (B) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.
- (ii) For a Participant who is eligible to participate in the Executive Deferral Plan for such Plan Year, the lesser of: (A) \$7,600 or (B) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.
- (b) For the Plan Year beginning January 1, 2006, the lesser of: (i) \$25,000 or (ii) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.
- (c) For each Plan Year beginning on and after January 1, 2007, the lesser of: (i) \$25,000 or (ii) the product of the Participant's Annualized Base Salary times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.
- 1.37. Regulations shall mean regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- 1.38. Restoration Account shall mean the Account established pursuant to Section 5.1(a).

- 1.39. Retirement shall mean a Separation from Service from the Affiliated Group that follows Normal or Early Retirement Date.
- 1.40. Retirement Benefit shall mean the benefit payable pursuant to Article 6.
- 1.41. Savings Plan shall mean the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended.
- 1.42. Separation from Service shall have the meaning set out in Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Administrator reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant who would otherwise experience a Separation from Service with the Company as part of the disposition of assets will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.
- 1.43. Specified Employee shall mean a person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B) (i) of the Code and the Company's policy for determining specified employees.
- 1.44. Spouse shall mean an individual of the same or opposite sex of a Participant to whom the Participant is married in, and under the laws of, the state of celebration of such marriage.
- 1.45. Statutory Limits shall mean any limit on compensation taken into account in calculating benefits under the Savings Plan under Section 401(a)(17) of the Code or that directly or indirectly affects the amount of benefits payable from the Savings Plan pursuant to Section 415(c) of the Code or any other applicable Section of the Code.
- 1.46. Subsidiary shall mean any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- 1.47. Survivor Benefit shall mean the benefit payable pursuant to Article 8.
- 1.48. Termination Benefit shall mean the benefit payable pursuant to Article 7.
- 1.49. Termination of Employment shall mean Separation from Service from the Affiliated Group, other than Separation from Service due to Retirement, Disability or death.

- 1.50. Total Deferral Percentage shall mean the percentage determined by dividing the sum of a Participant's Projected SRP Deferral and Projected Savings Plan Deferral by the Participant's Projected Gross Compensation.
- 1.51. Unforeseeable Emergency shall mean a severe financial hardship arising from: (a) the illness or accident of the Participant, the Participant's Spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of when a Participant has incurred an Unforeseeable Emergency shall be made by the Administrator, in its sole discretion, pursuant to and subject to the conditions of Section 409A of the Code and Regulations thereunder.
- 1.52. Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Articles 6, 7, 8, 9 or 15, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2 PARTICIPATION

- 2.1. Participant Deferral or Automatic Participation.
- (a) An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year coincident with or next following the date the individual becomes an Eligible Executive, provided such Eligible Executive has submitted to the Administrator a Participation Agreement prior to the beginning of the Plan Year and within the enrollment period designated by the Administrator. In the Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.
- (b) An Eligible RIA Executive shall become a Participant in this Plan automatically on January 1 of the Plan Year immediately following the first Plan Year that the Participant's right to an Excess RIA Contribution accrues. A Participant who is not an Eligible Executive for the first Plan Year that such Participant is an Eligible RIA Executive (or any earlier Plan Year) shall submit an initial Participation Agreement to the Administrator within thirty (30) days of becoming a Participant in this Plan. To the extent permitted under Section 409A of the Code, such a Participant's election of a distribution option in such an initial Participation Agreement submitted within thirty (30) days of becoming a Participant in this Plan shall govern the form of payment of such Participant's Excess RIA Account, except as otherwise provided in Section 6.4.
- (c) An individual may be both an Eligible Executive and an Eligible RIA Executive.
- 2.2. Continuation of Participation. An individual who has become a Participant in this Plan pursuant to Section 2.1 shall continue as a Participant in the Plan even though such individual ceases to be an Eligible Executive and/or an Eligible RIA Executive; provided that any such

Participant shall not be eligible to: (a) make an Annual Deferral for a Plan Year unless the Participant is an Eligible Executive for such Plan Year, or (b) receive an allocation of an Excess RIA Contribution for a Plan Year if the Participant is not an Eligible RIA Participant for such Plan Year.

ARTICLE 2

EXECUTIVE DEFERRALS

- 3.1. Deferral Election. A Participant may elect on the Participation Agreement to make an Annual Deferral to defer a specified percentage of Compensation relating to services performed during a Plan Year. Except as may be otherwise permitted under Section 409A of the Code, an election to make Annual Deferrals with respect to Compensation relating to services performed during a Plan Year must be made prior to the beginning of such Plan Year. An election to make Annual Deferrals for a Plan Year shall be irrevocable, except as otherwise permitted by the Regulations, including Section 1.409A-3(j)(4)(viii) of the Regulations, where cancellation of a deferral election is required by Section 401(k) of the Code upon the Participant's taking a hardship withdrawal from the Savings Plan.
- 3.2. Amount of Annual Deferral. The Annual Deferral shall be determined as follows:
- (a) For the Plan Year beginning January 1, 2005:
 - (i) For a Participant who is not eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 15% of Compensation (maximum Annual Deferral of \$25,000).
 - (ii) For a Participant who is eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 5% of Compensation (maximum Annual Deferral of \$7,600).
 - (b) For the Plan Year beginning January 1, 2006, any whole percentage between 1 and 15% of Compensation (maximum Annual Deferral of \$25,000).
 - (c) For any Plan Year beginning January 1, 2007 or later, any whole percentage between 1 and 20% of Compensation (maximum Annual Deferral of \$25,000).
- 3.3. Vesting. The Participant's right to his or her Annual Deferrals and gains or losses thereon, shall be 100% vested at all times.

ARTICLE 3

COMPANY CREDITS

4.1. Amount.

- (a) Matching Credit. The Company's Matching Credit in each Plan Year shall equal the product of the Participant's Annual Deferral for such Plan Year times the Matching Percentage for the Plan Year; provided, however, that in no event shall the Matching Credit credited to a Participant's Account in any Plan Year exceed the Matching Limit for such Plan Year. The Matching Percentage and Matching Limit for a Participant for

any Plan Year shall be determined in good faith by the Administrator as of December 31 of the immediately preceding calendar year.

(b)Excess RIA Contributions. Effective April 1, 2004, in the Plan Year following any Plan Year in which an Eligible RIA Participant has an Excess RIA Contribution with respect to the Savings Plan, the Eligible RIA Participant shall receive an allocation of an amount equal to such Excess RIA Contribution.

4.2. Vesting.

(a)The Participant's right to receive Matching Credits and gains or losses thereon credited to the Participant's Restoration Account shall be one hundred percent (100%) vested.

(b)From April 1, 2004 to December 31, 2006, the Participant's right to his or her Excess RIA Account and gains or losses thereon shall be 100% vested after the Participant has 5 years of Service, as such term is defined in the Savings Plan, or upon attainment of Normal Retirement Age as that term is defined in the Savings Plan.

(c)Effective January 1, 2007, the Participant's right to his or her Excess RIA Account and gains or losses thereon shall be 100% vested after the Participant has 3 years of Service, as such term is defined in the Savings Plan, or upon attainment of Normal Retirement Age as that term is defined in the Savings Plan.

ARTICLE 4 ACCOUNTS

5.1. Accounts. Solely for record keeping purposes, the Company shall maintain an Account for each Participant, which Account shall consist of one or more sub-accounts, as follows:

(a)A Restoration Account to which shall be credited all Annual Deferrals made by a Participant and Matching Credits, as well as all gains or losses with respect thereto.

(b)An Excess RIA Account to which shall be credited the amount of the Participant's Excess RIA Contributions, as well as all gains and losses with respect thereto.

(c)The Account for a Participant listed on Appendix A shall have sub-accounts for pre-2016 and post-2015 amounts credited to the Participant's Account if, prior to January 1, 2016, such Participant elects a time and form of payment for such post-2015 amounts other than monthly installments over fifteen (15) years without an annual lump sum payment.

5.2. The Timing of Credits.

(a)Annual Deferrals made under Article 3 shall be credited to the Restoration Account on the same day the deferrals would otherwise have been paid to the Participant but for the deferral election;

(b)Matching Credits under Article 4 shall be credited to the Restoration Account as of the day the corresponding Annual Deferrals are credited to the Restoration Account;

(c) Excess RIA Contributions shall be credited to the Participant's Excess RIA Account as of February 1 (or the next business day thereafter) of the year in which the Participant's Excess RIA Contribution with respect to a Plan Year is determined; and

(d) Gains or losses shall be credited to the Participant's Account as of the close of business on each Valuation Date, based on the Crediting Rate in effect for the day under Section 1.14.

5.3. Terminations. Following a Participant's Termination of Employment, Retirement or death, gains or losses shall continue to be credited to the Participant's Account through the final Valuation Date.

5.4. Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Account maintained for such Participant.

ARTICLE 5 RETIREMENT BENEFITS

6.1. Amount. Upon Retirement, the Company shall pay to the Participant the value of his or her vested Account at the time and in the manner determined pursuant to the rules set forth in this Article 6.

6.2. Form of Retirement Benefits. Except as otherwise provided pursuant to an election under Section 6.4(c), the Retirement Benefit shall be paid monthly over a period of fifteen (15) years; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:

(a) a single lump sum payment in cash;

(b) monthly installments over 5, 10 or 15 years;
or

(c) an annual lump sum amount equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the Account over 5, 10 or 15 years. Annual lump sum payments pursuant to this Section 6.2(c), with respect to all Retirement Benefits under this Plan, including Grandfathered Amounts, shall be paid as follows: (i) the first lump sum payment shall be made on the first day of the second month after the Participant's Retirement, and (ii) the remaining lump sum payments shall be made on January 1 of each succeeding year in the applicable 5, 10 or 15 year period.

6.3. Time of Payment. Except as otherwise provided pursuant to an election under Section 6.4(c), payment of a Participant's Account shall be made or shall begin as of the first day of the second month after the Participant's Retirement or on the first day of the month following the first, second, third, fourth or fifth anniversary of the Participant's Retirement, as elected by the Participant in accordance with the terms of Section 6.4. Notwithstanding the foregoing, payment to any Specified Employee will be made or will commence on the first day of the seventh month following the Participant's Retirement and shall include any

payments that would have been made between the Participant's Retirement and the actual date of commencement of payment if the Participant had not been a Specified Employee.

6.4. Elections.

- (a)Initial Election. A Participant shall elect the time and form of payment of his or her Account payable on Retirement on his or her initial Participation Agreement in accordance with such rules as the Administrator shall reasonably apply. Notwithstanding the foregoing, a Participant listed on Appendix A to the Plan may elect a time and form of payment for post-2015 amounts credited to the Participant's Account without regard to his or her prior election (or deemed election) for pre-2016 amounts credited to the Participant's Accounts. Any such election must be made prior to January 1, 2016, shall be irrevocable as of December 31, 2015, and shall apply to all post-2015 amounts credited to the Participants' Accounts and is in addition to any further deferral elections under Section 6.4(b). If any such Participant fails to make such an election, his or her Retirement Benefit shall be paid monthly over a period of fifteen (15) years.
- (b)One-Time Change by Participant. To the extent permitted by Section 409A of the Code, a Participant may make a one-time election to delay payment or change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that: (i) any such election shall not be effective for at least 12 months following the date made; (ii) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 6.3 on account of a Participant's status as a Specified Employee); and (iii) any such change made by a Participant listed on Appendix A to the Plan shall apply to both pre-2016 and post-2015 amounts credited to the Participant's Account to the extent permitted by Section 409A of the Code.
- (c)Transitional Rule. Notwithstanding any other elections made hereunder and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Company pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his or her Account under this Plan, provided that: (i) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year, (ii) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year, and (iii) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Company consistent with guidance pursuant to Section 409A of the Code.

6.5. Small _____ Benefit
Exception.

- (a) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing, with respect to a Participant's Retirement Benefit under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) prior to January 1, 2008, if the balance of the Participant's Account under the Plan as of the date payment would otherwise commence is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefit in a single lump sum; provided, however, that payment of a Retirement Benefit to any Specified Employee pursuant to this Section 6.5(a) will be made on the first day of the seventh month following the Participant's Termination of Employment.
- (b) Benefits Payable After December 31, 2007. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Participant's Retirement Benefit under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) after December 31, 2007, if the aggregate balances of the Participant's accounts under the Plan, the Executive Deferral Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Executive Deferral Plan under Section 1.409A-1(c) of the Regulations as of the date payment would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the Retirement Benefit under the Plan in a single lump sum; provided, however, that payment of a Retirement Benefit to any Specified Employee pursuant to this Section 6.5(b) will be made on the first day of the seventh month following the Participant's Termination of Employment.

ARTICLE 6

TERMINATION BENEFITS

- 7.1. Amount and Time of Payment. As of the first day of the second month after Termination of Employment, the Company shall pay to the Participant a Termination Benefit equal to the value of the vested Account as of the Valuation Date. Notwithstanding the foregoing, payment of a Termination Benefit to any Specified Employee pursuant to this Article 7 will be made on the first day of the seventh month following the Participant's Termination of Employment.
- 7.2. Form of Termination Benefits. The Company shall pay the Termination Benefits in a single lump sum.

ARTICLE 7

SURVIVOR BENEFITS

- 8.1. Amount. If the Participant dies (whether before or after Retirement or other Termination of Employment) with any balance remaining in his or her Account, the Company shall pay to the Participant's Beneficiary a Survivor Benefit equal to the vested balance of the Account on the date of death.
- 8.2. Form of Survivor Benefits. The Company shall pay the vested balance of the Participant's Account in a single lump sum payment in cash; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:
- (a) a single lump sum payment in cash;
or
 - (b) monthly installments over 5, 10 or 15 years.
- 8.3. Time of Payment. Payment of Survivor Benefits shall be made or shall begin as of the first day of the second month following the date of death, and the provisions of Sections 6.3 and 6.4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of the Survivor Benefit pursuant to this Article 8.
- 8.4. Survivor Benefits Paid From Grandfathered Amounts. To the extent that the Company pays to a Participant's Beneficiary a Survivor Benefit consisting of Grandfathered Amounts, the time and form of payment of such Grandfathered Amounts shall be governed by the Participant's election as in effect on December 31, 2006 and the terms of the Plan as in effect on December 31, 2004; provided, however, that after December 31, 2006 a Participant may make a one-time election to have all Grandfathered Amounts paid in a lump sum as of the first day of the second month after the Participant's death (regardless of whether the Participant dies before or after the date that payment of Grandfathered Amounts would otherwise commence under the Plan). In accordance with the terms of the Plan as in effect on December 31, 2004, any election to change the form of payment of Survivor Benefits from Grandfathered Amounts must be filed at least thirteen (13) months prior to the date that payment of Survivor Benefits would otherwise commence or be made, unless the Participant's Beneficiary agrees to take a ten percent (10%) reduction in the value of the Grandfathered Amounts.
- 8.5. Small _____ Benefit Payments.
- (a) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing, with respect to a Survivor Benefit under the Plan that would otherwise be paid in installments prior to January 1, 2008, if the balance of the Participant's Account under the Plan as of the date that payment of the Survivor Benefit would otherwise commence is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefit in a single lump sum.

(b)Benefits Payable After December 31, 2007. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Survivor Benefit under the Plan that would otherwise be paid in installments after December 31, 2007, if the aggregate balances of the Participant's accounts under the Plan, the Executive Deferral Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Executive Deferral Plan under Section 1.409A-1(c) of the Regulations as of the date that payment of the Survivor Benefit would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the Survivor Benefit under the Plan in a single lump sum.

ARTICLE 8 DISABILITY BENEFITS

If a Participant suffers a Disability, the Company shall pay the Retirement Benefit described in Article 6 to the Participant as if the date of the Participant's Disability were the Participant's Normal Retirement Date; provided, however, that the provisions of Sections 6.3, 6.4 and 6.5 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of the Disability Benefit pursuant to this Article 9.

ARTICLE 9 CHANGE IN CONTROL

If a Change in Control occurs, the Participant shall receive a lump sum payment of the balance of the vested Account thirty (30) days after the Change in Control. Such balance shall be determined as of the date of the Change in Control, without regard to gains or losses attributable to the Account thereafter.

ARTICLE 10 WITHDRAWALS

Upon a finding by the Administrator that the Participant has suffered an Unforeseeable Emergency, the Administrator may permit the Participant to cease any on-going deferrals for the Plan Year. Furthermore, the Participant may elect to receive a distribution from his or her Account equal to the amount reasonably necessary to alleviate such Unforeseeable Emergency, including the amount reasonably determined to be sufficient to satisfy any applicable income taxes and penalties anticipated to result from the distribution. In any case, no distribution may be made to a Participant pursuant to this Article 11 to the extent that the Unforeseeable Emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan, the Executive Deferral Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Executive Deferral Plan under Section 1.409A-1(c) of the Regulations. If a distribution is made to a Participant on account of Unforeseeable Emergency, the Participant may not make further Annual Deferrals under the Plan until one entire Plan Year following the Plan Year in which a distribution based on Unforeseeable Emergency was made has elapsed, or such longer period as may be required by the Code. If, after December 31, 2007, a distribution is made from Grandfathered Amounts due to a "Financial Hardship" (as defined in the separate Plan applicable to Grandfathered

Amounts), no cessation of deferrals shall be required with respect to Non-Grandfathered Amounts pursuant to this Article 11. Distributions to a Participant in the event of an Unforeseeable Emergency pursuant to this Article 11 shall be made as follows: (a) first, from Grandfathered Amounts under the Plan, to the extent thereof; (b) second, from other amounts under the Plan, to the extent thereof; (c) third, from Grandfathered Amounts under the Executive Deferral Plan, to the extent thereof; and (d) fourth, from other amounts under the Executive Deferral Plan, to the extent thereof.

ARTICLE 11 CONDITIONS RELATED TO BENEFITS

- 12.1. Non-assignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or in any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.
- 12.2. No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participants and any Beneficiaries shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations under this Plan.
- 12.3. Protective Provisions. Each Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits under this Plan, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If a Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. If a Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals.
- 12.4. Withholding. Each Participant and Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 12 ADMINISTRATION OF PLAN

The Administrator shall administer the Plan and shall have discretionary authority to interpret, construe and apply its provisions in accordance with its terms, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on a Committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member

of the Committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 13 BENEFICIARY DESIGNATION

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous Spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new Spouse has previously been designated as Beneficiary. The Spouse of a married Participant shall consent to any designation of a Beneficiary other than the Spouse, and the Spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

ARTICLE 14 AMENDMENT AND TERMINATION OF PLAN

15.1. Amendment of
Plan.

(a) The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (i) shall not decrease the balance of the Participant's Account at the time of such amendment; and (ii) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment.

(b) In addition, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than: (i) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code; (ii) in accordance with Sections 6.5 and 8.5 with respect to small cashouts; (iii) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Plan, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations; (iv) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure; (v) due to a termination of the Plan pursuant to Section 15.2 that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or (vi) as otherwise may be permitted under Section 409A of the Code.

(c)The Company may amend the Crediting Rate of the Plan prospectively, in which case the Company shall notify the Participants of such amendment in writing within thirty (30) days after such amendment.

- 15.2. Termination of Plan. The Company may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code. Notwithstanding the foregoing, the Company may at any time determine to cease all future deferrals and contributions to the Plan. In such event, Participants' Accounts shall continue to be held and administered in accordance with the terms of this Plan; provided, however that the Company shall determine, in its sole discretion, whether to continue to credit Participants' Accounts with earnings at the otherwise applicable Crediting Rates or instead to credit Participants' Accounts, as of January 1 of the year that all future deferrals and contributions to the Plan are ceased, with a reasonable rate of interest, not less than the prime rate as published in the Wall Street Journal, in either case continuing until distribution of Participants' Accounts in accordance with the terms of the Plan.
- 15.3. Company Action. Except as provided in Section 15.4, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.
- 15.4. Distribution on Income Inclusion Under Section 409A. In the event the Administrator determines that amounts deferred under the Plan fail to meet the requirements of Section 409A of the Code and must be recognized as income for federal income tax purposes, distribution of the amount required to be included in income shall be made to affected Participants to the extent permitted by Section 409A of the Code.

ARTICLE 15 MISCELLANEOUS

- 16.1. Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.
- 16.2. ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.
- 16.3. Trust. The Company shall be responsible for the payment of all benefits under the Plan. The Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to the Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.

- 16.4. Employment Not Guaranteed. Nothing contained in the Plan nor any action taken under this Plan shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.
- 16.5. Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.
- 16.6. Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.7. Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.
- 16.8. Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by a Participant shall not operate or be construed as a waiver of any subsequent breach by such Participant.
- 16.9. Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Ohio except where the laws of the State of Ohio are preempted by ERISA or the Code.
- 16.10. Notice. Any notice or filing required or permitted to be given to the Company or the Administrator under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail, facsimile, or electronic mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 16 CLAIMS AND REVIEW PROCEDURES

- 17.1. Claims Procedure. The Administrator shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Administrator determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provisions of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

- 17.2. Review Procedure. If a Participant is determined by the Administrator not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Administrator by filing a petition for review with the Administrator within sixty (60) days after receipt of the notice issued by the Administrator. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Administrator of the petition, the Administrator shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Administrator shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Administrator, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's beneficiaries.
- 17.3. Payment. Any benefits paid in accordance with the procedures provided in this Article 17 shall be made consistent with the rules of Section 409A of the Code.

EXECUTED at Cleveland, Ohio this 16th day of December, 2015.

PARKER-HANNIFIN CORPORATION

By: /s/Jon P. Marten

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

By: /s/Daniel S. Serbin

Title: Executive Vice President – Human Resources
& External Affairs

Appendix A

M. Steven Barber

Achilleas A. Dorotheou

Barry S. Draskovich

Frank A. Dubey

Thomas L. Dudley

Jeffrey E. From

Richard A. Izor

Vernon Moreland

David M. Overholt

Jennifer A. Parmentier

Kevin L. Ruffer

Kenneth R. Theiss

Vance P. Zanardelli

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
PENSION RESTORATION PLAN

Adopted: December 16, 2015

Effective: January 22, 2015

Parker-Hannifin Corporation, an Ohio corporation (the "Company"), established this Pension Restoration Plan (the "Plan"), originally effective January 1, 1995, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring benefits that are lost due to legislative limits on the Company's qualified retirement plan(s). The Plan has been amended and restated from time to time, and underwent significant and comprehensive changes when it was amended and restated as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act ("the Act"). The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act.

The Plan is hereby amended and restated in its entirety as of January 22, 2015.

ARTICLE 1 DEFINITIONS

- 1.1. Actuarial Value shall mean the actuarial present value of the benefits calculated by an actuary selected by the Administrator and using the actuarial assumptions employed under the Qualified Plan.
- 1.2. Administrator shall mean the Parker Total Rewards Administration Committee of the Company or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Plan.
- 1.3. Affiliated Group shall mean The Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.

1.4. Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 10 of the Plan.

1.5. Change in Control shall mean the occurrence of one of the following events:

(a) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.5(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(b) A change in effective control of the Company, which occurs on either of the following dates:

(i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.5(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the

operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

(ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.

(c) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (iii) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company; or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1.5(c)(iii) of this Plan.

Notwithstanding Sections 1.5(a), 1.5(b)(i) and 1.5(c) above, the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by securities of the Company eligible to vote for the election of the Board (the "Company Voting Securities") that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes

the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1.5(a) or 1.5(b)(i) above shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

1.6.Code shall mean the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.

1.7.Committee shall mean the Administrator, the Investment Committee or the Compensation Committee, as applicable.

1.8.Compensation Committee shall mean the Human Resources and Compensation Committee of the Company's Board of Directors.

1.9.Disability shall mean the condition whereby a Participant is:

- (a)unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
- (b)by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

1.10.Early Retirement Date shall mean the "Early Retirement Date" as defined in the Qualified Plan.

- 1.11. EDP shall mean the Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan as it currently exists and as it may subsequently be amended.
- 1.12. Eligible Executive shall mean an employee of the Company or any of its subsidiaries who:
- (a) is designated by the Administrator as eligible to participate in the Plan;
and
 - (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.
- 1.13. ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.14. Investment Committee shall mean the Parker Total Rewards Investment Committee of the Company or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Plan.
- 1.15. Normal Retirement Date shall mean the "Normal Retirement Date" as defined in the Qualified Plan.
- 1.16. Participant shall mean an Eligible Executive who has become a participant hereunder pursuant to Article 2.
- 1.17. Qualified Plan shall mean the Parker-Hannifin Consolidated Pension Plan as it currently exists and as it may subsequently be amended, or any other qualified defined benefit plan maintained by the Company and in which an Eligible Executive participates.
- 1.18. Regulations shall mean regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- 1.19. Separation from Service shall have the meaning set out in Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Administrator reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant, who would otherwise experience a Separation from Service with the Affiliated Group as part of

the disposition of assets, will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.

- 1.20. SERP shall mean the Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program as it currently exists and as it may subsequently be amended.
- 1.21. SERP Participant shall mean a Participant in the Plan who also is a participant in the SERP.
- 1.22. SERP Participation Date shall mean the date that a Participant in the Plan becomes a SERP Participant.
- 1.23. SERP Vesting Date shall mean the date that a SERP Participant becomes vested in a benefit under the SERP.
- 1.24. Specified Employee shall mean a person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- 1.25. SRP shall mean the Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan as it currently exists and as it may subsequently be amended.
- 1.26. Statutory Limit shall mean any limit on compensation taken into account in calculating benefits under the Qualified Plan under Section 401(a)(17) of the Code, any limit on benefits or contributions to the Qualified Plan under Section 415 of the Code, or any other limit that directly or indirectly affects the amount of benefits payable from the Qualified Plan.
- 1.27. Subsidiary shall mean any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- 1.28. Surviving Spouse shall mean the person who is the Participant's spouse at the time of the Participant's death and who has been such spouse for at least one year immediately prior to the date of the Participant's death.
- 1.29. Termination of Employment shall mean Separation from Service with the Affiliated Group for any reason whatsoever, whether voluntary or involuntary, other than as a result of the Participant's Disability or death.

ARTICLE 2 PARTICIPATION

An Eligible Executive shall become a Participant in the Plan as of the earlier of:

- (a) the date the Eligible Executive's retirement benefits under the Qualified Plan first become limited by any Statutory Limit;

- (b) the date the Eligible Executive first elects to defer compensation under the SRP or EDP;
- (c) the date of a Change in Control of the Company;
or
- (d) the date designated by the Administrator in a written agreement.

ARTICLE 3

RESTORATION BENEFITS

3.1. Amount.

- (a) For Eligible Executives who are Participants in this Plan as of December 31, 2008, upon Termination of Employment on or after Normal or Early Retirement Date, or after the Participant has a nonforfeitable right to a benefit under the Qualified Plan, the Participant shall be entitled to a retirement benefit payable in the form provided in Section 3.3 and at the time provided in Section 3.4.
- (b) For Eligible Executives who become Participants in this Plan after December 31, 2008, upon Termination of Employment on or after Normal or Early Retirement Date, or after the Participant has a nonforfeitable right to a benefit under the Qualified Plan, the Participant shall be entitled to a retirement benefit as provided in Section 3.3, provided that the Participant has satisfied the vesting requirement of Section 3.2.
- (c) The retirement benefit of a Participant under Section 3.1(a) or 3.1(b) of the Plan shall equal (i) the benefit that would be payable to the Participant under the Qualified Plan calculated as if (A) no Statutory Limit applies to such benefit; (B) the Participant had not elected to defer any compensation under the SRP or the EDP; (C) Compensation for purposes of calculating the benefit under the Qualified Plan includes incentive payments or bonuses (other than long term incentive payments or other irregular or extraordinary incentive or bonus payments) paid after the month in which the Participant has a Termination of Employment; and (D) Compensation and Years of Participation for purposes of calculating the benefit under the Qualified Plan include any additional amounts as agreed to by the Company, less (ii) the benefit that is actually payable under the Qualified Plan, plus (iii) any additional benefit that the Company agrees to provide to a Participant under this Plan by a written agreement with specific reference to this Plan. Notwithstanding the foregoing and solely for purposes of calculating the amount of a Participant's retirement benefit under the Plan, on and after any SERP Participant's SERP Vesting Date that occurs after December 31, 2007, the retirement benefit of such SERP Participant under Section 3.1(a) or Section 3.1(b) of the Plan shall equal the greater of: (y) the retirement benefit determined under this Section 3.1(c) (in the form of payment in effect on the SERP Vesting Date) as if such SERP Participant's Termination of Employment had occurred on the SERP Participation Date, and (z) the retirement benefit determined

under this Section 3.1(c) (in the form of payment in effect on the SERP Vesting Date) as if such SERP Participant's Termination of Employment had occurred on the SERP Vesting Date. On and after the SERP Vesting Date, a SERP Participant shall accrue no further retirement benefit under the Plan.

3.2. Vesting Requirement. An Eligible Executive who becomes a Participant after December 31, 2008 shall satisfy the vesting requirement of this Section 3.2 if such Participant remains employed by the Affiliated Group until the date which is 13 months after the date upon which either:

(a) the Participant's retirement benefits under the Qualified Plan first became limited by a Statutory Limit;
or

(b) the Participant first elects to defer compensation under the SRP and/or EDP. Notwithstanding the foregoing, a Participant shall be deemed to satisfy the vesting requirement of this Section 3.2 upon the Participant's death or Disability or the date of a Change in Control.

3.3. Form of Retirement Benefits.

(a) Termination of Employment Before Early Retirement Date. Upon Termination of Employment before his Early Retirement Date, a Participant's retirement benefit shall be paid in the form of a single lump sum payment.

(b) Termination of Employment On or After Early Retirement Date. Except as otherwise provided pursuant to Sections 3.3(b)(i) to 3.3(b)(vi), upon Termination of Employment on or after his Early Retirement Date, a Participant's retirement benefit shall be paid in the form of a single life annuity.

(i) Initial Payment Elections by Participants. To the extent permitted by Section 409A of the Code and Section 1.409A-2(a)(5) of the Regulations, within 30 days following the date an Eligible Executive becomes a Participant, the Participant may elect for retirement benefits under this Plan to be paid in the form of (A) a single lump sum payment equal to the Actuarial Value of the Participant's retirement benefits under this Plan, or (B) a single life annuity. In the event that the vesting requirement of Section 3.2 is accelerated for any Participant on account of death, Disability or a Change of Control, any election made by such Participant under this Section 3.3(b)(ii) will be disregarded.

(ii) Changes Between Actuarially Equivalent Forms of Annuity. A Participant may elect at any time prior to Termination of Employment to convert his retirement benefit from a single life annuity to any of the actuarially equivalent forms of annuity offered under the Qualified Plan.

- (iii)Changes by SERP Participants. To the extent required by Section 409A of the Code, if any SERP Participant elects under the SERP to receive payment of his SERP benefit in a form different from that previously in effect for such Participant's retirement benefit under this Plan, the Company shall change the form of payment of such SERP Participant's retirement benefit under this Plan to the form of payment elected by such SERP Participant under the SERP. Any change in the form of payment of a Participant's retirement benefit pursuant to this Section 3.3(b)(iii) shall cause the payment of such Participant's retirement benefit under this Plan to be delayed for five years from the date payment would otherwise commence or be made (taking into account any delay in payment or commencement of payment under Section 3.4 on account of a Participant's status as a Specified Employee).
- (iv)Transitional Rule. Notwithstanding any other elections made hereunder and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Company pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his retirement benefit under this Plan, provided that (a) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year, (b) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year, and (c) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Company consistent with guidance pursuant to Section 409A of the Code.
- (v)One-Time Change by Participants. In addition to any election permitted by Sections 3.3(b)(i) through (iv), to the extent permitted by Section 409A of the Code, a Participant may make a one-time election to change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that (a) any such election shall not be effective for at least 12 months following the date made; and (b) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 3.4 of the Plan on account of a Participant's status as a Specified Employee).
- (vi)Small Benefit Exception.

(i) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing provisions of this Section 3.3(b), with respect to a Participant's retirement benefit under the Plan that would otherwise be paid as an annuity prior to January 1, 2008, if the Actuarial Value of the benefit payable to the Participant under the Plan as of the date payment is scheduled to commence is less than fifteen thousand dollars (\$15,000), the Company shall pay such benefit in a single lump sum; provided, however, that payment of a retirement benefit to any Specified Employee pursuant to this Section 3.3(b)(vi)(A) will be made on the first day of the seventh month following the Participant's Termination of Employment.

(ii) Benefits Payable After December 31, 2007. Notwithstanding the foregoing provisions of this Section 3.3(b), effective December 31, 2007 with respect to a Participant's benefit under the Plan that would otherwise be paid as an annuity after December 31, 2007, if the aggregate of the Actuarial Value of all remaining benefits payable to the Participant under the Plan and the present value of all other remaining benefits under the SERP and any other nonqualified deferred compensation arrangement that is aggregated with the Plan and the SERP under Section 1.409A-1(c) of the Regulations as of the date payment is scheduled to commence is not greater than the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the retirement benefit under the Plan in a single lump sum; provided, however, that payment of a retirement benefit to any Specified Employee pursuant to this Section 3.3(b)(vi)(B) will be made on the first day of the seventh month following the Participant's Termination of Employment.

3.4. Time of Payment of Retirement Benefits. Payment of a Participant's retirement benefit shall commence or shall be made as of the first of the month following the Participant's Termination of Employment; provided, however, that payment of retirement benefits to any Specified Employee will commence or be made on the first day of the seventh month following the Participant's Termination of Employment based on the Participant's age and actuarial assumptions in effect on the first day of the month following the Participant's Termination of Employment and in the case of payments paid in any form of annuity shall include any payments that would have been made between the Participant's Termination of Employment and the actual date of commencement of payment if the Participant had not been a Specified Employee. Notwithstanding the foregoing, to the extent required by Section 3.3(b)(iii) or Section 3.3(b)(v), payment of a Participant's retirement benefit shall commence or be made on the date that is five years from the date payment would otherwise commence or be made under this Section 3.4.

3.5. Special Rule Applicable to Specified Employees. If a Specified Employee dies after Termination of Employment but prior to commencement of benefits, the Specified Employee's Beneficiary shall receive a payment as of the first of the month following the Specified Employee's date of death equal to the aggregate of the monthly payments that

would have been made to the Specified Employee in accordance with Section 3.4 but substituting the Specified Employee's date of death for the actual date of commencement of payment; provided however that if the Specified Employee's retirement benefit is payable in the form of a lump sum, such amount shall be calculated as of the Specified Employee's Termination of Employment and paid on the first of the month following the Specified Employee's date of death. Any additional amounts payable to the Specified Employee's Beneficiary shall be determined in accordance with the form of payment applicable to the Specified Employee as of the Specified Employee's Termination of Employment.

3.6. Benefits in Foreign Currency. To the extent that a Participant's retirement benefit under this Plan is calculated with reference to a benefit denominated in a currency other than U.S. Dollars and payable over the Participant's life expectancy, then for purposes of determining the retirement benefit payable under this Plan, such benefit shall be converted to the U.S. Dollar equivalent based on the Foreign Exchange Rate. For purposes of this Plan, the Foreign Exchange Rate means the fixed exchange rate derived from the two-point average of the Bid/Asked spread of the market implied forward exchange rates as calculated by Bloomberg's FRD function, or its successor function on the same or comparable financial information system, determined on a weighted average basis for the period beginning at the date of Separation from Service of the Participant and ending on a date estimated to be the Participant's date of death based upon the applicable mortality table prescribed under Section 417(e) of the Code for qualified plans.

ARTICLE 3 DISABILITY BENEFITS

4.1. Eligibility. If a Participant suffers a Disability prior to Termination of Employment, the Participant shall be eligible for a benefit under this Article 4.

4.2. Amount.

(a) Disability Before January 27, 2012. If a Participant suffers a Disability before January 27, 2012, the amount of the benefit payable to the Participant under this Article 4 shall be equal to the Retirement Benefit described in Article 3, determined as if the Participant's Termination of Employment occurred on the date of the Participant's Disability.

(b) Disability on or After January 27, 2012.

(i) Disability After Age 55. If a Participant suffers a Disability on or after January 27, 2012 and after the Participant's attainment of age 55, the amount of the benefit payable to the Participant under this Article 4 shall be equal to the Actuarial Value of the Retirement Benefit described in Article 3, determined as if the Participant was not a Specified Employee and had retired on the date of his or her Disability.

- (ii) Disability Before Age 55. If a Participant suffers a Disability on or after January 27, 2012 and prior to the Participant's attainment of age 55, then the amount of the benefit payable to the Participant under this Article 4 shall be determined by (i) calculating the Actuarial Value of the Retirement Benefit described in Article 3 (using the actuarial assumptions and the Participant's Compensation determined as of the date of the Participant's Disability) that the Participant would be eligible to receive as of the first of the month following attainment of age 55 if the Participant had not become Disabled and had continued to be employed by the Company (with credit for Years of Participation) until retirement on the date that the Participant would attain age 55 (assuming, for this purpose, that the Participant would not be a Specified Employee on such date); and (ii) discounting the amount determined under the preceding clause (i) from the first of the month following the date the Participant would attain age 55 to the first of the month following the Participant's Disability, using the actuarial assumptions in effect on the date of the Participant's Disability.

4.3. Form of Disability Benefits.

- (a) Disability Before January 27, 2012. If a Participant suffers a Disability before January 27, 2012, the Participant's disability benefit pursuant to this Article 4 shall be paid in the form of a single life annuity; provided, however, that if the aggregate of the Actuarial Value of all remaining benefits payable to the Participant under the Plan and the present value of all other remaining benefits under the SERP and any other nonqualified deferred compensation arrangement that is aggregated with the Plan and the SERP under Section 1.409A-1(c) of the Regulations as of the date payment is scheduled to commence is not greater than the applicable dollar amount in effect on such date under Section 402(g)(1) (B) of the Code, the Company shall pay the disability benefit under this Section 4.2(a) in a single lump sum.
- (b) Disability on or After January 27, 2012. If a Participant suffers a Disability on or after January 27, 2012, the Participant's disability benefit pursuant to this Article 4 shall be paid in the form of a single lump sum payment.

4.4. Time of Payment of Disability Benefits. Payment of a Participant's disability benefit shall be made (or commence, as applicable) as of the first of the month following the Participant's Disability, and the provisions of Article 3 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 4.

5.1. Amount. If a Participant dies prior to Termination of Employment and a benefit is payable to the Participant's Surviving Spouse under the Qualified Plan, the Participant's Surviving Spouse shall be eligible for a survivor benefit under this Article 5. The survivor benefit payable to a Participant's Surviving Spouse under this Article 5 shall equal the Actuarial

Value of the excess of the total monthly survivor benefit that would be payable under the Qualified Plan calculated as if no Statutory Limit applies to such benefit and the Participant had not elected to defer any compensation under the SRP or the EDP, over the total monthly survivor benefit that is actually payable under the Qualified Plan. For this purpose, Actuarial Value shall be determined based on the age of the Surviving Spouse.

5.2.Form of Survivor Benefits. The survivor benefit payable under this Article 5 shall be paid to the Participant's Surviving Spouse in the form of a single lump sum payment.

5.3.Time of Payment of Survivor Benefits. Payment of the survivor benefit shall be made as of the first of the month following the date of the Participant's death, and the provisions of Article 3 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of survivor benefits pursuant to this Article 5.

ARTICLE 5 CONDITIONS RELATED TO BENEFITS

6.1.Non-assignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.

6.2.No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

6.3.Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. In the event of a Participant's suicide during the first two (2) years of participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary under the Plan.

6.4.Withholding. The Participant or the Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 6

ADMINISTRATION OF PLAN

The Administrator shall administer the Plan and shall have discretionary authority to interpret, construe and apply its provisions in accordance with its terms, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on a Committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member of the Committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 7

CHANGE IN CONTROL

In the event there is a Change in Control, each Participant or Beneficiary shall receive the Actuarial Value of his benefit earned hereunder to the date of the Change in Control. Such benefit shall be paid in a single lump sum payment thirty (30) days after the Change in Control.

ARTICLE 8

AMENDMENT AND TERMINATION OF PLAN

9.1. Amendment of
Plan.

- (a) The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment shall not decrease the value of benefits accrued under the Plan prior to the time of such amendment.
- (b) In addition, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than:
 - (i) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code;
 - (ii) in accordance with Section 3.2(e) with respect to small cashouts;
 - (iii) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Plan, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations;
 - (iv) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure;

- (v) due to a termination of the Plan pursuant to Section 9.2 of the Plan that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or
- (vi) as otherwise may be permitted under Section 409A of the Code.

9.2. Termination of Plan. The Company may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code.

9.3. Company Action. Except as provided in Section 9.4, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

9.4. Distribution on Income Inclusion Under Section 409A. In the event the Administrator determines that benefits under the Plan fail to meet the requirements of Section 409A of the Code and must be recognized as income for federal income tax purposes, distribution of the amount required to be included in income shall be made to affected Participants to the extent permitted by Section 409A of the Code.

ARTICLE 9 BENEFICIARY DESIGNATION

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment of benefits under Articles 3, 4 or 8 shall be made in the event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary. The spouse of a married Participant shall consent to any designation of a Beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

ARTICLE 10 MISCELLANEOUS

- 11.1.Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.
- 11.2.ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.
- 11.3.Trust. The Company shall be responsible for the payment of all benefits under the Plan. The Company may establish one or more grantor trusts for the purposes of providing for payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to the Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.
- 11.4.Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.
- 11.5.Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.
- 11.6.Captions. The captions of the articles and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 11.7.Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.
- 11.8.Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.
- 11.9.Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Ohio except where the laws of the State of Ohio are preempted by ERISA.
- 11.10.Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 11 CLAIMS AND REVIEW PROCEDURES

12.1. Claims Procedure. The Administrator shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Administrator determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth:

- (a) the specific reasons for such denial;
- (b) a specific reference to the provisions of the Plan on which the denial is based;
- (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and
- (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

12.2. Review Procedure. If a Participant is determined by the Administrator not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Administrator by filing a petition for review with the Administrator within sixty (60) days after receipt of the notice issued by the Administrator. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Administrator of the petition, the Administrator shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Administrator shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Administrator, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's Beneficiary.

[signature page follows]

EXECUTED at Cleveland, Ohio this 16th day of December, 2015.

PARKER-HANNIFIN CORPORATION

By: /s/Jon P. Marten

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

By: /s/Daniel S. Serbin

Title: Executive Vice President – Human Resources
& External Affairs

**PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
EXECUTIVE DEFERRAL PLAN**

Adopted: December 16, 2015

Effective: January 22, 2015

Parker-Hannifin Corporation, an Ohio corporation, (the “Company”), established this Executive Deferral Plan (the “Plan”), originally effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by offering a deferral opportunity to accumulate capital on favorable economic terms.

The Plan has been amended and restated from time to time. The Plan underwent significant and comprehensive changes when it was amended during December 2005 to provide for certain transitional rules and was amended and restated as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act (“the Act”) with respect to the terms and conditions applicable to amounts that are deferred and vested under the Plan after December 31, 2004 and subject to Section 409A of the Code. Except as otherwise specifically provided in Sections 6.2(c) and 8.4, all benefits deferred under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code, (the “Grandfathered Amounts”) shall continue to be subject solely to the terms of the separate Plan as in effect on December 31, 2004. The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

The Plan is hereby amended and restated in its entirety as of January 22, 2015.

ARTICLE 1
DEFINITIONS

- 1.1 Account shall mean the sum of the Annual Deferral Account, all LTI Deferral Accounts (vested and unvested), and all Discretionary Company Credit Accounts, if any.
- 1.2 Administrator shall mean the Parker Total Rewards Administration Committee of the Company or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Plan.
- 1.3 Affiliated Group shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the

language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of “service recipient” contained in Section 409A of the Code.

- 1.4 Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3.
- 1.5 Annual Deferral Account shall mean the notional account established with respect to a Participant’s Annual Deferrals for recordkeeping purposes pursuant to Article 5.
- 1.6 Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14.
- 1.7 Board shall mean the Board of Directors of the Company.
- 1.8 Bonuses shall mean:
- (a) For amounts that are due and payable before January 1, 2007, amounts payable in cash to the Participant by the Company, in the form of annual and other regular periodic bonuses, before reductions for deferrals under this Plan, the Savings Plan or the Savings Restoration Plan. “Annual and other regular periodic bonuses” shall include amounts payable under the Company’s Return on Net Assets (RONA) Plan and the Target Incentive Program, but shall exclude any payments under any long-term incentive program, any volume incentive or similar bonus program, and any other extraordinary bonus or incentive program.
 - (b) For Plan Years beginning on and after January 1, 2007, amounts payable to the Participant by the Company in August of each such Plan Year under the Company’s RONA Plan (except to the extent determined by the Compensation Committee to be extraordinary) and Target Incentive Program.
- 1.9 Business Combination shall mean a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company’s stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise.
- 1.10 Change in Control shall mean the occurrence of one of the following events:
- (a) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more

than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.10(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

- (b) A change in effective control of the Company, which occurs on either of the following dates:
- (i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.10(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.
 - (ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election

was not endorsed by a majority of the members of the board prior to the date of such appointment or election.

- (c) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to (A) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (B) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (C) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (D) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1.10(c)(iii) of this Plan.

Notwithstanding Sections 1.10(a), 1.10(b)(i) and 1.10(c) above, the consummation of a Business Combination shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1.10(a) or 1.10(b)(i) above shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an

acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

- 1.11 Code shall mean the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.12 Committee shall mean the Administrator, the Investment Committee or the Compensation Committee, as applicable.
- 1.13 Company Voting Securities shall mean securities of the Company eligible to vote for the election of the Board.
- 1.14 Compensation shall mean the sum of the Participant's Salary and anticipated Bonuses for a Plan Year before reductions for deferrals under this Plan, the Savings Plan, the Savings Restoration Plan, the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.
- 1.15 Compensation Committee shall mean the Human Resources and Compensation Committee of the Board.
- 1.16 Corporate Change Vesting Event shall mean any of the following events have occurred:
- (a) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding Company Voting Securities; provided, however, that the event described in this paragraph shall not be deemed to be a Corporate Change Vesting Event by virtue of any of the following situations: (i) an acquisition by the Company or any Subsidiary; (ii) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (iii) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (iv) a Non-Control Transaction (as defined in paragraph (c)); (v) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (vi) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Corporate Change Vesting Event under this paragraph (a);

- (b) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority thereof; provided, that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company’s shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (b), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;
- (c) the consummation of a Business Combination, unless: (i) immediately following such Business Combination: (A) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination (a “Non-Control Transaction”) or (ii) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Corporate Change Vesting Event under this paragraph (c); or
- (d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries.

Notwithstanding the foregoing, a Corporate Change Vesting Event shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which, by reducing the number of Company Voting Securities outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change Vesting Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Corporate Change Vesting Event shall then occur.

Notwithstanding anything in this Plan to the contrary, if the Participant's employment is terminated prior to a Corporate Change Vesting Event, and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Corporate Change Vesting Event, then for all purposes of this Plan, the date immediately prior to the date of such termination of employment shall be deemed to be the date of a Corporate Change Vesting Event for such Participant.

1.17 Crediting Rate shall mean any notional gains or losses equal to those generated as if the Participant's Account balance had been invested in one or more of the investment portfolios designated as available by the Investment Committee, less separate account fees and less applicable administrative charges determined annually by the Administrator.

A Participant (or after death, his or her Beneficiary) may elect to allocate his or her Account among the available portfolios. The gains or losses shall be credited based upon the daily unit values for the portfolio(s) selected by the Participant. The rules and procedures for allocating the Account balance among the portfolios shall be determined by the Administrator. The Participant's allocation is solely for the purpose of calculating the Crediting Rate. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by the Participant.

1.18 Disability shall mean the condition whereby a Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the

Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

- 1.19 Discretionary Company Credit shall mean the amount, if any, which the Company credits to a Participant's Account in accordance with Article 4.
- 1.20 Discretionary Company Credit Account shall mean the one or more notional accounts established with respect to a Participant's Discretionary Company Credits, if any, for recordkeeping purposes pursuant to Article 5.
- 1.21 Early Retirement Date shall mean age 55 with ten or more years of employment with the Company; provided, however, that any Early Retirement prior to age 60 must be with the consent of the Compensation Committee.
- 1.22 Eligible Executive shall mean a key employee of the Company or any of its Subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan; and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.
- 1.23 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.24 Investment Committee shall mean the Parker Total Rewards Investment Committee of the Company or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Plan.
- 1.25 LTI Deferral shall mean the amount of any LTI Payment which the Participant elects to defer with respect to a Plan Year pursuant to Articles 2 and 3.
- 1.26 LTI Deferral Account shall mean the one or more notional accounts established with respect to a Participant's LTI Deferrals for recordkeeping purposes pursuant to Article 5.
- 1.27 LTI Payment shall mean the amount that would otherwise be payable to an Eligible Executive for a Plan Year under any long-term incentive program of the Company.
- 1.28 Normal Retirement Date shall mean the date on which a Participant attains age 65.
- 1.29 Parent Corporation shall mean the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of a Surviving Corporation.
- 1.30 Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2.
- 1.31 Participation Agreement shall mean the Participant's written election to participate in the Plan.

- 1.32 Performance Period shall have the meaning provided by the applicable long-term incentive program of the Company.
- 1.33 Plan Year shall mean the calendar year.
- 1.34 Retirement shall mean a termination of employment following Normal or Early Retirement Date.
- 1.35 Salary shall mean the Participant's annual basic rate of pay from the Company (excluding Bonuses, commissions and other non-regular forms of compensation) before reductions for deferrals under this Plan, the Savings Plan, the Savings Restoration Plan, the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation.
- 1.36 Savings Plan shall mean The Parker Retirement Savings Plan as it currently exists and as it may subsequently be amended.
- 1.37 Savings Restoration Plan shall mean the Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan as it currently exists and as it may subsequently be amended.
- 1.38 Separation from Service shall have the meaning set out in Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Administrator reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant who would otherwise experience a Separation from Service with the Company as part of the disposition of assets will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.
- 1.39 Specified Employee shall mean a person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B) (i) of the Code and the Company's policy for determining specified employees.
- 1.40 Subsidiary shall mean any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.

- 1.41 Surviving Corporation shall mean the corporation resulting from a Business Combination.
- 1.42 Termination of Employment shall mean Separation from Service from the Affiliated Group, other than Separation from Service due to Retirement, Disability or death.
- 1.43 Unforeseeable Emergency shall mean a severe financial hardship arising from (a) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of when a Participant has incurred an Unforeseeable Emergency shall be made by the Administrator in its sole discretion, pursuant to and subject to the conditions of Section 409A of the Code and Regulations thereunder.
- 1.44 Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Article 6, 7, 8, 9 or 15, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2
PARTICIPATION

- 2.1 Participation Agreement/Deferrals.
- (a) An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year following appointment as an Eligible Executive and submission to the Administrator of an Annual Participation Agreement. To be effective, the Eligible Executive must submit the Annual Participation Agreement to the Administrator prior to the beginning of the Plan Year and during the enrollment period designated by the Administrator. In the Annual Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.
- (b) With respect to those Participants who are eligible for an LTI Payment pursuant to a long-term incentive award from the Company for a performance cycle beginning before July 1, 2008, the Administrator shall provide for an enrollment period and LTI Participation Agreements each year under which the Participant may designate any LTI Deferrals for a specified Plan Year. To be effective, the Participant must submit the LTI Participation Agreement during the enrollment period designated by the Administrator pursuant to Section 6.4(c) of this Plan. Except as otherwise determined by the Administrator, no LTI Deferrals shall be allowed with respect to any long-term incentive award period beginning on or after July 1, 2008.

- 2.2 Continuation of Participation. An Eligible Executive who has become a Participant in the Plan shall continue as a Participant in the Plan even though such executive ceases to be an Eligible Executive. However, a Participant shall not be eligible to elect a new Annual Deferral or LTI Deferral unless the Participant is an Eligible Executive for the Plan Year for which the election is made.

ARTICLE 3
EXECUTIVE DEFERRALS

3.1 Deferral Commitment.

- (a) A Participant may elect in the Annual Participation Agreement to defer an amount equal to a specified dollar amount of Salary to be earned by such Participant during the next Plan Year and a percentage (up to a maximum specified dollar amount) of Bonuses to be earned by such Participant during the Company's fiscal year beginning during the next Plan Year.
- (b) A Participant may elect in the LTI Participation Agreement to defer an amount equal to a specified dollar amount or a percentage of the LTI Payment that may be payable to the Participant in the next Plan Year pursuant to a long-term incentive award from the Company for a performance cycle beginning before July 1, 2008.
- (c) Annual Deferrals and LTI Deferrals under this Plan shall be irrevocable.

3.2 Minimum Annual Election.

- (a) A Participant's elected Annual Deferral for a Plan Year must equal at least five thousand dollars (\$5,000), from either Salary or Bonuses or a combination of Salary and Bonuses.
- (b) The elected LTI Deferral for a Plan Year must equal at least five thousand dollars (\$5,000).
- (c) Where a Participant elects to defer a specified percentage of Salary, Bonuses, and/or LTI Payment, the determination of whether the Annual Deferral or LTI Deferral is at least five thousand dollars (\$5,000) shall be made by multiplying the applicable elected percentages of Salary, Bonuses, and/or LTI Payment to be deferred by the Participant's anticipated Salary, Bonuses, and/or LTI Payment in the Plan Year immediately preceding the Plan Year for which the Deferral is being made. The Administrator may, in its sole discretion, permit Participants to elect to defer amounts in the form of a percentage based on anticipated future Salary, Bonuses, and/or LTI Payments.

3.3 Maximum Deferral Commitment.

- (a) Maximum Annual Deferral.

- (i) Effective January 1, 2005, the Annual Deferral for any Plan Year may not exceed 90% of Salary plus 90% of Bonuses; provided, that the Annual Deferral may not reduce the Participant's income to an amount below the old age, survivor, and disability insurance wage base under Social Security.
- (ii) Effective January 1, 2007, the Annual Deferral for any Plan Year may not exceed 80% of Salary plus 80% of Bonuses; provided, that the Annual Deferral may not reduce the Participant's income to an amount below the old age, survivor, and disability insurance wage base under Social Security.

(b) Maximum LTI Deferral. The maximum LTI Deferral for a Plan Year is 100% of the LTI Payment.

3.4 Vesting. Subject to Section 12.3:

- (a) The Participant's right to the value of his or her Annual Deferral Account, as adjusted for gains and losses, shall be 100% vested at all times.
- (b) The Participant's right to the value of each LTI Deferral Account, as adjusted for gains and losses, shall be 100% vested as of the third June 30 following the time the LTI Deferral Account is established; provided, however, that the Participant shall be fully vested in all LTI Deferrals as of the time: (i) the Participant is vested in his or her benefit under the Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program; (ii) the Participant retires prior to age 60 with permission of the Compensation Committee; (iii) the Participant retires due to Disability; (iv) the Participant dies; (v) there is a Corporate Change Vesting Event; or (vi) the Plan terminates.
- (c) Unless otherwise provided by the Compensation Committee in the notice of award, the Participant's right to the value of each Discretionary Company Credit Account, if any, as adjusted for gains and losses, shall be 100% vested at all times.

ARTICLE 4
DISCRETIONARY COMPANY CREDITS

At any time during a Plan Year, the Company may, in its sole discretion, make a Discretionary Company Credit to any Participant's Account. Except as otherwise provided by the Compensation Committee in the notice of award, the time and form of payment of the portion of a Participant's Account attributable to any such Discretionary Company Credit will be governed by the provisions of the Plan.

ARTICLE 5
ACCOUNTS

- 5.1 Accounts. Solely for recordkeeping purposes, the Company shall maintain for each Participant one Annual Deferral Account for all Annual Deferrals, a separate LTI Deferral Account with respect to each LTI Deferral made by the Participant, and a separate Discretionary Company Credit Account with respect to each Discretionary Company Credit, if any, made by the Company with respect to the Participant.
- 5.2 Timing of Credits—Pre-Termination. Each Plan Year, the Company shall credit to the Annual Deferral Account a Participant's Annual Deferrals as of the time the deferrals would otherwise have been paid to the Participant but for the Annual Deferral election, the Company shall credit to a separate LTI Deferral Account a Participant's LTI Deferral as of the time the deferrals would otherwise have been paid to the Participant but for the LTI Deferral election, and the Company shall credit to a separate Discretionary Company Credit Account a Participant's Discretionary Company Credit, if any, as of the time stated in the notice of award with respect to any such Discretionary Company Credit. Gains or losses shall be credited to the Participant's Account as of the close of business on each Valuation Date, based on the Crediting Rate(s) in effect for the day under Section 1.17.
- 5.3 Terminations. Following a Participant's Termination of Employment, Retirement or death, gains or losses shall continue to be credited to the Participant's Account through the final Valuation Date.
- 5.4 Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Annual Deferral Account and each LTI Deferral Account maintained for such Participant.

ARTICLE 6
RETIREMENT BENEFITS

- 6.1 Amount. Upon Retirement, the Company shall pay to the Participant the value of his or her Account at the time and in the manner selected by the Participant pursuant to the rules set forth in this Article 6.
- 6.2 Form of Retirement Benefits. The Retirement Benefit shall be paid monthly over a period of fifteen (15) years; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:
- (a) a single lump sum payment in cash;
 - (b) monthly installments over 5, 10 or 15 years;
or
 - (c) an annual lump sum amount equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the Account over 5, 10 or 15 years. Annual lump sum payments pursuant to this Section 6.2(c), with respect to all Retirement Benefits under this Plan, including Grandfathered

Amounts, shall be paid as follows: (i) the first lump sum payment shall be made on the first day of the second month after the Participant's Retirement, and (ii) the remaining lump sum payments shall be made on January 1 of each succeeding year in the applicable 5, 10 or 15 year period.

Notwithstanding any other provision of this Article 6, except to the extent otherwise provided by the Compensation Committee in the notice of award with respect to a Discretionary Company Credit, the portion of a Participant's Account attributable to a Discretionary Company Credit that is payable upon retirement, if any, shall be paid in a single lump sum payment in cash.

6.3 Time of Payment. Payment of a Participant's Account shall be made or shall begin as of the first day of the second month after the Participant's Retirement or on the first day of the month following the first, second, third, fourth or fifth anniversary of the Participant's Retirement, as elected by the Participant in accordance with the terms of Section 6.4. Notwithstanding the foregoing, payment to any Specified Employee will commence on the first day of the seventh month following the Participant's Retirement and shall include any payments that would have been made between the Participant's Retirement and the actual date of commencement of payment if the Participant had not been a Specified Employee.

6.4 Elections.

- (a) Initial Election. A Participant shall elect the time and form of payment of his or her Account payable on Retirement on his or her initial Participation Agreement, in accordance with such rules as the Administrator shall reasonably apply.
- (b) One-Time Change by Participant. To the extent permitted by Section 409A of the Code, a Participant may make a one-time election to delay payment or change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that (i) any such election shall not be effective for at least 12 months following the date made; and (ii) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 6.3 on account of a Participant's status as a Specified Employee).
- (c) Transitional Rule. Notwithstanding any other elections made hereunder and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Company pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his or her Account under this Plan, provided that: (i) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year,

(ii) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year; and (iii) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Company consistent with guidance pursuant to Section 409A of the Code.

6.5 Small Benefit Exception.

- (d) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing, with respect to a Participant's Retirement Benefit under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) prior to January 1, 2008, if the balance of the Participant's Account under the Plan as of the date payment would otherwise commence is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefit in a single lump sum; provided, however, that payment of a Retirement Benefit to any Specified Employee pursuant to this Section 6.5(a) will be made on the first day of the seventh month following the Participant's Termination of Employment.
- (e) Benefits Payable After December 31, 2007. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Participant's Retirement Benefit under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) after December 31, 2007, if the aggregate balances of the Participant's accounts under the Plan, the Savings Restoration Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Savings Restoration Plan under Section 1.409A-1(c) of the Regulations as of the date payment would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the Retirement Benefit under the Plan in a single lump sum; provided, however, that payment of a Retirement Benefit to any Specified Employee pursuant to this Section 6.5(b) will be made on the first day of the seventh month following the Participant's Termination of Employment.

ARTICLE 7
TERMINATION BENEFITS

- 7.1 Amount and Time of Payment. As of the first day of the second month after Termination of Employment, the Company shall pay to the Participant a termination benefit equal to the vested balance as of the Valuation Date of the Participant's Account. Notwithstanding the foregoing, payment of a Termination Benefit to any Specified Employee pursuant to this Article 7 will be made on the first day of the seventh month following the Participant's Termination of Employment.

7.2 Form of Termination Benefits. The Company shall pay the termination benefits in a single lump sum.

ARTICLE 8
SURVIVOR BENEFITS

8.1 Amount. If the Participant dies (whether before or after Retirement or other Termination of Employment) with any balance remaining in his or her Account, the Company shall pay to the Participant's Beneficiary a Survivor Benefit equal to the vested balance of the Account on the date of death.

8.2 Form of Survivor Benefits. The Company shall pay the vested balance of the Participant's Account in a single lump sum payment in cash; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:

- (d) a single lump sum payment in cash;
or
- (e) monthly installments over 5, 10 or 15 years.

8.3 Time of Payment. Payment of Survivor Benefits shall be made or shall begin as of the first day of the second month following the date of death, and the provisions of Sections 6.3 and 6.4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of the Survivor Benefit pursuant to this Article 8.

8.4 Survivor Benefits Paid From Grandfathered Amounts. To the extent that the Company pays to a Participant's Beneficiary a Survivor Benefit consisting of Grandfathered Amounts, the time and form of payment of such Grandfathered Amounts shall be governed by the Participant's election as in effect on December 31, 2006 and the terms of the Plan as in effect on December 31, 2004; provided, however, that after December 31, 2006 a Participant may make a one-time election to have all Grandfathered Amounts paid in a lump sum as of the first of the second month after the Participant's death (regardless of whether the Participant dies before or after the date that payment of Grandfathered Amounts would otherwise commence under the Plan). In accordance with the terms of the Plan as in effect on December 31, 2004, any election to change the form of payment of Survivor Benefits from Grandfathered Amounts must be filed at least thirteen (13) months prior to the date that payment of the Survivor Benefits would otherwise commence or be made, unless the Participant's Beneficiary agrees to take a ten percent (10%) reduction in the value of the Grandfathered Amounts.

8.5 Small Benefit Payments.

- (a) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing, with respect to a Survivor Benefit under the Plan that would otherwise be paid in installments prior to January 1, 2008, if the vested balance of the Participant's

Account under the Plan as of the date payment would otherwise commence is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefit in a single lump sum.

- (b) Benefits Payable After December 31, 2007. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Survivor Benefit under the Plan that would otherwise be paid in installments after December 31, 2007, if the aggregate vested balances of the Participant's accounts under the Plan, the Savings Restoration Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Savings Restoration Plan under Section 1.409A-1(c) of the Regulations as of the date payment would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the Survivor Benefit under the Plan in a single lump sum.

ARTICLE 9
DISABILITY

If a Participant suffers a Disability, the Company shall pay the vested balance of the Participant's Account as of the Valuation Date to the Participant in accordance with Article 6 as if the date of the Participant's Termination of Employment for Disability were the Participant's Normal Retirement Date; provided, however, that the provisions of Sections 6.3, 6.4 and 6.5 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 9.

ARTICLE 10
CHANGE IN CONTROL

- 10.1 Distribution. If a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Participant's Account within thirty (30) days after the Change of Control. In the event either: (a) such a distribution is made on a Change in Control; or (b) the Participant's employment is terminated prior to a Change in Control and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (such a termination of employment an "Anticipatory Termination") and the Participant receives a lump sum payment of the Participant's Account in connection with such Anticipatory Termination, the Participant shall receive an additional adjustment payment within thirty (30) days after the Change in Control calculated in accordance with the formula set forth in Exhibit A hereto.
- 10.2 Gross-Up Payment. In addition to any other amounts payable under this Plan, in the event it shall be determined that any payment, distribution or acceleration of vesting of any benefit under this Plan would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision, or any interest or penalties are incurred by the Participant with respect to such excise tax, then the Participant shall be entitled to receive

an additional “gross-up payment” calculated as set forth in the change in control severance agreement in effect between the Company and the Participant as of the date of the Change in Control; provided, however, that if the Participant does not have a change in control severance agreement, the payment under this Section shall be determined in accordance with the calculation set forth in the most recent change in control severance agreement entered into by the Company and any executive of the Company; provided, further, that there shall be no duplication of such additional payment under this Plan and any change in control severance agreement. Any “gross-up payment” pursuant to this Section 10.2 shall be made no later than December 31 of the calendar year next following the calendar year in which the Section 4999 excise tax is remitted.

ARTICLE 11
WITHDRAWALS UPON AN UNFORESEEABLE EMERGENCY

Upon a finding by the Administrator that the Participant has suffered an Unforeseeable Emergency, the Administrator may permit the Participant to cease any on-going deferrals for the Plan Year. Furthermore, the Participant may elect to receive a distribution from the vested balance of his or her Account equal to the amount reasonably necessary to alleviate such Unforeseeable Emergency, including the amount reasonably determined to be sufficient to satisfy any applicable income taxes and penalties anticipated to result from the distribution. In any case, no distribution may be made to a Participant pursuant to this Article 11 to the extent that the Unforeseeable Emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan, the Savings Restoration Plan and any other nonqualified deferred compensation arrangement that is aggregated with any portion of the Plan or the Savings Restoration Plan under Section 1.409A-1(c) of the Regulations. If a distribution is made to a Participant on account of Unforeseeable Emergency, the Participant may not make further Annual Deferrals or LT1 Deferrals (to the extent LTI Deferrals would otherwise be allowed pursuant to Section 2.1(b) of the Plan) under the Plan until one entire Plan Year following the Plan Year in which a distribution based on Unforeseeable Emergency was made has elapsed, or such longer period as may be required by the Code. If, after December 31, 2007, a distribution is made from Grandfathered Amounts due to a “Financial Hardship” (as defined in the separate Plan applicable to Grandfathered Amounts), no cessation of deferrals shall be required with respect to Non-Grandfathered Amounts pursuant to this Article 11. Distributions to a Participant in the event of an Unforeseeable Emergency pursuant to this Article 11 shall be made as follows: (a) first, from Grandfathered Amounts under the Savings Restoration Plan, to the extent thereof; (b) second, from other amounts under the Savings Restoration Plan, to the extent thereof; (c) third, from Grandfathered Amounts under the Plan, to the extent thereof; and (d) fourth, from other amounts under the Plan, to the extent thereof.

ARTICLE 12
CONDITIONS RELATED TO BENEFITS

- 12.1 Non-assignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or in any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.
- 12.2 No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participants and any Beneficiaries shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations under this Plan.
- 12.3 Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits under this Plan, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. If the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals, LTI Deferrals, and Discretionary Company Credits, if any.
- 12.4 Withholding. The Participant or the Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 13
ADMINISTRATION OF PLAN

The Administrator shall administer the Plan and shall have discretionary authority to interpret, construe and apply its provisions in accordance with its terms, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on a Committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out of any action taken by any member of the Committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 14
BENEFICIARY DESIGNATION

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan shall be made in the

event of the Participant's death. The Beneficiary designation shall be effective when it is submitted in writing to the Administrator during the Participant's lifetime on a form prescribed by the Administrator.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation shall revoke such designation, unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary. The spouse of a married Participant shall consent to any designation of a Beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

ARTICLE 15
AMENDMENT AND TERMINATION OF PLAN

15.1 Amendment of Plan.

- (a) The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (i) shall not decrease the balance of the Participant's Account at the time of such amendment; and (ii) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment. The Company may amend the Crediting Rate or Fixed Crediting Rate of the Plan prospectively, in which case, the Company shall notify the Participants of such amendment in writing within thirty (30) days after such amendment.
- (b) Notwithstanding the foregoing, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than: (i) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code; (ii) in accordance with Sections 6.5 and 8.5 of the Plan with respect to small cashouts; (iii) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Plan, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations; (iv) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure; (v) due to a termination of the Plan pursuant to Section 15.2 of the Plan that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or (f) as otherwise may be permitted under Section 409A of the Code.

- 15.2 Termination of Plan. The Company may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code. Notwithstanding the foregoing, the Company may at any time determine to cease all future deferrals and contributions to the Plan. In such event, Participants' Accounts shall continue to be held and administered in accordance with the terms of this Plan; provided, however that the Company shall determine, in its sole discretion, whether to continue to credit Participants' Accounts with earnings at the otherwise applicable Crediting Rates or instead to credit Participants' Accounts, as of January 1 of the year that all future deferrals and contributions to the Plan are ceased, with a reasonable rate of interest, not less than the prime rate as published in the Wall Street Journal, in either case continuing until distribution of Participants' Accounts in accordance with the terms of the Plan.
- 15.3 Company Action. Except as provided in Section 15.4, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.
- 15.4 Distribution on Income Inclusion Under Section 409A. In the event the Administrator determines that amounts deferred under the Plan fail to meet the requirements of Section 409A of the Code and must be recognized as income for federal income tax purposes, distribution of the amount required to be included in income shall be made to affected Participants to the extent permitted by Section 409A of the Code.

ARTICLE 16
MISCELLANEOUS

- 16.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.
- 16.2 ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.
- 16.3 Trust. The Company shall be responsible for the payment of all benefits under the Plan. The Company may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. Benefits paid to the Participant from any such trust shall be considered paid by the Company for purposes of meeting the obligations of the Company under the Plan.

- 16.4 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken under this Plan shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.
- 16.5 Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.
- 16.6 Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.7 Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.
- 16.8 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.
- 16.9 Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Ohio except where the laws of the State of Ohio are preempted by ERISA.
- 16.10 Notice. Any notice or filing required or permitted to be given to the Company or the Administrator under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail, facsimile or electronic mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 17

CLAIMS AND REVIEW PROCEDURES

- 17.1 Claims Procedure. The Administrator shall notify a Participant in writing, within ninety (90) days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Administrator determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth: (a) the specific reasons for such denial; (b) a specific reference to the provisions of the Plan on which the denial is based; (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and (d) an explanation of the Plan's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional ninety-day period.

- 17.2 Review Procedure. If a Participant is determined by the Administrator not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Administrator by filing a petition for review with the Administrator within sixty (60) days after receipt of the notice issued by the Administrator. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the Administrator of the petition, the Administrator shall afford the Participant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the Participant (or counsel) shall have the right to review the pertinent documents. The Administrator shall notify the Participant of its decision in writing within the sixty-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the Administrator, but notice of this deferral shall be given to the Participant. In the event of the death of the Participant, the same procedures shall apply to the Participant's beneficiaries.

[signature page follows]

EXECUTED at Cleveland, Ohio this 16th day of December, 2015.

PARKER-HANNIFIN CORPORATION

By: /s/Jon P. Marten

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

By: /s/Daniel S. Serbin

Title: Executive Vice President – Human Resources
& External Affairs

EXHIBIT A

The purpose of the adjustment payment to be added to the distribution made pursuant to Section 10.1 (the "Make Whole Amount") is to offset the Participant's inability to defer until the Participant's Normal Retirement Date or later the payment of taxes on the amounts deferred and the earnings and interest that would have otherwise accrued between the date of the Change in Control and Participant's Normal Retirement Date or such later date on which the Participant elected to commence receipt of his or her Account (the "Commencement Date", provided that with regard to any Participant whose Termination of Employment occurs prior to the date of the Change in Control, the "Commencement Date" shall mean the date of the next scheduled payment, if any, of the Participant's Account balance following the date of the Change in Control) under the Plan.

The Make Whole Amount shall be calculated as follows:

1. The Participant's Account balance under the Plan as of the date of the Change in Control (or as of the Anticipatory Termination date, if larger) (the "EDP Amount") will be projected forward to the Commencement Date at an assumed tax-deferred annual earnings rate equal to the Moody's Seasoned Baa Corporate Bond Yield Average for the last twelve full calendar months prior to the Change in Control (the "Moody's Rate") (such projected amount shall be known as the "Projected Balance"). The Projected Balance will then be converted into annual installment benefit payments based upon the Participant's elected form of retirement payments under the Plan, assuming continued tax-deferred earnings on the undistributed balance at the Moody's Rate (the "Projected Annual Payouts"). The Projected Annual Payouts will then be reduced for assumed income taxes at the highest applicable federal, state and local marginal rates of taxation in effect in the Participant's taxing jurisdiction(s) for the calendar year in which the Make Whole Amount is paid (the "Tax Rate"). The after-tax Projected Annual Payouts will be known as the "After-Tax Projected Benefits".
2. The term "Made Whole Amount", as used herein, shall mean the EDP Amount plus the Make Whole Amount. The Make Whole Amount is the amount which, when added to the EDP Amount, will yield After-Tax Annuity Benefits (as hereinafter defined) equal to the After-Tax Projected Benefits, based on the following assumptions:
 - (a) The Made Whole Amount will be taxed at the Tax Rate upon receipt by the Participant.
 - (b) The after-tax Made Whole Amount will be deemed to be invested, by the Participant in a tax-deferred annuity that is structured to make payments beginning on the Commencement Date in the same form as elected by the Participant under the Plan (the "Annuity").
 - (c) The Annuity will accrue interest at the Moody's Rate, less 80 basis points (i.e., 0.80%).

- (d) Annual Annuity payments will be taxed at the Tax Rate (after taking into account the annuity exclusion ratio), yielding “After-Tax Annuity Benefits”.



TO: [PARTICIPANT NAME]

**PARKER-HANNIFIN CORPORATION
NON-EMPLOYEE DIRECTORS'
RESTRICTED STOCK UNIT AWARD AGREEMENT (RS-003NED)**

The Human Resources and Compensation Committee of the Board of Directors (“Committee”) of Parker-Hannifin Corporation (“Company”) has awarded you the following number of Restricted Stock Units (“RSUs”) under the Amended and Restated Parker-Hannifin Corporation 2009 Omnibus Stock Incentive Plan (the “Plan”) and subject to the Parker-Hannifin Corporation Non-Employee Directors’ Restricted Stock Unit Terms and Conditions (RS-003NED) (“Terms and Conditions”):

Grant Date	Number of RSUs
[Grant Date]	[Number Granted]

Vesting Date. Except as otherwise provided in the Terms and Conditions, the RSUs will vest on the later of (a) one year from the grant date; or (b) on the date of the next Annual Shareholders’ Meeting of the Company that occurs after the Grant Date (“Vesting Date”).

Payment Dates. The Restricted Stock Units will be paid to you in shares of Parker common stock on the vesting date identified above, except as otherwise provided herein and in the Terms and Conditions.

Your Action Items. Please take the following actions:

- **Before you accept your grant**, click on the links below to review the Terms and Conditions and the Plan, which govern this award.
- **Accept** the Terms and Conditions and execute this Agreement by clicking on the “Accept” button below.
- **Inform the Company of any change in address or contact information, as necessary.**

[Non-Employee Directors’ Restricted Stock Unit Terms and Conditions \(RS-003NED\)](#)
[Amended and Restated Parker-Hannifin Corporation 2009 Omnibus Stock Incentive Plan](#)

To view the most recent [Annual Report](#), please click here
To view the most recent [Proxy Statement](#), please click here
To view the [Plan Summary and Prospectus](#), please click here



PARKER-HANNIFIN CORPORATION
RESTRICTED STOCK UNIT TERMS AND CONDITIONS (RSU-003NED)

Pursuant to the Restricted Stock Unit Award Agreement (the "Award Agreement") available on the website of the third party Plan administrator for Parker-Hannifin Corporation (the "Company"), the Human Resources and Compensation Committee (the "Committee") of the Board of Directors of the Company has awarded you a number of Restricted Stock Units. The Restricted Stock Units have been awarded to you as of the grant date specified in the Award Agreement (the "Grant Date"), and the Restricted Stock Units are subject to the terms, conditions and restrictions set forth in the Amended and Restated Parker-Hannifin Corporation 2009 Omnibus Stock Incentive Plan, as amended from time to time, or any applicable successor plan (the "Plan") and these Restricted Stock Unit Terms and Conditions (RSU-003NED) (the "Terms and Conditions"). To the extent that, in accordance with the terms of the Plan, the Committee has delegated to any persons any of the Committee's authority with respect to these Terms and Conditions, references to the Committee in these Terms and Conditions shall be deemed to be references to those persons with respect to authority so delegated.

1. Crediting of Restricted Stock Units. Each Restricted Stock Unit shall represent the contingent right to receive one share of Common Stock of the Company and shall at all times be equal in value to one share of Common Stock of the Company. The Restricted Stock Units shall be credited in a book entry account established for you until payment in accordance with Section 4 hereof.

2. Vesting of Restricted Stock Units.

(a) Subject to these Terms and Conditions, all or a portion of the Restricted Stock Units will vest on the vesting date described in the Award Agreement ("Vesting Date") and shall be payable at the Distribution Date (as defined in Section 4 hereof).

(b) Notwithstanding the foregoing, in the event you cease to be Director of the Company for any reason prior to the next Annual Shareholders' Meeting of the Company that occurs after the Grant Date, including, without limitation, your retirement, death, disability, voluntary or involuntary removal from the Board of Directors or a "change in control" of the Company (as defined in the Plan), a pro rata portion of your Shares will vest on the Vesting Date, based upon the ratio of the number of months you actually served as a Director to the total number of months in the period between the Grant Date and the next Annual Shareholders' Meeting of the Company that occurs after the Grant Date, and all remaining Restricted Stock Units will be forfeited.

3. Forfeiture of Restricted Stock Units. The Restricted Stock Units that have not yet vested pursuant to Section 2 (including without limitation any right to Dividend Equivalents and Dividend Equivalent Units described in Section 7 hereof relating to dividends payable or dividend

equivalent units creditable on or after the date of forfeiture) shall be forfeited automatically without further action or notice.

4. Payment.

(a) Except as may be otherwise provided in this Section, the Company shall deliver to you (or your estate or any beneficiary you have designated in accordance with Section 12 hereof in the event of your death) the Common Stock underlying the vested Restricted Stock Units within thirty (30) days following the Distribution Date. Except as may be otherwise provided in this Section, a "Distribution Date" shall mean the Vesting Date that your Restricted Stock Units become vested.

(b) Notwithstanding any other provision of these Terms and Conditions, the Company shall not deliver any fractional shares of Common Stock in payment of your Restricted Stock Units, and the number of whole shares of Common Stock that may be delivered to you in payment of your Restricted Stock Units shall be determined in accordance with such rounding conventions used by the Company's third party Plan administrator from time to time.

(c) The Company's obligations with respect to the Restricted Stock Units shall be satisfied in full upon the delivery of the Common Stock underlying the vested Restricted Stock Units in accordance with this Section 4.

5. Transferability. The Restricted Stock Units may not be transferred, assigned, pledged or hypothecated in any manner, or be subject to execution, attachment or similar process, by operation of law or otherwise, unless otherwise provided under the Plan. Any purported transfer or encumbrance in violation of the provisions of this Section 5 shall be null and void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Restricted Stock Units.

6. Dividend, Voting and Other Rights. You shall not possess any incidents of ownership (including, without limitation, dividend or voting rights) in the Common Stock underlying the Restricted Stock Units until such Common Stock has been delivered to you in accordance with Section 4 hereof. The obligations of the Company under these Terms and Conditions will be merely an unfunded and unsecured promise of the Company to deliver Common Stock in the future, subject to the terms and conditions of the Plan and these Terms and Conditions, and your rights will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under these Terms and Conditions.

7. Dividend Equivalents. From and after the Grant Date and until the earlier of (i) the time when the Restricted Stock Units are paid in accordance with Section 4 hereof, or (ii) the time when your right to payment of the Restricted Stock Units is forfeited in accordance with Section 3 hereof, on the date that the Company pays a cash dividend (if any) to holders of shares of Common Stock generally, you shall be credited with a number of additional Restricted Stock Units (the "Dividend Equivalent Units") determined by dividing the aggregate amount of the cash dividend that would be payable on such date to a holder of a number of shares of Common Stock equal to the number of your unpaid Restricted Stock Units by the closing price per share of the Company's Common Stock on the New York Stock Exchange on the last trading day preceding

the dividend payment date. Any such Dividend Equivalent Units will be considered Restricted Stock Units for purposes of these Terms and Conditions and will be subject to all of the terms, conditions and restrictions set forth herein, provided that for purposes of Section 2(a) of these Terms and Conditions, any such additional Restricted Stock Units credited between the Grant Date and the Vesting Date shall vest on the Vesting Date.

8. Detrimental Activity, Claw-back Policy.

(a) If the Committee finds in its discretion that you have engaged in any Detrimental Activity (as defined in the Plan), the Committee may at any time and in its sole discretion cancel and revoke all or any unpaid portion of your Restricted Stock Units. In addition, if the Committee finds that you have engaged in any Detrimental Activity, either during with the period you served as a Director of the Company or within twelve months thereafter, then you shall be required to (a) return to the Company all shares of Common Stock that you have not disposed of that were issued pursuant to these Terms and Conditions within twelve months prior to the commencement of such Detrimental Activity, and (b) pay to the Company in cash, within ten days after demand therefor, the Fair Market Value (determined as of the date that the Restricted Stock Units were paid to you in accordance with Section 4 hereof) of all shares of Common Stock that you have disposed of that were so issued pursuant to these Terms and Conditions. The Plan defines Detrimental Activity as any conduct or activity, whether or not related to the business of Parker, that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of Parker, including without limitation (i) rendering of services to an organization or engaging in a business that is, in the judgment of the Committee or its express delegate, in competition with the Company; (ii) disclosure to anyone outside of the Company, or the use for any purpose other than the Company's business, of confidential information or material related to the Company, whether acquired during or after employment with the Company; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) violation of the Company's Code of Ethics.

(b) By accepting your award of Restricted Stock Units, you acknowledge that the Restricted Stock Units may be subject to reduction, cancellation, forfeiture or recoupment, to such extent as may be provided under the Company's Claw-back Policy, as established by the Committee or the Board, as it now exists or as it may be amended from time to time.

9. Taxes and Withholding. Parker has the right to deduct or cause to be deducted, or collect or cause to be collected, with respect to the taxation of the Restricted Stock Units, any federal, state or local taxes, social taxes or other taxes required to be withheld or paid with respect to the Restricted Stock Units, and you will be required to pay any such amounts or such amounts will be deducted from any amount payable to you. To the extent Parker is required to withhold any federal, state, local, foreign or other taxes in connection with the delivery of shares of Common Stock under these Terms and Conditions, then the Company will instruct the third party Plan administrator to retain a number of shares of Common Stock otherwise deliverable hereunder with a value equal to the required withholding (based on the Fair Market Value of the shares of Common Stock on the date of delivery); provided that in no event shall the value of the shares of Common Stock retained exceed the minimum amount of taxes required to be withheld or such other amount that will not result in a negative accounting impact.

10. Beneficiary Designation. To the extent permitted by the Committee, in its sole discretion, you shall have the right to designate one or more beneficiaries to receive all or part of any shares of Common Stock underlying the Restricted Stock Units in the event of your death. Any beneficiary designation permitted by the Committee shall be effective when it is submitted in writing to the Committee during the Participant's lifetime on a form prescribed by the Committee. The submission of a new beneficiary designation shall cancel all prior beneficiary designations. Any finalized divorce or marriage subsequent to the date of a beneficiary designation shall revoke such designation, unless in the case of divorce your previous spouse was not designated as beneficiary and unless in the case of marriage your new spouse was previously designated as beneficiary. If you are married, your spouse shall consent to any designation of a beneficiary other than the spouse, and the spouse's consent shall be witnessed by a notary public. If you fail to designate a beneficiary as may be permitted by the Committee, or if such beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as beneficiary predeceases you or dies prior to the payment of your Restricted Stock Units, then the Company shall direct the payment of your Restricted Stock Units to the estate of the last to die of you and any beneficiaries.

11. Adjustments. The number and kind of shares of Common Stock deliverable pursuant to the Restricted Stock Units are subject to adjustment as provided in Section 4.3 of the Plan.

12. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws and listing requirements with respect to the Restricted Stock Units; provided, however, notwithstanding any other provision of these Terms and Conditions, and only to the extent permitted under Section 409A of the Code, the Company shall not be obligated to deliver any shares of Common Stock pursuant to these Terms and Conditions if the delivery thereof would result in a violation of any such law or listing requirement. The Company intends that the Award Agreement and these Terms and Conditions be exempt from the requirements of Section 409A of the Code and they will be interpreted, construed and administered accordingly.

13. Amendments. Subject to the terms of the Plan, the Committee may amend these Terms and Conditions upon written notice to you. Any amendment to the Plan shall be deemed to be an amendment to these Terms and Conditions to the extent that the amendment is applicable hereto. Notwithstanding the foregoing, no amendment of the Plan or these Terms and Conditions shall adversely affect your rights under these Terms and Conditions without your consent unless the Committee determines that such amendment is necessary or advisable to conform the Plan or these Terms and Conditions to any present or future law, regulation or rule applicable to the Plan.

14. Severability. In the event that one or more of the provisions of these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

15. Relation to Plan. These Terms and Conditions and all rights under your Award Agreement and these Terms and Conditions are at all times subject to all other terms, conditions and provisions of the Plan (and any rules or procedures adopted under the Plan by the Committee).

All capitalized terms not defined in these Terms and Conditions shall have the meaning ascribed to such terms in the Plan. In the event of a conflict between the terms of the Plan and these Terms and Conditions, your Award Agreement or the Prospectus, the terms of the Plan shall control. These Terms and Conditions, the Plan and the Award Agreement contain the entire agreement and understanding of the parties with respect to the subject matter contained in these Terms and Conditions, and supersede all prior written or oral communications, representations and negotiations in respect thereto.

16. Successors and Assigns. Without limiting Section 5, the provisions of these Terms and Conditions shall inure to the benefit of, and be binding upon, your successors, administrators, heirs, legal representatives and assigns, and the successors and assigns of the Company.

17. Governing Law. The interpretation, performance, and enforcement of these Terms and Conditions shall be governed by the laws of the State of Ohio, without regard to its conflict of law rules. Any dispute, disagreement or question which arises under or as a result of, or in any way relates to, the interpretation, construction or application of the terms of the Plan, the Award Agreement or these Terms and Conditions will be determined and resolved by the Committee. Such determination and resolution by the Committee will be final, binding and conclusive for all purposes.

18. Consent to Transfer Personal Data. By accepting your award of Restricted Stock Units, you voluntarily acknowledge and consent to the collection, use, processing and transfer of personal data as described in this Section 18. You are not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect your ability to participate in the Plan. Parker holds certain personal information about you, that may include your name, home address and telephone number, fax number, email address, family size, marital status, sex, beneficiary information, emergency contacts, passport / visa information, age, language skills, driver's license information, date of birth, birth certificate, social security number or other employee identification number, nationality, C.V. (or resume), wage history, employment references, job title, employment or severance contract, current wage and benefit information, personal bank account number, tax related information, plan or benefit enrollment forms and elections, option or benefit statements, any shares of stock or directorships in the Company, details of all options or any other entitlements to shares of Common Stock awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). Parker will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of your participation in the Plan, and Parker may further transfer Data to any third parties assisting Parker in the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. You authorize them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on your behalf to a broker or other third party with whom you may elect to deposit any shares of stock acquired pursuant to the Plan. You may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing your consent may affect your ability to participate in the Plan.

19. Electronic Delivery. You hereby consent and agree to electronic delivery of any documents that the Company may

elect to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other award made or offered under the Plan. You also understand that you shall have the right at any time to request that the Company deliver written copies of any and all materials referred to above at no charge. You hereby consent to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and you agree that your electronic signature is the same as, and shall have the same force and effect as, your manual signature. You consent and agree that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

20. Prospectus Notification. Copies of the Prospectus and the most recent Annual Report and Proxy Statement issued by the Company are available for your review on the UBS One Source Web site. You have the right to receive a printed copy of the Prospectus upon request by either calling the third party Plan Administrator at 877-742-7471 or by sending your written request to Parker's Total Rewards Department.

AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF PARKER-HANNIFIN CORPORATION

Adopted: December 16, 2015

Effective: January 22, 2015

Parker-Hannifin Corporation, an Ohio corporation, established this Deferred Compensation Plan for Directors of Parker-Hannifin Corporation (the "Plan") to provide Directors with the opportunity to defer payment of their directors' fees in accordance with the provisions of this Plan. The Plan has been amended from time to time, including an amendment effective as of January 1, 2005 to provide for certain transitional rules and an amendment and restatement as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act ("the Act") with respect to the terms and conditions applicable to amounts that are deferred under the Plan after December 31, 2004 and subject to Section 409A of the Code. Except as otherwise specifically provided in Section 2(b) of Article III and Section 1(c) of Article IV, all benefits deferred under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code (the "Grandfathered Amounts") shall continue to be subject solely to the terms of the separate Plan as in effect on December 31, 2004. The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

The Plan is hereby amended and restated in its entirety as of January 22, 2015.

ARTICLE I
DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meaning indicated.

1. "Account" shall mean the aggregate of a Participant's Deferral Account and his or her Parker Stock Account, if any.
2. "Administrator" shall mean the Parker Total Rewards Administration Committee of the Corporation or, if applicable, the administration subcommittee appointed by the Parker Total Rewards Administration Committee with respect to the Plan.
3. "Beneficiary" shall mean the person designated by a Participant in accordance with the Plan to receive payment of the remaining balance of a Participant's Account in the event of the death of the Participant prior to receipt of the entire amount credited to the Participant's Account.
4. "Change in Control" shall mean the occurrence of one of the following events
 - (i) A change in ownership of the Corporation, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Corporation that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Corporation. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Corporation, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Corporation or a change in the effective control of the Corporation (within the meaning of Section 4(ii) of this Article). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Corporation as a result of the acquisition by the Corporation of stock of the Corporation which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Corporation (if not for the operation of this sentence), and after the Corporation's acquisition such person becomes the beneficial owner of additional stock of the Corporation that increases the percentage of outstanding shares of stock of the Corporation owned by such person, a Change in Control shall then occur.

(ii) A change in effective control of the Corporation, which occurs on either of the following dates:

(a) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Corporation possessing 30% or more of the total voting power of the Corporation. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Corporation, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Corporation or a change in ownership of the Corporation (within the meaning of Section 4(i) of this Article). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Corporation as a result of the acquisition by the Corporation of stock of the Corporation which, by reducing the number of shares outstanding, increases the

percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Corporation (if not for the operation of this sentence), and after the Corporation's acquisition such person becomes the beneficial owner of additional stock of the Corporation that increases the percentage of outstanding shares of stock of the Corporation owned by such person, a Change in Control shall then occur.

(b) The date that a majority of the Corporation's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.

(iii) A change in the ownership of a substantial portion of the Corporation's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Corporation immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Corporation's assets if such transfer is to (a) a shareholder of the Corporation (immediately before the asset transfer) in exchange for or with respect to its stock, (b) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Corporation, (c) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Corporation, or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 4(iii)(c) of this Article.

Notwithstanding Sections 4(i), 4(ii)(a) and 4(iii) of this Article, the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Corporation or any Subsidiary that requires the approval of the Corporation's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by securities of the Corporation eligible to vote for the election of the Board (the "Corporation Voting Securities") that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Corporation Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Corporation's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Corporation described in Section 4(i) or 4(ii)(a) of this Article shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Corporation or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Corporation or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Corporation from the Corporation.

5. "Code" shall mean the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.

6. "Committee" shall mean the Administrator, the Investment Committee, or the Compensation Committee, as applicable.

7. "Corporation" shall mean Parker-Hannifin Corporation, an Ohio corporation, its corporate successors, and the surviving corporation resulting from any merger of Parker-Hannifin Corporation with any other corporation or corporations.

8. "Compensation Committee" shall mean the Human Resources and Compensation Committee of the Board.

9. "Deferral Account" shall mean the bookkeeping account to which is credited Fees deferred by a Director under Article II and any earnings or losses credited thereto in accordance with the Plan.

10. "Director" shall mean any member of the Board of Directors of the Corporation who is not an officer or common-law employee of the Corporation.

11. "Fees" shall mean the retainer and cash meeting fees earned by the Director for his or her services as such.

12. "Investment Committee" shall mean the Parker Total Rewards Investment Committee of the Corporation or, if applicable, the investment subcommittee appointed by the Parker Total Rewards Investment Committee with respect to the Plan.

13. "Participant" shall mean any Director who has at any time elected to defer the receipt of Fees in accordance with Article II or with respect to whom there has been established a Parker Stock Account under Article III.

14. "Parker Stock Account" shall mean the bookkeeping account to which is credited notional stock with respect to certain Participants under Article III, and any earnings and losses credited thereto in accordance with the Plan.

15. "Plan" shall mean the deferred compensation plan as set forth herein, together with all amendments hereto, which Plan shall be called the Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation.

16. "Regulations" shall mean regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.

17. "Unforeseeable Emergency" shall mean a severe financial hardship arising from (i) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of when a Participant has incurred an Unforeseeable Emergency shall be made by the Administrator, in its sole discretion, pursuant to and subject to the conditions of Section 409A of the Code and Regulations thereunder.

18. "Valuation Date" shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Article IV, it shall mean the 24th day (or the most recent business day preceding such date) of the month immediately preceding the month in which a distribution is to be made.

ARTICLE II ELECTION TO DEFER

1. Eligibility. Any Director may elect to defer receipt of all or a specified part of his or her Fees in accordance with Section 2 of this Article.

2. Election to Defer. A Director who desires to defer the payment of all or a portion of his or her Fees for services performed during a calendar year shall complete and deliver to the Administrator an Election Agreement, as prescribed by the Administrator, no later than December 31 of the prior calendar year (or such earlier date as is established by the Administrator).

3. Deferral Account; Earnings

(a) The percentage of Fees which a Participant elects to defer shall be credited to a bookkeeping Deferral Account under the Plan as of the date the Fees otherwise would have been paid to the Participant. A Participant's Deferral Account shall be credited with gains or losses each Valuation Date based on the applicable Crediting Rate as described below. A Participant's Deferral Account shall be fully vested at all times.

(b) The Crediting Rate shall mean any notional gains or losses equal to those that would have been generated if part or all of the Deferral Account balance had been invested in one or more of the investment portfolios designated as available by the Investment Committee, less any separate account fees and less any applicable administrative charges determined annually by the Administrator.

(c) The allocation of the Deferral Account shall be determined by the Participant among one or more of the available investment portfolios pursuant to rules determined by the Administrator. The gains or losses shall be credited based upon the daily unit values from the portfolio(s) selected by the Participant. Gains and losses will be compounded daily. Notwithstanding the method of calculating the Crediting Rate, the Corporation shall be under no obligation to purchase any investments designated by a Participant.

ARTICLE III PARKER STOCK ACCOUNTS

1. Establishment of Parker Stock Account. There may be credits under the Plan to a bookkeeping Parker Stock Account of amounts other than Fees to which a Director may become entitled from the Corporation at the election of the Board of Directors of the Corporation. Such amounts shall be credited to the Parker Stock Account on the date of entitlement in the form of a number of bookkeeping shares (calculated to the second decimal point) calculated at the "Stock Value" as determined as follows. The "Stock Value" on a particular date shall mean the closing sale price of a share of common stock of the Corporation on the New York Stock Exchange ("NYSE") on such date as reported in the principal consolidated transaction reporting system with respect to securities listed as admitted to trading on the NYSE. A Participant's Parker Stock Account shall be fully vested at all times.

2. Earnings on Parker Stock Account.

(a) Except as otherwise provided below, a Participant's Parker Stock Account shall be credited with gains or losses based on the "Stock Rate," determined as follows. The "Stock Rate" shall mean any notional gains or losses equal to those generated as if the Parker Stock Account balance had been invested in the common stock of the Corporation, including reinvestment of dividends on the dividend payment date at the Stock Value.

(b) In lieu of gains or losses based on the Stock Rate as provided in (a) above, a Participant may elect, pursuant to rules determined by the Investment Committee, for the Participant's Parker Stock Account, including Grandfathered Amounts, to be credited with gains and losses each Valuation Date based on the applicable Crediting Rate as described below.

(i) The Crediting Rate shall mean any notional gains or losses equal to those that would have been generated if part or all of the

Participant's Parker Stock Account had been invested in one or more of the investment portfolios designated as available by the Investment Committee, less any separate account fees and less any applicable administrative charges determined annually by the Administrator.

(ii) The allocation of the Parker Stock Account shall be determined by the Participant among one or more of the available investment portfolios pursuant to rules determined by the Investment Committee. The gains or losses shall be credited based upon the daily unit values from the portfolio(s) selected by the Participant. Gains and losses will be compounded daily. Notwithstanding the method of calculating the Crediting Rate, the Corporation shall be under no obligation to purchase any investments designated by a Participant.

3. Transfers of Parker Stock Accounts

The Parker Stock Account may be transferred in its entirety to the Deferral Account by the Participant at any time that the Participant is in compliance with the Corporation's Share Ownership Guidelines for Participants. Partial transfers of the Parker Stock Account to the General Account are not permitted. Transfers from the General Account to the Parker Stock Account are not permitted.

ARTICLE IV DISTRIBUTIONS

1. Payment of Deferral Account. Except as otherwise provided pursuant to this Article IV, a Participant's Account shall be paid monthly over a period of 15 years; provided, however, that the Participant may elect in accordance with Section 2 of this Article to have payment made by one of the following methods:

(a) a single lump sum payment in cash;

(b) monthly installments over 5 or 10 years; or

(c) an annual lump sum amount payable as of January 1 of each year equal to a specified whole number percentage (1-8%) of the Account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the Account over 5, 10 or 15 years. Annual lump sum payments pursuant to this Section, with respect to all benefits under this Plan, including Grandfathered Amounts, shall be paid as follows: (a) the first lump sum payment shall be made on the first day of the second month after a Participant's separation from service as a Director of the Corporation, and (b) the remaining lump sum payments shall be made on January 1 of each succeeding year in the applicable 5, 10 or 15 year period.

Payments shall be based on the value of the Account as of the Valuation Date preceding any payment and shall be made or shall begin as of the first day of the second month following the Participant's separation from service as a Director of the Corporation, within the meaning of Section 1.409A-1(h) of the Regulations.

2. Payment Elections.

(a) Initial Election. A Participant may elect the form of payment of his or her Account payable on his or her initial Election Agreement, in accordance with such rules as the Administrator shall reasonably apply.

(b) One-Time Change by Participant. To the extent permitted by Section 409A of the Code, a Participant may make a one-time election to change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that (a) any such election shall not be effective for at least 12 months following the date made; and (b) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid.

(c) Transitional Rule. Notwithstanding any other elections made hereunder and only to the extent permitted by the Corporation pursuant to transitional rules issued under Section 409A of the Code, through such date as specified by the Corporation pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his or her Account under this Plan, provided that (a) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year, (b) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year, and (c) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Corporation pursuant to guidance consistent with Section 409A of the Code.

(d) Small Account Balances. Notwithstanding the foregoing, effective December 31, 2007 with respect to a Participant's deferrals under the Plan that would otherwise be paid in installments (or as a combination of lump sums and installments) after December 31, 2007, if the balance of the Participant's Account under the Plan, and any other nonqualified deferred compensation arrangement that is aggregated with the Plan under Section 1.409A-1(c) of the Regulations as of the date payment would otherwise commence is less than or equal to the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Corporation shall pay the Participant's Account in a single lump sum payment.

3. Death of Participant. In the event of the death of a Participant, the value of the Participant's Account as of the Valuation Date preceding payment shall be paid to the Participant's designated Beneficiary in a single lump sum payment within 90 days of the date of death. A Participant's Beneficiary designation may be changed at any time prior to his or her death by execution and delivery of a new Beneficiary

designation form. The most recent form on file with the Administrator at the time of the Participant's death shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the value of the Participant's Account as of the Valuation Date preceding payment shall be paid to the Participant's estate in a single lump sum payment within 90 days after the appointment of an executor or administrator. In the event of the death of a Beneficiary or all of the Beneficiaries after the death of a Participant, but before all amounts credited to the Participant's Account have been paid to such Beneficiary or Beneficiaries, the remaining value of the Account shall be paid in a single lump sum payment to the estate of the last to die of the Participant and the Beneficiaries.

4. Payment Upon a Change in Control. Notwithstanding the foregoing, within 15 days following a Change in Control, the value of a Participant's Account as of the date of the Change in Control shall be paid to the Participant in a single lump sum payment.

5. Unforeseeable Emergency. Upon a finding that the Participant has suffered an Unforeseeable Emergency, the Administrator may permit the Participant to cease any on-going deferrals for the calendar year. Furthermore, the Participant may elect to receive a distribution from his or her Account equal to the amount reasonably necessary to alleviate such Unforeseeable Emergency, including the amount reasonably determined to be sufficient to satisfy any applicable income taxes and penalties anticipated to result from the distribution. In any case, no distribution may be made to a Participant pursuant to this Section to the extent that the Unforeseeable Emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan, and any other nonqualified deferred compensation arrangement that is aggregated with the Plan under Section 1.409A-1(c) of the Regulations. If a distribution is made to a Participant on account of Unforeseeable Emergency, the Participant may not make further deferrals under the Plan until one entire calendar year following the calendar year in which a distribution based on Unforeseeable Emergency was made has elapsed, or such longer period as may be required by the Code. If, after December 31, 2007, a distribution is made from Grandfathered Amounts due to a "severe financial hardship" (within the meaning of the separate Plan applicable to Grandfathered Amounts), no cessation of deferrals shall be required with respect to Non-Grandfathered Amounts pursuant to this Section.

ARTICLE V ADMINISTRATION

1. General. The Administrator shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Administrator shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to determine all questions relating to eligibility for and the amount in the Account and all questions pertaining to claims for benefits and procedures for claim review; to resolve all other questions arising under the Plan, including any questions of construction; and to take such further action as the Administrator shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Administrator hereunder shall be final and binding upon all interested parties. The Administrator shall provide a procedure for handling claims of Participants or their Beneficiaries under this Plan. Such procedure shall provide adequate written notice within a reasonable period of time with respect to the denial of any such claim as well as a reasonable opportunity upon a Participant's request for a full and fair review by the Administrator of any such denial.

2. Amendment and Termination.

(a) The Corporation reserves the right to amend the Plan at any time by action of its Board of Directors; provided, however, that no such action shall adversely affect any Participant who has an Account or any Beneficiary.

(b) In addition, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than: (a) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code; (b) in accordance with Section 2(d) of Article IV with respect to small cashouts; (c) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure; (d) due to a termination of the Plan pursuant to Section 2(c) of this Article that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or (e) as otherwise may be permitted under Section 409A of the Code.

(c) The Corporation may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code. Notwithstanding the foregoing, the Corporation may at any time determine to cease all future deferrals and contributions to the Plan. In such event, Participants' Accounts shall continue to be held and administered in accordance with the terms of this Plan; provided, however that the Corporation shall determine, in its sole discretion, whether to continue to credit Participants' Accounts with earnings at the otherwise applicable Crediting Rates or instead to credit Participants' Accounts, as of January 1 of the year that all future deferrals and contributions to the Plan are ceased, with a reasonable rate of interest, not less than the prime rate as published in the Wall Street Journal, in either case continuing until distribution of Participants' Accounts in accordance with the terms of the Plan.

(d) The Corporation's power to amend or terminate the Plan shall be exercisable by the Corporation's Board of Directors or by the committee or individual authorized by the Corporation's Board of Directors to exercise such powers.

3. Prior Plans or Agreements. The Plan supersedes all prior deferred compensation plans for Directors and all prior deferred compensation arrangements with any individual Director, except as to the obligation to make payment of the amount of the accounts of participants in the prior plans or under the prior arrangements in accordance with their respective terms. Fees earned after termination of the prior plan or arrangement will not be eligible for deferral under such plan or arrangement and deferral elections under the prior plan or arrangement will be of no force or effect with respect to Fees earned after termination.

4 . Noncompetition. During the time any Participant is a Director of the Corporation, he or she shall not, directly or indirectly, as officer, director, shareholder (other than an interest of less than 1% of the stock of any publicly held corporation), partner, employee or in any other capacity, engage in competition with the Corporation in the manufacture, sale or distribution of products or parts thereof. In the event of a breach of this provision, a Participant shall forfeit all right and interest in the amounts credited to his or her Account, and shall not be entitled to any distribution of any deferred Fees.

ARTICLE VI
MISCELLANEOUS

1 . Nonalienation of Deferred Compensation. No Participant or Beneficiary shall encumber or dispose of the right to receive any payments hereunder.

2. Interest of Directors. The obligation of the Corporation under the Plan to make payment of amounts reflected on an Account merely constitutes the unsecured promise of the Corporation to make payments from its general assets as provided herein, and no Participant or Beneficiary shall have any interest in, or a lien or prior claim upon, any property of the Corporation.

3. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against the Corporation, the Committees, or the officers, employees, or directors of the Corporation, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

4. Severability. The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

5. Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

6. Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

[signature page follows]

EXECUTED at Cleveland, Ohio this 16th day of December, 2015.

PARKER-HANNIFIN CORPORATION

By: /s/Jon P. Marten

Title: Executive Vice President – Finance and
Administration and Chief Financial Officer

By: /s/Daniel S. Serbin

Title: Executive Vice President – Human Resources
& External Affairs

Exhibit 12

**Parker-Hannifin Corporation
Computation of Ratio of Earnings to Fixed Charges
(In thousands, except ratios)**

	Six Months Ended		Fiscal Year Ended June 30,				
	December 31,						
	2015	2014	2015	2014	2013	2012	2011
EARNINGS							
Income from continuing operations before income taxes and noncontrolling interests	\$ 505,529	\$ 739,901	\$ 1,432,240	\$ 1,556,720	\$ 1,311,001	\$ 1,576,698	\$ 1,413,721
Adjustments:							
Interest on indebtedness, exclusive of interest capitalized	68,240	47,152	115,077	79,845	88,668	89,888	97,009
Amortization of deferred loan costs	1,817	1,454	3,329	2,721	2,884	2,902	2,695
Portion of rents representative of interest factor	20,943	21,991	41,886	43,983	44,493	41,515	39,499
Loss (income) of equity investees	(10,562)	(11,188)	(23,204)	(11,141)	(247)	1,237	2,592
Amortization of previously capitalized interest	84	95	179	190	193	196	226
Income as adjusted	\$ 586,051	\$ 799,405	\$ 1,569,507	\$ 1,672,318	\$ 1,446,992	\$ 1,712,436	\$ 1,555,742
FIXED CHARGES							
Interest on indebtedness, exclusive of interest capitalized	\$ 68,240	\$ 47,152	\$ 115,077	\$ 79,845	\$ 88,668	\$ 89,888	\$ 97,009
Amortization of deferred loan costs	1,817	1,454	3,329	2,721	2,884	2,902	2,695
Portion of rents representative of interest factor	20,943	21,991	41,886	43,983	44,493	41,515	39,499
Fixed charges	\$ 91,000	\$ 70,597	\$ 160,292	\$ 126,549	\$ 136,045	\$ 134,305	\$ 139,203
RATIO OF EARNINGS TO FIXED CHARGES							
	6.44x	11.32x	9.79x	13.21x	10.64x	12.75x	11.18x

CERTIFICATIONS

I, Thomas L. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 3, 2016

/s/ Thomas L. Williams

Thomas L. Williams
Chief Executive Officer

CERTIFICATIONS

I, Jon P. Marten, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 3, 2016

/s/ Jon P. Marten

Jon P. Marten

Executive Vice President - Finance &
Administration and Chief Financial Officer

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the "Company") for the quarterly period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: February 3, 2016

/s/ Thomas L. Williams

Name: Thomas L. Williams

Title: Chief Executive Officer

/s/ Jon P. Marten

Name: Jon P. Marten

Title: Executive Vice President-Finance &
Administration and Chief Financial Officer