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

FORM 8-K

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

Date of report (Date of earliest event reported): August 10, 2005

PARKER-HANNIFIN CORPORATION

(Exact Name of Registrant as Specified in Charter)

Ohio
(State or Other Jurisdiction
of Incorporation)

1-4982
(Commission
File Number)

34-0451060
(IRS Employer
Identification No.)

6035 Parkland Blvd.
Cleveland, Ohio
(Address of Principal Executive Offices)

44124-4141
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report.)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

Stock Option Awards to Non-Employee Directors

On August 10, 2005, the Management Development and Compensation Committee of the Board of Directors (the "Compensation Committee") of the Corporation authorized, pursuant to the Corporation's 2004 Non-Employee Directors' Stock Incentive Plan, a grant of 2,750 stock options to each of its non-employee directors. The stock options were granted using the form of grant letter attached hereto as Exhibit 10.1 and incorporated herein by reference.

2003 Stock Incentive Plan, as Amended and Restated

In connection with the granting of stock appreciation rights to key employees of the Corporation, on August 10, 2005, the Compensation Committee approved amending and restating the Corporation's 2003 Stock Incentive Plan to facilitate the granting of these types of awards and to make other clarifying changes. It was confirmed with the New York Stock Exchange that these amendments were not material revisions to the Plan requiring shareholder approval. The Corporation's 2003 Stock Incentive Plan, as amended and restated, is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Stock Option Awards with Tandem Stock Appreciation Rights to Executive Officers

On August 10, 2005, the Compensation Committee, pursuant to the Corporation's 2003 Stock Incentive Plan, as amended and restated, authorized a grant of stock options with tandem stock appreciation rights to each of its executive officers including the named executive officers listed below:

<u>Named Executive Officer</u>	<u>Number of Shares Underlying Stock Options with Tandem SARs</u>
Donald E. Washkewicz	101,500
Nickolas W. Vande Steeg	43,500
John D. Myslenski	34,500
Timothy K. Pistell	24,500
Robert P. Barker	17,000

The stock options with tandem stock appreciation rights were granted using the form of grant letter attached hereto as Exhibit 10.3 and incorporated herein by reference.

Officer's Life Insurance Plan

On August 10, 2005, the Compensation Committee approved the Officer's Life Insurance Plan which provides pre- and post- retirement life insurance death benefits for executive officers including the named executive officers listed above. Under the terms of the Plan, each executive officer who elects to participate in the Plan is the owner of a life insurance policy. The Corporation funds the life insurance policy through bonus payments to the executive officer to

cover life insurance premiums. The plan is designed to provide a death benefit of 3 times base pay for active executive officers and a death benefit of 2 times final pay for retired executive officers (assuming retirement at age 65). In order for an executive officer, including the named executive officers listed above, to participate in the Plan he/she must sign (i) an agreement terminating his/her participation in the Executive Life Insurance Plan; and (ii) an Application for Life Insurance in the form prescribed by the insurer.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	Form of Grant Letter for Stock Options for Non-Employee Directors.
10.2	Parker-Hannifin Corporation 2003 Stock Incentive Plan, as amended and restated.
10.3	Form of Grant Letter for Stock Options with Tandem Stock Appreciation Rights for Executive Officers.

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 hereunto duly authorized.

PARKER-HANNIFIN CORPORATION

By: /s/ N. W. Vande Steeg

Nickolas W. Vande Steeg
President and Chief Operating Officer

Date: August 16, 2005

EXHIBIT INDEX

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10.2	Parker-Hannifin Corporation 2003 Stock Incentive Plan, as amended and restated.
10.3	Form of Grant Letter for Stock Options with Tandem Stock Appreciation Rights for Executive Officers.

Name: **XXX**

PID: **XXX**

NOTICE OF GRANT OF STOCK OPTIONS

The Management Development and Compensation Committee of the Board of Directors (the "Committee") of Parker-Hannifin Corporation (the "Company") has granted to you, under the Company's 2004 Non-Employee Directors' Stock Incentive Plan (the "Plan"), stock options ("Options") with respect to the number of common shares of the Company ("Common Shares") set forth below. Your Options under this grant have a grant price ("Grant Price") that is 100% of the fair market value (the "Fair Market Value") of the Common Shares, which is taken as the reported closing price of the Common Shares on the New York Stock Exchange-Composite Transactions on the date of the grant. This grant will expire at the time indicated below unless an earlier lapse date ("Lapse Date") applies due to one of the status changes described in this notice.

Grant Date: **XX/XX/XX**
No. of Shares to Which Options Apply: **XXX**
Grant Price: **\$XX.XX**
Expiration Date: **XX/XX/XX, at 4:00 PM**

Each Option granted hereunder entitles you to purchase the Common Shares covered by the option at the Grant Price.

Vesting Period. While you are a Director of the Company, this grant shall vest as follows:

[Vesting Schedule]

provided, however, in the event of a Change in Control of the Company (as defined in attached Exhibit A), all of the Options granted hereunder shall immediately vest and become exercisable.

If your service as a Director of the Company is terminated at any time prior to a vesting date as a result of retirement at or after age 65, permanent disability or death, any unvested Options shall continue to vest according to the schedule set forth above.

Following vesting, your Options are exercisable in accordance with the terms hereof only while you are a Director of the Company at any time until the Expiration Date or Lapse Date as to all or any portion of the Common Shares subject to the vested Options. Vested Options may also be exercised upon termination of your directorship in accordance with the specific status change rules set forth below.

Effect of Status Changes. If your service as a Director of the Company is terminated at any time prior to a vesting date for any reason other than death, permanent disability or retirement at or after age 65, any unvested Options at such date of termination shall lapse immediately upon termination.

Vested Options may be exercised in whole or in part after termination of your directorship before the Lapse Date shown in the right-hand column corresponding to the described status change:

Status Change	Lapse Date
(A) Permanent Disability or Retirement. If the termination of your directorship is due to permanent disability or to retirement at or after age 65.	Expiration Date.
(B) Death. In the event of your death, if exercised by the executor or administrator of your estate (or if your estate has already been probated, the beneficiary who has inherited the Options).	<u>The earlier of: Two (2) years after the date of death or</u> the Expiration Date.
(C) Termination. If the termination of your directorship is due to any other reason except your permanent disability or retirement as specified in (A) above, or your death as specified in (B) above.	<u>The earlier of: Three (3) months from the date of termination or</u> the Expiration Date.

Exercise and Settlement Procedures. To exercise any portion of this grant, you shall be required to complete and deliver a notice of exercise in the prescribed format to the Company for processing on the Exercise Date. The Exercise Date shall be deemed to be the first business day on which the Company receives, prior to the established cut-off time, (i) the notice of exercise and (ii) the exercise price which may be paid in cash or with other Common Shares of the Company. If you tender Common Shares of the Company to satisfy the exercise price, such shares will be valued at the Prior Day's Close.

To settle the exercise of the Options, the Company will instruct its stock transfer agent to issue to you the net number of Common Shares you are entitled to receive. If a Reload Option (as more fully described below) is issued as a result of an exercise the Options granted herein, the shares received as a result of the exercise (less any shares withheld or sold for payment of U.S. income withholding taxes) will be held in book entry for one year, until the corresponding Reload Option has vested, after which the shares will immediately be available for issuance in certificated form or for transfer to a brokerage account of your choice. In the event the Reload Option is forfeited for any reason, the shares held in book entry will immediately become available for issuance or transfer per your instructions.

Taxable Compensation. If you are a U.S. citizen, you do not realize income upon the grant of these Options. In certain foreign countries, however, you may be taxed upon grant. In any year in which you exercise a part or all of such Options, the excess of the fair market value of the Common Shares on the Exercise Date over the Grant Price will be taxed as compensation at ordinary income rates.

Tax Withholding. If you are a non-U.S. citizen who is subject by law to U.S. income tax withholding, such withholding taxes must be paid to the Company at the time of exercise and may, at your option, be satisfied by surrendering to the Company a portion of the Common Shares received upon exercise of the stock option.

Reloadability. If you (or a permitted transferee as provided below) tender Common Shares of the Company to satisfy the exercise price on an Option, you will receive one (1) restorative or “reload” option grant effective on the Exercise Date equivalent to the number of Common Shares surrendered to satisfy the exercise price (the “Reload Option”). The Reload Option will have a Grant Price equal to the Fair Market Value of the Common Shares on the Exercise Date. Except as otherwise specified herein, no Reload Option may be exercised (a) prior to the completion of one (1) year of continuous service as a Director following the Exercise Date; and (b) unless you have retained ownership of the Common Shares resulting from the Option exercise on the Exercise Date (less a sufficient number of Common Shares to satisfy withholding tax obligations) for a period of one (1) year from the Exercise Date. No more than one (1) Reload Option grant shall be made hereunder. All other terms and conditions of the Reload Option will be identical to those contained herein, including without limitation the expiration and termination of the Reload Option.

Transferability. Your Options are not transferable (other than by will or the laws of descent and distribution) except to (a) your spouse, children or grandchildren, (b) one or more trusts for the benefit of such family members; or (c) partnerships in which such family members are the only partners; provided, however, that you do not receive any consideration for the transfer. Any transferred Options shall continue to be subject to the same terms and conditions that were applicable immediately prior to its transfer (except that such transferred Options shall not be further transferable by the transferee *inter vivos*).

Detrimental Activity. If you engage in any Detrimental Activity (as hereinafter defined), the Committee has the right to cancel this grant if unexercised or require repayment to the Company of any compensation received (in the form of cash or Common Shares) as a result of the exercise of any portion of this grant. Detrimental Activity, as defined in the Plan, means activity that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Corporation or a Subsidiary, including without limitation (i) the 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 Corporation; (ii) the disclosure to anyone outside of the Corporation, or the use for any purpose other than the Corporation’s business, of confidential information or material related to the Corporation, whether acquired by the Grantee during or after service with the Corporation; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) a violation of the Corporation’s Code of Ethics.

All Terms Herein Subject to the Plan. The grant of your Options hereunder is at all times subject to all other terms, conditions and provisions of the Plan (and any rules or procedures adopted thereunder by the Committee) to the extent not specifically addressed herein. All initially capitalized terms, to the extent not otherwise defined herein, shall have the meaning ascribed to such terms in the Plan. In the event of a conflict between the terms of the Plan and this grant letter, the Plan shall prevail.

Please confirm your receipt of this letter by signing and returning to me the enclosed copy of this letter. Failure to sign and return a copy of this letter may jeopardize your ability to exercise the Options granted hereunder.

Sincerely yours,

Thomas A. Piraino, Jr.
Vice President, General Counsel and Secretary

RECEIPT ACKNOWLEDGED:

Date: _____

XXX

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EXHIBIT A

“Change in Control” means the occurrence of one of the following events:

(i) any “person” (as such term is defined in Section 3(a)(9) of 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 Corporation representing 20% or more of the combined voting power of the Corporation’s then outstanding securities eligible to vote for the election of the Board (“Corporation Voting Securities”); provided, however, that the event described in this paragraph 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; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as pertains to an individual Grantee, any acquisition by the Grantee or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Grantee (or any entity in which the Grantee or a group of persons including the Grantee, directly or indirectly, holds a majority of the voting power of such entity’s outstanding voting interests); or (F) the acquisition of Corporation Voting Securities from the Corporation, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) 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 (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Corporation’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 Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), 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 Corporation 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;

(iii) 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”), unless (A) immediately following such Business Combination: (1) 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 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, (2) 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 (3) 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 (B) the Business Combination is effected by means of the acquisition of Corporation Voting Securities from the Corporation, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

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

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Corporation Voting Securities as a result of the acquisition of Corporation Voting Securities by the Corporation which, by reducing the number of Corporation Voting Securities 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 Corporation Voting Securities that increases the percentage of outstanding Corporation Voting Securities beneficially owned by such person, a Change in Control shall then occur.

PARKER-HANNIFIN CORPORATION 2003 STOCK INCENTIVE PLAN

1. **Purpose.**

The 2003 Stock Incentive Plan is intended to help maintain and develop strong management through ownership of Shares of the Corporation by key employees of the Corporation and its Subsidiaries and for recognition of efforts and accomplishments which contribute materially to the success of the Corporation's business interests.

2. **Definitions.**

In this Plan, except where the context otherwise indicates, the following definitions apply:

(a) "Award" means a Stock Option, a Stock Appreciation Right, Restricted Stock, or a Dividend Equivalent Right.

(b) "Board" means the Board of Directors of the Corporation.

(c) "Change in Control" means the occurrence of one of the following events:

(i) any "person" (as such term is defined in Section 3(a)(9) of 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 Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities eligible to vote for the election of the Board (the "Corporation's Voting Securities"); provided, however, that the event described in this paragraph 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; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as pertains to an individual Grantee, any acquisition by the Grantee or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Grantee (or any entity in which the Grantee or a group of persons including the Grantee, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Corporation Voting Securities from the Corporation, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) 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 (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Corporation’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 Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), 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 Corporation 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;

(iii) 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”), unless (A) immediately following such Business Combination: (1) 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 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, (2) 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 (3) 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 (B) the Business Combination is effected by means of the acquisition of Corporation Voting Securities from the Corporation, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

(iv) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or the sale or other disposition of all or substantially all of the assets of the Corporation and its Subsidiaries. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Corporation Voting Securities as a result of the acquisition of Corporation Voting Securities by the Corporation which, by reducing the number of Corporation Voting Securities 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 Corporation Voting Securities that increases the percentage of outstanding Corporation Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Plan to the contrary, if a Grantee's employment is terminated prior to a Change in Control, and the Grantee 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 (a "Third Party"), 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 Change in Control for such Grantee.

(d) "Code" means the Internal Revenue Code and the regulations promulgated thereunder, as in effect from time to time.

(e) "Corporation" means Parker-Hannifin Corporation, an Ohio corporation, and its Subsidiaries.

(f) "Designated Beneficiary" means the person designated by the Grantee of an Award hereunder to be entitled, on the death of the Grantee, to any remaining rights arising out of such Award. Such designation must be made in writing and in accordance with such regulations as the Committee may establish.

(g) "Detrimental Activity" means activity that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Corporation or a Subsidiary, including without limitation (i) the 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 Corporation; (ii) the disclosure to any one outside of the Corporation, or the use for any purpose other than the Corporation's business, of confidential information or material related to the Corporation, whether acquired by the Grantee during or after employment with the Corporation; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) a violation of the Corporation's Code of Ethics.

(h) "Dividend Equivalent Right," herein sometimes called a "DER," means the right of the Grantee thereof to receive, pursuant to the terms of the DER, credits based on the cash dividends that would be paid on the Shares specified in the DER if such shares were held by the grantee, as more particularly set forth in Section 10(a) below.

(i) "Eligible Employee" means an Employee who is an officer, or in a managerial, executive, technical, professional, or other key position as determined by the Committee.

(j) "Employee" means an employee of the Corporation or one of its Subsidiaries.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(l) "Fair Market Value" in relation to a Share as of any specific time shall mean the closing price as reported for the New York Stock Exchange—Composite Transactions on such date, or if no shares are traded on that date, the next preceding date on which trading occurred.

(m) "Grantee" means a recipient of an Award under this Plan.

(n) "Incentive Stock Option," herein sometimes called an "ISO," means a stock option meeting all of the requirements of Section 422 of the Code or any successor provision.

(o) "Insider" means a person subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to equity securities of the Corporation.

(p) "Management Development and Compensation Committee" or "Committee" means the committee of the Board so designated. The Committee will be constituted in a manner that satisfies all applicable legal requirements, including satisfying any independence standard contained in the listing requirements of the New York Stock Exchange.

(q) "Restricted Stock" means any Share issued with the restriction that the Grantee may not sell, transfer, pledge, or assign such Share and such other restrictions (which may include, but are not limited to, restrictions on the right to vote or receive dividends) which may expire separately or in combination, at one time or in installments, all as specified by the Award.

(r) "Rule 16b-3" means Rule 16b-3 (or any successor thereto) under the Exchange Act that exempts from Section 16(b) of the Exchange Act transactions under employee benefit plans, as in effect from time to time with respect to this Plan.

(s) "Share" means a common share, par value \$.50, of the Corporation issued and reacquired by the Corporation or previously authorized but unissued.

(t) "Stock Appreciation Right," herein sometimes called an "SAR," means the right of the Grantee thereof to receive, pursuant to the terms of the SAR, a number of Shares or cash or a combination of Shares and cash, based on the increase in the value of the number of Shares specified in the SAR, as more particularly set forth in Section 8 below.

(u) "Stock Option" means the right of the Grantee thereof to acquire a number of Shares upon payment to the Corporation of the exercise price specified in the Award.

(v) "Subsidiary" means any corporation, partnership, or other entity in which the Corporation, directly or indirectly, owns a 50 percent or greater equity interest.

(w) "Terminate" or "Termination" means cease to be an Employee, except by death, but a change of employment from the Corporation or one Subsidiary to another Subsidiary or to the Corporation shall not be considered a termination.

(x) "Terminate Normally" for an Employee participating in this Plan means to Terminate:

(i) as a result of retirement under the applicable retirement plan or policy of the Corporation or a Subsidiary,

(ii) as a result of that Employee becoming eligible for disability income under the Corporation's long-term disability Plan, or

(iii) with written approval of the Committee given in the context of recognition that all or a specified portion of the outstanding Awards to that Employee will not expire or be forfeited or annulled because of such Termination and, in each such case, without being Terminated for cause.

(y) "1993 Program" means the Corporation's 1993 Stock Incentive Program.

3. **Eligibility.**

The selection of eligible Employees to receive Awards will be within the discretion of the Committee. More than one Award may be granted to the same eligible Employee. Members of the Committee are not eligible for the grant of Awards.

4. **Administration.**

(a) The Committee shall administer this Plan. The Committee will, subject to the terms of the Plan, have the authority to (i) select the eligible Employees who will receive Awards; (ii) grant Awards; (iii) determine the number and types of Awards to be granted to Employees; (iv) subject to the terms of the Plan, determine the terms, conditions, vesting periods and restrictions applicable to Awards; (v) adopt, alter and repeal administrative rules and practices governing this Plan; (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan; (vii) prescribe the forms of any notices of Awards or other instruments relating to Awards; and (viii) otherwise supervise the administration of this Plan. All decisions by the Committee will be made with the approval of not less than a majority of its members.

(b) All determinations and interpretations pursuant to the provisions of this Plan shall be binding and conclusive upon the individual Employees involved and all persons claiming under them.

(c) With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3. To the extent any provision of this Plan or any action by the Committee under this Plan fails to so comply, such provision or action shall, without further action by any person, be deemed to be automatically amended to the extent necessary to effect compliance with Rule 16b-3, provided that if such provision or action cannot be amended to effect such compliance, such provision or action shall be deemed null and void, to the extent permitted by law and deemed advisable by the appropriate authority. Each Award to an Insider under this Plan shall be deemed issued subject to the foregoing qualification.

(d) Except as otherwise determined by the Committee, an Award under this Plan is not transferable other than by will or the laws of descent and distribution and is not subject, in whole or in part, to attachment, execution, or levy of any kind.

(e) Any rights with respect to an Award granted under this Plan existing after the Grantee dies are exercisable by the Grantee's Designated Beneficiary or, if there is no such Designated Beneficiary who may, and does, lawfully do so, by the Grantee's personal representative.

(f) Except as otherwise provided herein, a particular form of Award may be granted to an eligible Employee either alone or in addition to other Awards hereunder. The provisions of particular forms of Award need not be the same with respect to each recipient.

(g) The Committee may delegate any of its authority to any other person or persons that it deems appropriate, provided the delegation does not cause the Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3 or violate any independence standard contained in the New York Stock Exchange listing requirements.

(h) This Plan and all action taken under it shall be governed by the laws of the State of Ohio without giving effect to the principles of conflict of laws thereof.

(i) The Committee may permit or require any Grantee to exercise any Stock Options or SARs by means of electronic signature.

(j) Each Award shall be evidenced in such form (written, electronic or otherwise) as the Committee shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

5. **Awards That May Be Granted**

(a) The aggregate number of Shares that may be delivered (i) upon the exercise of a Stock Option or SAR; (ii) as Restricted Stock and released from a substantial risk of forfeiture thereof; or (iii) in payment of DERs, subject to adjustment as provided in the Plan, is equal to the sum of (A) 9,000,000; plus (B) the amount of any Shares that are not delivered to an Employee by reason of (1) the expiration, termination, cancellation or forfeiture of an award under the 1993 Program; and (2) the tendering or withholding of Shares to satisfy all or a portion of the exercise price or tax withholding obligations relating to Shares issued or distributed under an award under the 1993 Program.

(b) The aggregate number of Shares that may be issued upon exercise of ISOs is 3,000,000.

(c) The aggregate number of Shares of Restricted Stock that may be issued hereunder is 5,000,000.

(d) To the extent that Shares subject to an outstanding Award are not delivered to a Grantee by reason of the expiration, termination, cancellation or forfeiture of such Award or by reason of the tendering or withholding of Shares to satisfy all or a portion the tax withholding obligations relating to an Award, then such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. If the exercise price of any Stock Option granted under the Plan is satisfied by tendering Shares (by actual delivery or attestation), only the number of shares issued to the participant net of the Shares tendered shall be deemed to be delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. When an unexercised Award lapses, expires, terminates or is forfeited, the related Shares may be available for distribution in connection with future Awards. If the benefit provided by any Award is paid in cash, any Shares covered by the Award will be available for distribution in connection with future Awards.

(e) The assumption of Awards granted by an organization acquired by the Corporation, or the grant of Awards under this Plan in substitution for any such Awards, will not reduce the number of Shares available for the grant of Awards under this Plan.

6. **Adjustments.**

In the event that the Committee shall determine that any (a) stock dividend, stock split, combination of Shares, recapitalization or other change in the capital structure of the Corporation, or (b) merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) other corporate transaction or event having an effect similar to any of the foregoing affects the Shares of the Corporation such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in its sole discretion, and in such manner as the Committee may deem equitable, adjust any or all of (i) the number and kind of Shares which thereafter may be the

subject of Awards under this Plan, (ii) the number and kind of Shares subject to outstanding Awards, and (iii) the exercise price with respect to any of the foregoing. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced.

7. **Stock Options.**

(a) One or more Stock Options may be granted to any eligible Employee. No Employee may be granted Stock Options for more than 1,000,000 Shares in any three-year period. Each Stock Option so granted shall be subject to such terms and conditions as the Committee shall impose. The exercise price per Share shall be specified by the Award, but shall in no instance be less than 100 percent of Fair Market Value at the time of the Award. Payment of the exercise price shall be made in cash, Shares, or other consideration, or any combination thereof, in accordance with the terms of this Plan and any applicable regulations of the Committee in effect at the time and valued at Fair Market Value on the date prior to exercise of the Stock Option. All Stock Options granted hereunder shall have a maximum life of no more than ten (10) years from the date of issuance of the Award. In no event shall any Stock Option vest sooner than one (1) year from date of issuance of the Award except in the event of a Change in Control.

(b) Stock Options granted hereunder may be designated as ISOs (except to the extent otherwise specified in this Section 7) or nonqualified Stock Options. ISOs may be granted only to Eligible Employees which meet the definition of "employees" under Section 3401(c) of the Code. To the extent that the aggregate Fair Market Value of Shares with respect to which Stock Options designated as ISOs are exercisable for the first time by any Grantee during any year (under all plans of the Corporation and any Subsidiary thereof) exceeds \$100,000, such stock options shall be treated as not being ISOs. ISOs and Awards thereof must comply with all of the requirements of Section 422 of the Code.

(c) The Committee shall not adjust or amend the exercise price of Stock Options previously awarded to any Grantee, whether through amendment, cancellation and replacement grant, or any other means.

(d) The Committee may grant reload Stock Options, separately or together with another Stock Option, pursuant to which, subject to the terms and conditions established by the Committee, the Grantee would be granted a new Stock Option when the payment of the exercise price of a previously granted Stock Option is made by the delivery of Shares owned by the Grantee, which new Stock Option would be an option to purchase the number of Shares not exceeding the number of Shares so provided as consideration upon the exercise of the previously granted Stock Option to which such reload Stock Option relates. Reload Stock Options may be granted with respect to Stock Options previously granted under the Plan or any other Stock Option plan of the Corporation. Reload Stock Options shall have a per Share exercise price equal to the Fair Market Value as of the date of grant of the reload Stock Option. Any Reload Option shall be subject to availability of sufficient Shares for grant under the Plan.

8. **Stock Appreciation Rights.**

(a) An SAR may be granted to an eligible Employee as a separate Award hereunder. No Employee may be granted SARs for more than 1,000,000 Shares in any three-year period. Any SAR shall be subject to such terms and conditions as the Committee shall impose, which shall include provisions that (i) such SAR shall entitle the Grantee, upon exercise thereof in accordance with such SAR and the regulations of the Committee, to receive from the Corporation that number of Shares having an aggregate value equal to the excess of the Fair Market Value, at the time of exercise of such SAR, of one Share over the exercise price per Share specified by the Award of such SAR (which shall in no instance be less than 100 percent of Fair Market Value at the time of the Award) (the "Appreciation") times the number of Shares specified in such SAR, or portion thereof, which is so exercised. The Fair Market Value at the time of the exercise of an SAR shall be deemed to be the Fair Market Value on the trading day prior to the date of exercise.

(b) Any Stock Option granted under this Plan may include an SAR, either at the time of the Award or by amendment. An SAR included in a Stock Option shall be subject to such terms and conditions as the Committee shall impose, which shall include provisions that

(i) such SAR shall be exercisable to the extent, and only to the extent, the Stock Option is exercisable; and

(ii) such SAR shall entitle the Grantee to surrender to the Corporation unexercised the Stock Option in which the SAR is included, or any portion thereof, and to receive from the Corporation in exchange therefor that number of shares having an aggregate value equal to the excess of the Fair Market Value, at the time of exercise of such SAR, of one Share over the exercise price specified in the Award of such Stock Option times the number of Shares specified in the Award of such Stock Option, or portion thereof, which is so surrendered.

(c) All SARs granted hereunder shall have a maximum life of ten (10) years from the date of issuance of the Award. In no event shall any SAR vest sooner than one (1) year from the date of issuance of the Award except in the event of a Change in Control.

(d) In lieu of the right to receive all or any specified portion of such Shares, an SAR may entitle the holder thereof to receive the cash equivalent thereof as specified by the Award.

(e) An SAR may provide that such SAR shall be deemed to have been exercised at the close of business on the business day preceding the expiration of such SAR or the related Stock Option, if any, if at such time such SAR has positive value and would have expired.

(f) The Committee may grant reload SARs, separately or together with another Stock Option, pursuant to which, subject to the terms and conditions established by the Committee, the Grantee would be granted a new SAR when the payment of the exercise price of a previously granted Stock Option is made by the delivery of Shares owned by the Grantee, which new SAR would entitle the Grantee to receive from the Corporation the Appreciation on the number of Shares not exceeding the number of Shares so provided as consideration upon the exercise of the previously granted Stock Option to which such reload SAR relates. Reload SARs may be granted with respect to Stock Options previously granted under the Plan or any other Stock Option plan of the Corporation and may be included with a grant of reload Stock Options. Reload SARs shall have a per Share exercise price equal to the Fair Market Value as of the date of grant of the reload SAR. Any Reload SAR shall be subject to availability of sufficient Shares for grant under the Plan.

9. **Restricted Stock.**

(a) An Award of Restricted Stock may be granted hereunder to an eligible Employee for such consideration, if any, as may be required by applicable law. The terms and conditions of Restricted Stock, including the vesting period, shall be specified by the Committee, at its sole discretion, in the Award. In no event shall any Restricted Stock vest sooner than three (3) years from the date of the issuance of the Restricted Stock except, to the extent specified in the Award, (i) in the event of a Change in Control; (ii) upon the death of the Grantee; or (iii) if the Grantee Terminates Normally.

(b) Any Shares of Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded hereunder, such certificate shall bear an appropriate legend with respect to the restrictions applicable to such award.

(c) The grant of any Award of Restricted Stock may be conditioned upon the achievement of performance-based criteria. Further, any Award of Restricted Stock may specify performance-based criteria which, if achieved by the Corporation, will result in termination or early termination of the restrictions applicable to such Shares.

10. **Dividend Equivalent Rights; Interest Equivalents.**

(a) A DER may be granted hereunder to an eligible Employee, as a component of another Award or as a separate Award. The terms and conditions of DERs shall be specified by the Award. Dividend Equivalents Rights credited to the Grantee of a DER may be paid currently or may be deemed to be reinvested in additional Shares (which may thereafter accrue additional Dividend Equivalents Rights). Any such reinvestment shall be at Fair Market Value at the time thereof. DERs may be settled in cash or Shares or a combination thereof, in a single installment or installments. A DER granted as a component of another Award may provide that such DER shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other

Award, and that such DER shall expire or be forfeited or annulled under the same conditions as such other Award. A DER granted as a component of another Award may also contain terms and conditions different from such other Award.

(b) Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide by the Award for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the Award.

11. **Deferral of Payment.**

With the approval of the Committee, the delivery of Shares, cash or any combination thereof subject to an award may be deferred, either in the form of installments or a single future delivery. The Committee may also permit or require selected Grantees to defer payment of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee to assure that recognition of taxable income is deferred under the Code.

12. **Termination of Employment.**

If the employment of a Grantee terminates for any reason, all unexercised, deferred and unpaid Awards may be exercisable and paid only as specified in the Award and in accordance with rules established by the Committee. These rules may provide, as the Committee deems appropriate, subject to the terms of the Plan, for the expiration, continuation, or acceleration of the vesting of all or part of the Awards.

13. **Detrimental Activity.**

The Committee may cancel any unexpired, unpaid or deferred Awards at any time if the Grantee is not in compliance with all applicable provisions of this Plan or with the terms of any notice of Award or if the Grantee engages in Detrimental Activity. The Committee may, in its discretion and as a condition to the exercise of an Award, require a Grantee to acknowledge that he or she is in compliance with all applicable provisions of the Plan and of any notice of Award and has not engaged in any Detrimental Activity. Any Award may provide that if a Grantee, either during employment by the Corporation or within a specified period after termination of such employment, shall engage in any Detrimental Activity, and the Committee shall so find, forthwith upon notice of such finding, the Grantee shall:

(a) return to the Corporation, in exchange for payment by the Corporation of any amount actually paid therefor by the Grantee, all Shares that the Grantee has not disposed of that were issued pursuant to this Plan within a specified period prior to the date of the commencement of such Detrimental Activity; and

(b) with respect to any Shares so acquired that the Grantee has disposed of, pay to the Corporation in cash the difference between:

(i) any amount actually paid therefore by the Grantee pursuant to this Plan; and

(ii) the Fair Market Value of such Share on the date of such acquisition.

To the extent that such amounts are not paid to the Corporation, the Corporation may set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason.

14. **Change in Control.**

The Committee may in its discretion and upon such terms as it deems appropriate, either in the Award or subsequent thereto, accelerate the date on which any outstanding Stock Option or SAR becomes exercisable or waive the restrictions or other terms and conditions on the vesting of any Restricted Stock in the event of a Change in Control or proposed Change in Control of the Corporation. In addition to the foregoing, the Corporation may, with the approval of the Committee, purchase Stock Options previously granted to any Grantee who is at the time of any such transaction an Employee of the Corporation for a price equal to the difference between the consideration per Share payable pursuant to the terms of the transaction resulting in the Change in Control and the exercise price specified in the Award.

15. **Substitute Awards.**

The Committee may grant Awards in substitution for, or upon the assumption of, Awards granted by another corporation that is merged into, consolidated with, or all or a substantial part of the assets or stock of which is acquired by the Corporation or a Subsidiary. The terms and provisions of any Awards granted under this Section 15 may vary from the terms and provisions otherwise specified in this Plan and may, instead, correspond to the terms and provisions of the awards granted by the other corporation.

16. **Amendments to This Plan; Amendments of Outstanding Awards.**

(a) The Board may from time to time amend or terminate this Plan, or any provision hereof, provided, however, approval of the shareholders of the Corporation will be required to the extent necessary to comply with Rule 16b-3 or any other applicable law, regulation, or stock exchange listing requirement, or to qualify for an exemption or characterization that is deemed desirable by the Board.

(b) The Committee may, in its discretion, subject to the terms of the Plan, amend the terms of any Award, prospectively or retroactively, but no such amendment may impair the rights of any Grantee without his or her consent. The Committee may, in whole or in part, subject to the terms of the Plan, waive any restrictions or conditions applicable to, or accelerate the vesting of, any Award.

17. **Withholding Taxes.**

The Corporation shall have the right to deduct from any cash payment made under this Plan any federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Corporation to deliver Shares upon exercise of a Stock Option or SAR, upon settlement of a DER, upon delivery of Restricted Stock, or upon exercise, settlement, or payment of any other Award under this Plan, that the Grantee of such Award pay to the Corporation such amount as may be requested by the Corporation for the purpose of satisfying any liability for such withholding taxes. Any Award under this Plan may provide by the Award that the Grantee of such Award may elect, in accordance with any applicable regulations of the Committee, to pay a portion or all of the amount of such minimum required or additional permitted withholding taxes in shares. The Grantee shall authorize the Corporation to withhold, or shall agree to surrender back to the Corporation, on or about the date such withholding tax liability is determinable, shares previously owned by such Grantee or a portion of the shares that were or otherwise would be distributed to such Grantee pursuant to such Award having a Fair Market Value on the day prior to the date such payment is made equal to the amount of such required or permitted withholding taxes to be paid in Shares. Any Award under this Plan may provide by the Award that the Grantee shall pay a portion or all of such minimum required or additional permitted withholding taxes in Shares that otherwise would be distributed to such Grantee having a Fair Market Value on the day prior to the date such payment is made equal to the amount of such required or permitted withholding taxes.

18. **Grants of Awards to Employees Who are Foreign Nationals**

Without amending this Plan, but subject to the limitations specified in Section 16 above, the Committee may grant, amend, administer, annul, or terminate Awards to eligible Employees who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan.

19. **Rights of Employees.**

Nothing in this Plan will confer upon any Grantee the right to continued employment by the Corporation or limit in any way the Corporation's right to terminate any Grantee's employment at will.

20. **Effective Date.**

This Plan was approved by the Board on August 14, 2003 and became effective upon approval by the shareholders of the Corporation on October 22, 2003. As authorized by Section 16(a) herein, this Plan was amended and restated pursuant to Board approval on August 10, 2005.

Upon approval of the Plan by the Shareholders of the Corporation, no further Awards may be made by the Corporation under the 1993 Program. The foregoing limitation shall not be construed to prevent the amendment of Awards previously granted under the 1993 Program in accordance with the terms of the 1993 Program, including, without limitation, by the inclusion of stock appreciation rights in any outstanding stock option.

Name: XXX
PID: XXX

**NOTICE OF GRANT OF STOCK OPTIONS WITH
TANDEM STOCK APPRECIATION RIGHTS**

The Management Development and Compensation Committee of the Board of Directors (the "Committee") of Parker-Hannifin Corporation (the "Company") has granted to you, under the Company's 2003 Stock Incentive Plan (the "Plan"), stock options ("Options") with tandem stock appreciation rights ("SARs") with respect to the number of common shares of the Company ("Common Shares") set forth below. Your Options/SARs under this grant have a grant price ("Grant Price") that is 100% of the fair market value (the "Fair Market Value") of the Common Shares, which is taken as the reported closing price of the Common Shares on the New York Stock Exchange-Composite Transactions on the date of the grant. This grant will expire at the time indicated below unless an earlier lapse date ("Lapse Date") applies due to one of the status changes described in this notice.

Grant Date: **XX/XX/XX**
No. of Shares to Which Options/SARs Apply: **XXX**
Grant Price: **\$XX.XX**
Expiration Date: **XX/XX/XX, at 4:00 PM**

Each Option granted hereunder entitles you to purchase the Common Shares covered by the option at the Grant Price. Each SAR granted hereunder entitles you to receive the increase in value (the "Appreciation") of one Common Share from the grant date to the date the SAR is exercised with respect to all or any portion of the Common Shares.

You may exercise all or any portion of this grant as either Options or SARs but not both. The exercise of any portion of the grant as Options automatically cancels the corresponding SARs, and the exercise of any portion of the grant as SARs automatically cancels the corresponding Options.

SAR Calculation. Upon the exercise of an SAR, the Appreciation shall be paid to you in Common Shares having a value equivalent to the Appreciation determined in the manner described below. The Company reserves the right to settle the Appreciation in cash in lieu of Common Shares, at its sole election. Appreciation shall be calculated by subtracting the Grant Price from the last determinable Fair Market Value of the Common Shares (which shall be the Fair Market Value on the day prior to exercise, referred to hereafter as the "Prior Day's Close") and multiplying the result by the number of SARs exercised. To determine the number of Common Shares to be issued upon settlement, the Appreciation shall be divided by the Prior Day's Close, and fractional shares shall be rounded down to the nearest whole share with no cash consideration being paid for the fractional remainder.

Vesting Period. While you are an active employee, this grant shall vest as follows:

[Vesting Schedule]

provided, however, in the event of a Change in Control of the Company (as defined in the Plan), all of the Options/SARs granted hereunder shall immediately vest and become exercisable.

If your continuous full-time employment is terminated at any time prior to a vesting date as a result of retirement, permanent disability or death, any unvested Options/SARs shall continue to vest according to the schedule set forth above.

Following vesting, your Options/SARs are exercisable in accordance with the terms hereof only while you are a full-time employee of the Company or one of its Subsidiaries at any time until the Expiration Date or Lapse Date as to all or any portion of the Common Shares subject to the vested Options/SARs. Vested Options/SARs may also be exercised upon termination of full-time employment in accordance with the specific status change rules set forth below.

Effect of Status Changes. If your continuous full-time employment is terminated at any time prior to a vesting date for any reason other than death, permanent disability or retirement under the applicable retirement plan or policy of the Company, any unvested Options/SARs at such date of termination shall lapse immediately upon termination.

Vested Options/SARs may be exercised in whole or in part after termination of full-time employment before the Lapse Date shown in the right-hand column corresponding to the described status change:

Status Change	Lapse Date
(A) Permanent Disability or Retirement. If the termination of full-time employment is due to permanent disability or to retirement under the applicable retirement plan or policy of the Company or a Subsidiary.	Expiration Date
(B) Death. In the event of your death, if exercised by the executor or administrator of your estate (or if your estate has already been probated, the beneficiary who has inherited the Options/SARs).	<u>The earlier of: Two (2) years after the date of death or</u> the Expiration Date.
(C) Termination. If the termination of full-time employment is due to any other reason except your permanent disability or retirement as specified in (A) above, or your death as specified in (B) above.	<u>The earlier of: Three (3) months from the date of termination or</u> the Expiration Date

Exercise and Settlement Procedures. To exercise any portion of this grant, you shall be required to complete and deliver a notice of exercise in the prescribed format to the Company for processing on the Exercise Date. The Exercise Date shall be deemed to be the first business day on which the Company receives, prior to the established cut-off time, (i) the notice of exercise and (ii) if the grant is being exercised as Options, the exercise price which may be paid in cash or with other Common Shares of the Company. If you tender Common Shares of the Company to satisfy the exercise price, such shares will be valued at the Prior Day's Close.

To settle the exercise of the Options/SARs, the Company will instruct its stock transfer agent to issue to you the net number of Common Shares you are entitled to receive. If any portion of the grant is exercised as SARs, the Company may, in its sole discretion, alternatively elect to settle in cash, in which case the Company will pay you the appropriate dollar amount in settlement thereof.

Automatic Self-Exercise Prior to Expiration. If any vested portion of this grant has a positive value but remains unexercised on the business day preceding the Expiration Date or a Lapse Date, such grant remainder shall automatically self-exercise as SARs on the Expiration Date to prevent forfeiture.

Compensation and Payment of Income Withholding Taxes If you are a U.S. citizen, you do not realize income upon the grant of these Options/SARs. In certain foreign countries, however, you may be taxed upon grant. In any year in which you exercise a part or all of such Options/SARs, the excess of the fair market value of the Common Shares on the Exercise Date over the Grant Price will be taxed as compensation at ordinary income rates and you will be subject to U.S. or foreign income tax withholding, as applicable. For U.S. citizens, such withholding shall include federal, state, local, FICA, Medicare, or other statutorily-required taxes ("Taxes"). Such Taxes must be paid to the Company at the time of exercise by surrendering to the Company a portion of the Common Shares received in settlement upon exercise. If, however, the Company elects to settle the exercise of SARs in cash instead of stock, the Taxes due upon exercise shall be deducted from the cash settlement prior to payment.

Tax Withholding Calculation. The Company will withhold for Taxes the number of shares having an aggregate value based on the Prior Day's Close at least equal to the amount required to be withheld by law. If the value of the withheld shares exceeds the withholding tax amount due, such excess (which will be less than the value of one Common Share) shall be credited to federal income tax withholding.

Reloadability. If you (or a permitted transferee as provided below) tender Common Shares of the Company to satisfy the exercise price on an Option, you will receive one (1) restorative or "reload" grant of SARs effective on the Exercise Date equivalent to the number of Common Shares surrendered to satisfy the exercise price (the "Reload SARs"). The Reload SARs will have a Grant Price equal to the Fair Market Value of the Common Shares on the Exercise Date. Except as otherwise specified herein, no Reload SARs may be exercised (a) prior to the completion of one (1) year of continuous full-time employment following the Exercise Date; and (b) unless you have retained ownership of the Common Shares resulting from the Option exercise on the Exercise Date (less a sufficient number of Common Shares to satisfy withholding tax obligations) for a period of one (1) year from the Exercise Date. No more than one (1) grant of Reload SARs shall be made hereunder. All other terms and conditions of the Reload SARs will be identical to those contained herein, including without limitation the expiration and termination of the Reload SARs.

Transferability. Your Options/SARs are not transferable (other than by will or the laws of descent and distribution) except to (a) your spouse, children or grandchildren, (b) one or more trusts for the benefit of such family members; or (c) partnerships in which such family members are the only partners; provided, however, that you do not receive any consideration for the transfer. Any transferred Options/SARs shall continue to be subject to the same terms and conditions that were applicable immediately prior to its transfer (except that such transferred Options/SARs shall not be further transferable by the transferee *inter vivos*).

Detrimental Activity. If you engage in any Detrimental Activity (as hereinafter defined), the Committee has the right to cancel this grant if unexercised or require repayment to the Company of any compensation received (in the form of cash or Common Shares) as a result of the exercise of any portion of this grant. Detrimental Activity, as defined in the Plan, means activity that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Corporation or a Subsidiary, including without limitation (i) the 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 Corporation; (ii) the disclosure to anyone outside of the Corporation, or the use for any purpose other than the Corporation's business, of confidential information or material related to the Corporation, whether acquired by the Grantee during or after employment with the Corporation; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) a violation of the Corporation's Code of Ethics.

All Terms Herein Subject to the Plan. The grant of your Options/SARs hereunder is at all times subject to all other terms, conditions and provisions of the Plan (and any rules or procedures adopted thereunder by the Committee) to the extent not specifically addressed herein. All initially capitalized terms, to the extent not otherwise defined herein, shall have the meaning ascribed to such terms in the Plan. In the event of a conflict between the terms of the Plan and this grant letter, the Plan shall prevail.

Please confirm your receipt of this letter by clicking on the "Accept" button below. **Failure to acknowledge receipt of this letter will jeopardize your ability to exercise the Options/SARs granted herein.**

Sincerely yours,

Thomas A. Piraino, Jr.
Vice President, General Counsel and Secretary