

SCHEDULE 14A INFORMATION STATEMENT

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [X] Preliminary Proxy Statement  [ ] Confidential, for use of the  
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- [ ] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

PARKER-HANNIFIN CORPORATION

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(Name of Registrant as Specified in its Charter)

Joseph D. Whiteman, Secretary

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(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.  
 [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
- 4) Proposed maximum aggregate value of transaction:
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- [ ] Fee paid previously with preliminary materials.  
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- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

PARKER-HANNIFIN CORPORATION

6035 PARKLAND BOULEVARD - MAYFIELD HEIGHTS, OHIO 44124-4141

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

OCTOBER 22, 1997

The annual meeting of shareholders of Parker-Hannifin Corporation will be held at the Corporation's headquarters at 6035 Parkland Boulevard, Mayfield Heights, Ohio 44124, on Wednesday, October 22, 1997, at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. Fixing at five the number of Directors in the class whose three-year term of office will expire in 2000 and electing five Directors in such class;
2. Adopting an Amendment to the Corporation's Amended Articles of Incorporation to increase the authorized Common Shares of the Corporation from 300,000,000 to 600,000,000;
3. Adopting an Amendment to the Corporation's Amended Articles of Incorporation to change the principal place of business of the Corporation in Ohio from the City of Cleveland to the City of Mayfield Heights;
4. Adopting an Amendment to the Corporation's 1993 Stock Incentive Program to limit the number of stock options granted to any individual in a three-year period;
5. Appointing Coopers & Lybrand L.L.P. as independent public accountants for the fiscal year ending June 30, 1998; and
6. Transacting such other business as may properly come before the

meeting.

Shareholders of record at the close of business on August 29, 1997, are entitled to vote at the meeting. Please sign and return the enclosed Proxy promptly. A return envelope is enclosed for your convenience.

By Order of the Board of Directors

JOSEPH D. WHITEMAN  
JOSEPH D. WHITEMAN  
Secretary

September 22, 1997

PARKER-HANNIFIN CORPORATION  
6035 Parkland Boulevard - Mayfield Heights, Ohio 44124-4141

#### PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of the Corporation of proxies to be voted at the annual meeting of shareholders scheduled to be held on October 22, 1997, and at all adjournments thereof. Only shareholders of record at the close of business on August 29, 1997 will be entitled to vote. On that date, \_\_\_\_\_ Common Shares were outstanding and entitled to vote at the meeting, each share being entitled to one vote. This Proxy Statement and the form of Proxy are being mailed to shareholders on September 22, 1997.

Shareholders of the Corporation have cumulative voting rights in the election of Directors, provided any shareholder gives notice in writing to the President or a Vice President or the Secretary of the Corporation not less than 48 hours before the time fixed for holding the meeting that he desires that the voting at such election be cumulative and an announcement of the giving of such notice is made upon the convening of the meeting by the Chairman or the Secretary or by or on behalf of the shareholder giving such notice. In such event, each shareholder has the right to cumulate his votes and give one nominee the number of votes equal to the number of Directors of each class to which Directors are nominated multiplied by the number of votes to which his shares are entitled, or he may distribute his votes on the same principle among two or more nominees to each such class, as he sees fit. In the event that voting at the election is cumulative, the persons named in the Proxy will vote shares represented by valid Board of Directors' Proxies on a cumulative basis for the election of the nominees named below, allocating the votes of such shares in accordance with their judgment.

#### ELECTION OF DIRECTORS

The Directors of the class elected at each annual election hold office for terms of three years. The Board of Directors of the Corporation presently consists of 15 members divided into three classes. The class whose term expires in 1997 consists of five members, the class whose term expires in 1998 consists of four members and the class whose term expires in 1999 consists of six members. Since the last annual meeting of shareholders, Hector R. Ortino was elected to the Board of Directors in January 1997 to a term expiring in 1999 and Debra L. Starnes was elected to the Board of Directors in July 1997 to a term expiring in 1999. In addition, in October 1996, Walter Seipp retired from the Board of Directors.

Shareholder approval is sought to fix at five the number of directors in the class whose term will expire in 2000 and to elect Duane E. Collins, Allen H. Ford, Allan L. Rayfield, Paul G. Schloemer and Michael A. Treschow, Directors whose terms of office expire in 1997, to such class. A plurality of the Common Shares voted in person or by proxy is required to elect a director.

Should any nominee become unable to accept nomination or election, the proxies will be voted for the election of such other person as a Director as the Board of Directors may recommend. However, the Board of Directors has no reason to believe that this contingency will occur.

#### NOMINEES FOR ELECTION AS DIRECTORS FOR TERM EXPIRING IN 2000

DUANE E. COLLINS, 61, has served as a Director of the Corporation since 1992. Mr. Collins became President and Chief Executive Officer of the Corporation in July 1993. Prior to that date, Mr. Collins served as the Corporation's Vice Chairman of the Board from June 1992 to June 1993 and Executive Vice President and President, International, from 1987 to 1992. Mr. Collins also serves as a Director of The Sherwin Williams Company.

ALLEN H. FORD, 69, has served as a Director of the Corporation since 1975. He is Chairman of the Audit Committee and a member of the Nominating and

Pension Committees. Now a Consultant, Mr. Ford was formerly the Senior Vice President -Finance and Control of The Standard Oil Company (diversified natural resources). Mr. Ford is also a Director of First Union Real Estate Investments and Gliatech, Inc.

ALLAN L. RAYFIELD, 62, has served as a Director of the Corporation since 1984. He is a member of the Audit, Compensation and Management Development and Nominating Committees. Now retired, Mr. Rayfield previously served as President, Chief Executive Officer and Director of M/A-COM, Inc. (microwave manufacturing) from November, 1993 to December, 1994; and President and Chief Operating Officer of M/A-COM, Inc. from March 1991 to November 1993. Mr. Rayfield is also a Director of Acme Metals Inc.

PAUL G. SCHLOEMER, 69, has served as a Director of the Corporation since 1982. He is a member of the Nominating Committee. Mr. Schloemer was President and Chief Executive Officer of the Corporation from 1984 to 1993. Mr. Schloemer is also a Director of Rubbermaid Incorporated, AMP Incorporated and Esterline Technologies Corporation.

MICHAEL A. TRESCHOW, 54, was elected to the Board of Directors in July, 1996. He is a member of the Audit and Nominating Committees. Mr. Treschow has been the President and Chief Executive of AB Electrolux (electrical appliances) in Sweden since \_\_\_\_\_. He was previously the President and Chief Executive Officer of Atlas Copco AB from \_\_\_\_\_ to \_\_\_\_\_. Mr. Treschow is also a Director of SKF AB and Saab Automobile AB.

#### PRESENT DIRECTORS WHOSE TERMS EXPIRE IN 1998

JOHN G. BREEN, 63, has served as a Director of the Corporation since 1980. He is Chairman of the Compensation and Management Development Committee and a member of the Nominating and Pension Committees. Mr. Breen is the Chairman of the Board and Chief Executive Officer of The Sherwin Williams Company (paints and coatings). Mr. Breen is also a Director of National City Corporation, Mead Corporation and Goodyear Tire and Rubber Company.

HECTOR R. ORTINO, 55, was elected to the Board of Directors in January, 1997. He is a member of the Audit and Nominating Committees. Mr. Ortino has been the President and Chief Operating Officer of Ferro Corporation (specialty materials) since \_\_\_\_\_. He was previously \_\_\_\_\_.

PATRICK S. PARKER, 67, has served as a Director of the Corporation since 1960. Mr. Parker is the Chairman of the Board of Directors of the Corporation.

DENNIS W. SULLIVAN, 58, has served as a Director of the Corporation since 1983. Mr. Sullivan is Executive Vice President and, since July 1, 1997, a member of the Office of the President of the Corporation. Mr. Sullivan is also a Director of Ferro Corporation and KeyCorp.

#### PRESENT DIRECTORS WHOSE TERMS EXPIRE IN 1999

PAUL C. ELY, JR., 65, has served as a Director of the Corporation since 1984. He is Chairman of the Pension Committee and a member of the Nominating Committee. Mr. Ely is presently General Partner of Alpha Partners (venture capital seed financing). Mr. Ely is also a Director of Tektronix, Inc.

FRANK A. LEPAGE, 70, has served as a Director of the Corporation since 1977. He is a member of the Audit and Nominating Committees. Now retired, Mr. LePage previously served as Director and Executive Vice President of The Firestone Tire & Rubber Company (manufacturer of tires and related products). Mr. LePage is also a Director of Acme Metals Inc.

PETER W. LIKINS, 61, has served as a Director of the Corporation since 1989. He is Chairman of the Nominating Committee and a member of the Audit and Compensation and Management Development Committees. Dr. Likins is the President of Lehigh University. Dr. Likins also serves as Director of Consolidated Edison Company of New York, Inc., Communications Satellite Corp. and Safeguard Scientifics, Inc.

WOLFGANG R. SCHMITT, 53, has served as a Director of the Corporation since 1992. He is a member of the Compensation and Management Development and Nominating Committees. Mr. Schmitt is the Chairman of the Board and Chief Executive Officer of Rubbermaid Incorporated (manufacturer of rubber and plastic products). He was previously President and Chief Operating Officer of Rubbermaid from 1991 to 1992. Mr. Schmitt also serves as a Director of Kimberly-Clark Inc.

DEBRA L. STARNES, 44, was elected to the Board of Directors in July, 1997. She is a member of the Nominating and Pension Committees. Ms. Starnes has been the Senior Vice President, Petrochemicals of Lyondell Petrochemical Company (petrochemical production) since \_\_\_\_\_.

She was previously \_\_\_\_\_.

STEPHANIE A. STREETER, 40, was elected to the Board of Directors in April 1996. She is a member of the Audit and Nominating Committees. Ms. Streeter is the Group Vice President of Worldwide Office Products of Avery Dennison Corporation (adhesives and office products). She was previously Vice President and General Manager of Avery Dennison Brands from November 1993 to May 1996 and Vice President and General Manager of Office Labels and Avery Dennison from June 1991 to November 1993.

No Director of the Corporation is related to any other Director. During the fiscal year ended June 30, 1997, there were five meetings of the Corporation's Board of Directors. Each Director attended at least 75% of the meetings held by the Board of Directors and the Committees of the Board on which he or she served except for Mr. Schmitt.

The Audit Committee, which met twice during the fiscal year ended June 30, 1997, is responsible for reviewing with the Corporation's financial management and its independent auditors, the proposed auditing program (including both the independent and the internal audits) for each fiscal year, the results of the audits and the adequacy of the Corporation's internal control structure. This Committee recommends to the Board of Directors the appointment of the independent auditors for the fiscal year.

The Pension Committee, which met once during the fiscal year ended June 30, 1997, is responsible for reviewing with the Corporation's management the funding and investment policies for defined benefit plans and defined contribution plans sponsored by the Corporation.

The Compensation and Management Development Committee, which met three times during the fiscal year ended June 30, 1997, is responsible for annually reviewing and fixing the salaries and other compensation of the officers of the Corporation, deciding upon the grant of stock options to the officers and other employees of the Corporation and reviewing corporate policies and programs for the development of management personnel.

The Nominating Committee, which met three times during the fiscal year ended June 30, 1997, is responsible for evaluating and recommending to the Board qualified nominees for election as Directors of the Corporation and considering other matters pertaining to the size and composition of the Board. The Nominating Committee will give appropriate consideration to qualified persons recommended by shareholders for nomination as Directors of the Corporation, provided that such recommendations are accompanied by information sufficient to enable the Committee to evaluate the qualifications of the nominee. Nominations should be sent to the attention of the Secretary of the Corporation.

Compensation of Directors. The Corporation compensates Directors, other than officers who are Directors, for their services. Except as otherwise indicated below, the annual retainer for such Directors is \$24,000. The fee for attending each Board and Committee meeting is \$1,000 for all such Directors other than Committee Chairmen, whose fee is \$1,500 for chairing committee meetings. Patrick S. Parker, Chairman of the Board of Directors, receives an annual retainer of \$132,000, plus meeting fees, club memberships and the use of a leased automobile. Directors may elect to defer all or a portion of their fees under the Corporation's Deferred Compensation Plan for Directors (the "Directors Deferral Plan") or to elect to receive all or a portion of their fees in common shares of the Corporation pursuant to the Corporation's Non-Employee Directors' Stock Plan.

In August 1996, the Board of Directors terminated the Retirement Plan for Directors, except with respect to Directors who had already retired and who continue to receive payments under the Plan. Upon termination, each Director received credit under the Directors Deferral Plan in a phantom Parker-Hannifin Common Stock account in an amount equal to the present value of their vested benefits under the Directors Retirement Plan. Said account balance is non-transferable and must remain in the Directors Deferral Plan until the retirement of the Director.

The Board of Directors adopted the Non-Employee Directors Stock Option Plan in August 1996. Each Director who is not a current or retired employee of the Corporation was granted 1,000 stock options under such Plan in August 1996 at an option price equal to the then current fair market value of the Corporation's Common Stock. Such options have a ten-year term and vest following one year of continued service as a Director. Mr. Ortino was granted 500 stock options upon identical terms upon his election to the Board in January 1997.

Compensation Committee Interlocks and Insider Participation. The following Directors serve as members of the Corporation's Compensation and Management Development Committee: Messrs. Breen, Likins, Rayfield, and Schmitt. Mr. Collins, the President and Chief Executive Officer of the

Corporation, serves on the Compensation Committee of The Sherwin Williams Company. Mr. Breen is the Chairman and Chief Executive Officer of The Sherwin Williams Company.

COMPENSATION AND MANAGEMENT DEVELOPMENT  
COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation and Management Development Committee of the Board of Directors (the "Committee") has furnished the following report on executive compensation.

The Committee, which consists entirely of four outside non-employee Directors, has overall responsibility to:

- \* review the performance and long-term management potential of the executive officers of the Corporation; and
- \* review and fix the salaries and other compensation of the executive officers of the Corporation.

Following review and approval by the Committee, all issues pertaining to executive compensation are submitted to the full Board of Directors in conjunction with its approval and review of the Corporation's strategies and operating plans, thereby assuring that the Corporation's system of executive compensation is reasonable and appropriate, meets its stated purpose and effectively serves the interests of the shareholders and the Corporation.

The Corporation's executive compensation programs are designed to attract and retain key executives critical to the long-term success of the Corporation by remaining competitive with other multinational-diversified manufacturing companies of similar size. Comparative compensation information is used by the Committee to establish competitive salary grade ranges at the market median for base pay, annual bonus and long-term compensation. The group of companies used for compensation comparison purposes is not the same as the S&P Manufacturing (Diversified Industrials) Index, which is the peer group of companies included in the performance graph on page \_\_\_\_\_. Comparative compensation information is obtained by the Committee from independent surveys of numerous diversified manufacturers, which the Committee believes is important in order to establish competitive compensation ranges at the appropriate levels. On the other hand, the S&P Manufacturing (Diversified Industrials) Index utilized in the performance graph contains data only with respect to a limited number of companies who are in businesses similar to the Corporation, which data is theoretically reflective of the stock performance of all diversified manufacturers as a whole.

The Corporation's executive compensation programs also are intended to reward executives commensurate with performance and attainment of pre-determined financial objectives. Accordingly, compensation of executive officers is directly and materially linked to both operating and stock price performance, aligning closely the financial interests of the Corporation's executives with those of its shareholders.

Compensation for the Corporation's executives consists of three primary elements:

1. A base salary within a competitively established range. The specific base salary within the range is determined by length of service and individual contributions and performance as measured against pre-established goals and objectives. Goals and objectives for each executive vary in accordance with each executive's responsibilities and are established by each executive's supervisor.
2. An annual cash incentive bonus that is comprised of two components:
  - a. An amount that is determined by the Corporation's pre-tax return on average assets as compared to the Corporation's annual goal established at the beginning of the fiscal year (the "Target Incentive Bonus"); and
  - b. An amount that is determined based on the return on division net assets for the divisions in each executive's individual operating unit (or the average return for all divisions for corporate staff executive officers) (the "RONA Bonus").

The target amounts of the annual cash incentive bonuses are established in such a manner so that base salary plus the target bonuses will be within the competitively determined total annual compensation range mentioned above. Target annual cash incentive bonuses represent approximately 35-45% of total targeted annual compensation for the executive officers with operational profit and loss responsibility (including the Chief Executive Officer) and 25-35% of total targeted annual compensation for the other executive officers.

The Chief Executive Officer, with the approval of the Committee, also has the authority to establish additional annual incentive programs for operating executives. In fiscal year 1997, under a Volume Incentive Plan, operating group presidents had the opportunity to earn an additional bonus of 1% of base salary for each 1% of sales by which their group exceeded their previous year's sales by between 7.5% and 12.5%, and an additional bonus of 2% of base salary for each 1% of sales by which their group exceeded their previous year's sales by more than 12.5%; subject, however, to an overall maximum of 15% of the participant's base salary. An identical Volume Incentive Plan has been adopted for fiscal year 1998.

3. Long-term incentive compensation that is comprised of two components:

a. A long-term incentive plan ("LTIP") award that is based upon the Corporation's actual average return on equity for a three fiscal year period, payable in restricted stock (unless the participant elects to receive cash pursuant to an election under the Corporation's Executive Deferral Plan). The amount of the LTIP award in shares is calculated by dividing a target LTIP dollar value (adjusted for risk of forfeiture) by the market price of the Corporation's Common Stock at the beginning of the three-year performance period. The target LTIP value is established by the Committee at the market median of comparative LTIP compensation information.

b. A stock option grant determined by utilizing the Black-Scholes valuation model to derive a target stock option dollar value (adjusted for risk of non-vesting). The target stock option value is established by the Committee at the market median of comparative stock option compensation information. Stock options are granted with an exercise price equal to the fair market value of the Corporation's Common Stock on the day of grant and grants are generally exercisable between one and ten years from the date granted.

Incentive compensation for the Corporation's executives is significantly "at risk", based upon the financial performance of the Corporation. Indeed, more than one half of each executive's targeted total compensation (including base salary, annual bonus, LTIP payouts and stock options) may fluctuate significantly from year to year because it is directly tied to business and individual performance.

Long-term incentive programs are designed to link the interests of the executives with those of the stockholders. LTIP awards, whether paid in cash or restricted stock, focus on long-term return on equity, which is directly related to enhancing shareholder value. Restricted stock awards build stock ownership and encourage a long-term focus on shareholder value, since the stock is restricted from being sold, transferred or assigned for a specified period. Stock option grants provide an incentive that aligns the executive's interests with those of the shareholders, since stock options will provide value to the executive only when the price of the Corporation's stock increases above the option grant price.

In August 1996, the Board of Directors, at the recommendation of the Committee, adopted stock ownership guidelines that are designed to encourage the accumulation and retention of the Corporation's Common Stock by its Directors, executive officers and other key executives. These guidelines, stated as a multiple of executives' base salaries and of Directors' annual retainer, are as follows: Chief Executive Officer: three times; Vice Presidents: two times; other executive officers and group presidents: one time; and non-officer Directors: four times. The recommended time period for reaching the above guidelines is five years. The Chief Executive Officer reviews compliance with this policy with the Committee on an annual basis.

The Corporation's executive compensation philosophy is specifically evident in the compensation paid during the most recent fiscal year to the Corporation's President and Chief Executive Officer, Duane E. Collins. Mr. Collins' increase in base salary from fiscal 1996 to fiscal 1997 of 6.25% is reflective of his "outstanding" performance rating for fiscal 1996. In addition, based on the Corporation's fiscal 1997 operating plan, Mr. Collins was entitled to receive 100% of his Target Incentive Bonus of \$300,000 if the Corporation's actual pre-tax return on average assets, adjusted primarily for acquisitions and currency transactions, was 14.6%. A minimum payout of 15% of the Target Incentive Bonus was established at a 3.4% pre-tax return on average assets and a maximum payout of 150% of the Target Incentive Bonus was established at a 17.8% pre-tax return on average assets. During the fiscal year ended June 30, 1997, the Corporation's adjusted pre-tax return on average assets was 14.96% and each executive officer, including Mr. Collins, received an amount equal to 105.9% of his Target Incentive Bonus, which is included in the "Bonus" column of the Summary Compensation Table on page \_\_\_\_.

Mr. Collins' RONA Bonus was targeted at \$377,550 based upon an approximate 31.8% average return on division net assets. The average return on division net assets was 33.8%, resulting in a RONA Bonus payment to Mr. Collins of \$400,484, which is included in the "Bonus" column of the Summary Compensation Table on page \_\_\_\_\_. The other executive officers also received RONA Bonuses based upon the return on division net assets by their respective operating units (or the average return for all divisions for corporate staff executive officers).

Based on the Corporation's average return on equity of 19.18% for the three fiscal years ended June 30, 1997, Mr. Collins and the other executive officers received a payment under the 1995-96-97 Long Term Incentive Plan in the form of either restricted shares or contributions to their Executive Deferral Plan accounts in an amount equal to the value of the restricted shares earned, as reported in the "LTIP Payouts" column of the Summary Compensation Table on page \_\_\_\_\_. Such payment represents 186.47% of the target payment that would have been achieved had the Corporation achieved its return on equity goal of 14% during such period.

During fiscal year 1997, Mr. Collins and the other executive officers also received a long-term incentive award as described in the LTIP table on page \_\_\_ and a stock option grant as reported in Option Grants Table on page \_\_\_\_\_.

During the past fiscal year, the Corporation once again recorded all-time sales and earnings records, exceeding the prior years' record performance and forecasted performance. Accordingly, incentive compensation payable to each executive, including Mr. Collins, exceeded the target levels of annual compensation established by the Committee at the beginning of the fiscal year and greatly exceeded the 1995-96-97 LTIP target compensation.

During 1993, the Omnibus Budget Reconciliation Act of 1993 (the "Act") was enacted by Congress. The Act includes potential limitations on the deductibility of compensation in excess of \$1 million paid to the Corporation's Chief Executive Officer and four other highest paid executive officers beginning in fiscal year 1995. The Committee has taken or is taking, including seeking amendment to the 1993 Stock Incentive Program, the necessary actions to ensure the deductibility of compensation paid by the Corporation to such individuals.

JOHN G. BREEN	ALLAN L. RAYFIELD
JOHN G. BREEN	ALLAN L. RAYFIELD
DR. PETER W. LIKINS	WOLFGANG R. SCHMITT
DR. PETER W. LIKINS	WOLFGANG R. SCHMITT

#### EXECUTIVE COMPENSATION

The following table summarizes compensation paid by the Corporation for each of the last three fiscal years to its Chief Executive Officer and each of the other four most highly compensated executive officers:

<TABLE>  
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SUMMARY COMPENSATION TABLE

Other Compensation Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All (\$) (d)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) (a)	Awards	Payouts		
					Securities Underlying Options (#) (b)	LTIP Payouts (\$) (c)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Duane E. Collins, President and Chief Executive Officer	1997	830,880	718,184	14,222	88,500	2,898,556	11,531	
	1996	783,473	611,981	18,068	99,000	988,348	14,570	
	1995	680,004	659,082	8,066	45,000	225,798	20,078	
Dennis W. Sullivan, Executive Vice President	1997	551,256	358,129	7,137	39,000	1,270,554	12,814	
	1996	525,000	323,325	8,144	56,250	436,055	12,934	
	1995	500,004	417,252	8,202	23,850	173,121	20,432	
Michael J. Hiemstra, Vice President - Finance and Administration	1997	376,392	215,491	2,939	18,000	678,972	12,637	
	1996	361,920	199,074	6,574	22,500	232,553	14,672	
	1995	351,348	242,837	2,648	14,400	120,483	19,519	

Donald A. Zito,	1997	331,500	239,672	8,467	18,000	678,972	13,338
Vice President, and President,	1996	318,744	236,557	7,015	22,500	232,553	13,502
Fluid Connectors Group	1995	300,000	583,380	705	14,400	97,868	19,879
Stephen L. Hayes,	1997	314,196	235,623	9,727	18,000	678,972	11,448
Vice President, and President,	1996	299,244	215,668	9,734	22,500	232,553	13,507
Parker Bertea Aerospace Group	1995	285,000	166,797	3,823	14,400	107,427	15,163

<FN>

- (a) No executive officers named in the Summary Compensation Table received personal benefits or perquisites in excess of the lesser of \$50,000 or 10% of his total compensation reported in the Salary and Bonus columns. Reported in this column is annual compensation consisting of amounts reimbursed by the Corporation for the payment of income taxes on certain executive perquisites.
- (b) All option grants have been adjusted for the 3-shares-for-2 common stock split paid on September 5, 1997.
- (c) For 1997 the amounts represent contributions to the executives' Executive Deferral Plan ("EDP") accounts made under the 1995-96-97 Long Term Incentive Plan. For 1996 and 1995 the amounts represent the dollar value of restricted shares issued as payments under the 1994-95-96 and 1993-94-95 Long Term Incentive Plans, respectively, based on the Corporation's stock price on the date of issuance of the shares. The restricted shares and EDP contributions are subject to a three-year vesting period, with accelerated vesting in the event of the death, disability or normal retirement of the Plan participant. Dividends are paid by the Corporation on the restricted shares. The number and value of the aggregate restricted stock holdings for each of the above-named executive officers as of June 30, 1997 was as follows: Mr. Collins, 51,266 shares with a value of \$2,074,116; Mr. Sullivan, 26,730 shares with a value of \$1,081,451; Mr. Hiemstra, 15,828 shares with a value of \$640,375; Mr. Zito, 14,564 shares with a value of \$589,215; and Mr. Hayes, 13,196 shares with a value of \$533,868. The number of restricted shares has been adjusted for the 3-shares-for-2 common stock split paid September 5, 1997.
- (d) Represents matching contributions by the Corporation to the Parker Hannifin Retirement Savings Plan and the Parker Hannifin Savings Restoration Plan.

</FN>

</TABLE>

The following table summarizes stock option grants by the Corporation during the fiscal year ended June 30, 1997 to each of the executive officers identified in the Summary Compensation Table on page \_\_:

<TABLE>

<CAPTION>

OPTION GRANTS IN FISCAL 1997

Individual Grants

Name	Number of Securities Underlying Options Granted (#) (a)	% of Total Options Granted to Employees in Fiscal 1997	Exercise Or Base Price (\$/Sh)	Expiration Date	Potential realizable value at assumed annual rates of stock price appreciation for option term (b)		
					5% (\$)	10% (\$)	10.68% (\$) (c)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Duane E. Collins	88,500	6.5%	\$24.667	8/14/06	1,372,812	3,479,112	3,839,042
Dennis W. Sullivan	39,000	2.9%	\$24.667	8/14/06	604,968	1,533,168	1,691,781
Michael J. Hiemstra	18,000	1.3%	\$24.667	8/14/06	279,216	707,616	780,822
Donald A. Zito	18,000	1.3%	\$24.667	8/14/06	279,216	707,616	780,822
Stephen L. Hayes	18,000	1.3%	\$24.667	8/14/06	279,216	707,616	780,822

<FN>

- (a) Options are exercisable on the date following completion of one year of continuous employment after the date of grant (i.e., August 15, 1997). Restorative or "reload" option rights are attached to each option and up to two reload options will be granted upon exercise, subject to certain provisions, if the exercise price is paid using shares of the Corporation's common stock owned by the optionee. Fiscal 1997 grants and exercise prices have been adjusted for the 3-shares-for-2 common stock split paid on September 5, 1997.

- (b) The potential realizable value illustrates the value that might be recognized upon the exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of



appreciation over the entire term of the option. Shareholders of the Corporation, as a group, would realize \$1,728,684,426 and \$4,380,998,076 at assumed annual rates of appreciation of 5% and 10%, respectively, over the ten-year life of the options. There can be no assurance that the amounts reflected in this table will be achieved.

(c) Represents the Corporation's actual rate of stock price appreciation over the 10-year period ending June 30, 1997.

</FN>  
</TABLE>

The following table summarizes exercises of stock options during the fiscal year ended June 30, 1997 by each of the executive officers identified in the Summary Compensation Table on page \_\_ and the fiscal year-end value of unexercised options for such executive officers:

<TABLE>  
<CAPTION>

AGGREGATED OPTION EXERCISES IN FISCAL 1997 AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#) (a)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at FY-End (#) (a)		Value of Unexercised In-the-Money Options at FY-End (\$)	
			Exercisable / Unexercisable	Exercisable / Unexercisable	Exercisable / Unexercisable	Exercisable / Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Duane E. Collins	19,125	419,156	319,500 / 88,500		7,175,379 / 1,397,565	
Dennis W. Sullivan	16,875	242,775	237,375 / 39,000		6,648,104 / 615,876	
Michael J. Hiemstra	19,125	414,375	175,500 / 18,000		4,514,770 / 284,251	
Donald A. Zito	-	-	144,000 / 18,000		3,623,343 / 284,251	
Stephen L. Hayes	15,000	319,614	60,000 / 18,000		1,227,743 / 284,251	

<FN>

(a) Adjusted to reflect the 3-shares-for-2 common stock split paid on September 5, 1997.

</FN>  
</TABLE>

The following table summarizes awards by the Corporation during the fiscal year ended June 30, 1997 to each of the executive officers identified in the Summary Compensation Table on page \_\_ under the Corporation's Long Term Incentive Plan:

<TABLE>  
<CAPTION>

LONG TERM INCENTIVE PLAN - AWARDS IN FISCAL 1997

Name	Number of Shares (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans		
			Threshold (#)	Target (#)	Maximum (#)
<S>	<C>	<C>	<C>	<C>	<C>
Duane E. Collins	23,398.5	3 Years	5,849.6	23,398.5	46,797.0
Dennis W. Sullivan	10,336.5	3 Years	2,584.1	10,336.5	20,673.0
Michael J. Hiemstra	5,911.5	3 Years	1,477.9	5,911.5	11,823.0
Donald A. Zito	5,911.5	3 Years	1,477.9	5,911.5	11,823.0
Stephen L. Hayes	5,911.5	3 Years	1,477.9	5,911.5	11,823.0

</TABLE>

Target awards under the Corporation's Long Term Incentive Plan ("LTIP") during the last fiscal year were made in the form of restricted shares of the Corporation's Common Stock and entitle each executive officer to receive a pro rata share of his award based upon the Corporation's actual average return on equity (threshold of 8%; target of 14%; maximum of 20%) for the three fiscal years ending June 30, 1999. Awards are payable in August 1999. Executive officers will receive cash in lieu of restricted shares under the LTIP if they are retired at the time of payment or if they elect, prior to May 31, 1998, to defer the amount earned under the LTIP pursuant to the Corporation's Executive Deferral Plan. The target number of shares awarded under the LTIP and the estimated future payouts have been adjusted for the 3-shares-for-2 common stock split paid on September 5, 1997.

PENSION PLAN TABLE

The following table summarizes the estimated annual benefits payable upon retirement to the executive officers identified in the Summary Compensation Table on page \_\_:

Remuneration	Years of Service 15 or more
\$ 300,000	\$ 165,000
500,000	275,000
700,000	385,000
900,000	495,000
1,100,000	605,000
1,300,000	715,000
1,500,000	825,000
1,700,000	935,000
1,900,000	1,045,000

The foregoing table sets forth the straight-life annuity payable under the Corporation's Supplemental Executive Retirement Benefits Program at the normal retirement age of 65. The years of service under the Program for each of the executive officers identified in the Summary Compensation Table on page \_\_\_ (except for Mr. Zito), at their respective retirement dates, will be as follows: Mr. Collins, 40 years; Mr. Sullivan, 44 years; Mr. Hiemstra, 25 years; and Mr. Hayes, 34 years. Mr. Zito has announced his early retirement effective September 30, 1997 at which time he will have 35 years of service under the Program (but will receive a reduced benefit in accordance with the terms of the Program). The Program provides an annual benefit based upon the average of the participant's three highest years of cash compensation (Salary, RONA Bonus and Target Incentive Bonus) with the Corporation. Benefits payable under the Program are based on calendar year compensation. Since the amounts set forth in the "Salary" and "Bonus" columns in the Summary Compensation Table on page \_\_ are determined on a fiscal year basis and since the amounts set forth in the "Bonus" column for Mr. Zito in fiscal 1996 and 1995 and Mr. Hayes in fiscal 1997 and 1996 include payments received under the Volume Incentive Plan (which is not included in determining benefits under the Program), such amounts do not reflect the benefits payable under the Program. If the benefits were to be payable to each named participant based on retirement as of June 30, 1997, the average of the three highest calendar years of cash compensation included in determining benefits under the Program for each of the named participants would be as follows: Mr. Collins, \$1,316,404; Mr. Sullivan, \$856,991; Mr. Hiemstra, \$564,902; Mr. Zito, \$539,474; and Mr. Hayes, \$440,427. Benefits are subject to reduction for payments received under the Corporation's Retirement Plan plus 50% of primary social security benefits.

#### COMMON SHARE PRICE PERFORMANCE GRAPH

The following graph sets forth a comparison of the cumulative shareholder return on the Corporation's Common Shares with the S&P 500 Index and the S&P Manufacturing (Diversified Industrials) Index during the period June 30, 1992 through June 30, 1997, assuming the investment of \$100 on June 30, 1992, and the reinvestment of dividends.

<TABLE>  
<CAPTION>

Comparison of Five Year Cumulative Total Return Among  
Parker-Hannifin Corporation, the S&P 500 Index and the  
S&P Manufacturing (Diversified Industrials) Index

<S>	6/30/92	6/30/93	6/30/94	6/30/95	6/30/96	6/30/97
Parker-Hannifin Corporation	100	117	155	202	241	351
S&P 500 Index	100	114	115	145	183	247
S&P Manufacturing (Diversified Industrials) Index	100	119	132	175	223	332

</TABLE>

"Change in Control" Severance Agreements with Officers. The Corporation has entered into separate agreements (collectively the "Agreements") with Messrs. Collins, Sullivan, Zito, Hiemstra and Hayes. The Agreements are designed to retain the executives and provide for continuity of management in the event of any actual or threatened change in the control of the Corporation. Each Agreement only becomes operative upon a "Change in Control" of the Corporation, as that term is defined in the Agreements, and the subsequent termination of the employment of the executive pursuant to the terms of the Agreement. A Change in Control of the Corporation shall be deemed to have occurred if and when: (i) subject to certain exceptions, any "person" (as such term is used in Sections 13(d)(2) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) is or becomes a beneficial owner, directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities; (ii) during any period of twenty-four consecutive months, individuals who at the beginning of such twenty-four month period were Directors of the Corporation (the "Incumbent Board") cease to constitute at least a majority of the Board of Directors of the Corporation, unless the election, or nomination for election, of

any person becoming a Director subsequent to the beginning of such twenty-four month period was approved by a vote of at least two-thirds of the Incumbent Board; (iii) the Corporation enters into a merger, consolidation or other reorganization, or sells all its assets, unless (a) immediately following the business combination: (1) more than 50% of the total voting power eligible to elect directors of the resulting corporation is represented by shares that were Common Shares immediately prior to the business combination, (2) subject to certain exceptions, no person becomes the beneficial owner, directly or indirectly, of 20% or more of the voting power of the corporation resulting from the business combination, and (3) at least a majority of the members of the board of directors of the resulting corporation were members of the Incumbent Board at the time of the Board of Directors of the Corporation's approval of the execution of the initial agreement providing for such business combination, or (b) the business combination is effected by means of the acquisition of Common Shares from the Corporation, and the Board of Directors of the Corporation approves a resolution providing expressly that such business combination does not constitute a "Change in Control"; or (iv) the shareholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation.

Each Agreement provides that, if the employment of the executive is terminated during the three years following a Change in Control of the Corporation, either by the Corporation without "Cause" (as defined in the Agreements) or by the executive for "Good Reason" (as defined in the Agreements and described below), the executive shall be entitled to receive (a) pro rata salary and bonus for the year of termination of employment; (b) severance pay equal to three times the executive's annual salary and bonus; (c) continuation of welfare benefits (e.g., medical, life insurance, disability coverage) for a period of three years; (d) to the extent not previously received, all amounts previously deferred under the Corporation's non-qualified income deferral plans together with a "make whole" amount designed to compensate the executive for the lost opportunity to continue to defer receipt of such income (and the earnings thereon) pursuant to elections made under such deferral plans; and (e) a "gross-up" payment to offset the effect, if any, of the excise tax imposed by Section 4999 of the Internal Revenue Code. "Good Reason" for termination of employment by the executive includes, without limitation, diminution in duties, reduction in compensation or benefits or relocation. In addition, termination of employment by the executive for any or no reason during the 180-day period beginning on the 91st day after the Change in Control shall constitute Good Reason.

A Change in Control of the Corporation also has an effect under other executive compensation plans of the Corporation, as follows: (1) any outstanding unvested stock option held by an executive vests immediately upon a Change in Control; (2) any outstanding unvested restricted stock issued to an executive pursuant to the Corporation's Long Term Incentive Plans ("LTIP") vests immediately in the event of a Change in Control; (3) any outstanding LTIP award to an executive will be paid in full in cash upon a Change in Control, at the target amount or on the basis of corporate financial performance to the date of the Change in Control, whichever is greater; (4) if previously elected by the executive, upon a Change in Control, all amounts previously deferred by the executive under the Executive Deferral Plan, together with the "make whole" amount (described in subsection (d) of the preceding paragraph), will be paid to the executive; and (5) upon a Change in Control, each participant under the Corporation's Supplemental Executive Retirement Benefits Program will receive three additional years of age and service credit under the Program and will receive a lump-sum payment equal to the present value of the participant's vested benefit under the Program.

#### ADOPTION OF AMENDMENTS TO AMENDED ARTICLES OF INCORPORATION

Increase in Authorized Shares. The Board of Directors recommends that the shareholders adopt an amendment to the Corporation's Amended Articles of Incorporation to increase the number of authorized common shares, \$.50 par value ("Common Shares"), from 300,000,000 to 600,000,000. This action would increase the total authorized shares of the Corporation from 303,000,000 to 603,000,000. The shares would consist of 600,000,000 Common Shares and 3,000,000 shares of Serial Preferred Stock.

On July 10, 1997, the Board of Directors approved a three-shares-for-two stock split of the Commons Shares payable September 5, 1997 to shareholders of record on August 21, 1997. The stock split increased by 50% the number of Common Shares outstanding on September 5, 1997. As of September \_\_\_\_, 1997 there were \_\_\_\_\_ Common Shares issued and outstanding, \_\_\_\_\_ Common Shares reserved for issuance under the 1997 Shareholder Rights Agreement, and \_\_\_\_\_ Common Shares reserved for issuance upon the exercise of stock options held by employees under Employee Stock Option and Stock Incentive Plans, leaving only \_\_\_\_\_ authorized, unissued and unreserved Commons Shares. As of September \_\_\_\_, 1997, there was no Serial Preferred Stock issued.

The availability of additional shares will enhance the Corporation's

flexibility in connection with possible future actions, such as stock dividends, stock splits, financing alternatives, employee benefit programs, acquisitions or other corporate actions. Although the Corporation has no present plans, arrangements, understandings or commitments to issue additional Common Shares, the Board of Directors believes that it is in the best interests of the Corporation to have the flexibility to issue such Common Shares without seeking shareholder approval at the time possible actions are identified. The Board of Directors will determine whether, when and on what terms the issuance of Common Shares may be warranted in connection with any of the foregoing purposes.

The availability for issuance of additional Common Shares could enable the Board of Directors to render more difficult or discourage an attempt to obtain control of the Corporation. For example, the issuance of Common Shares in a public or private sale, merger or similar transaction would increase the number of outstanding shares, thereby possibly diluting the interest of a party attempting to gain control of the Corporation. The Corporation is not aware, however, of any pending or threatened efforts to obtain control of the Corporation.

The additional Common Shares, like the presently authorized Common Shares, will not be subject to preemptive rights. The additional shares may be issued by the Board of Directors without further authorization by the shareholders, except in accordance with any requirements of applicable law or if required by the policies of the New York Stock Exchange. It is possible that under certain circumstances the issuance of such shares may result in dilution of shareholders' voting rights and per share equity in the earnings and assets of the Corporation.

Change in Principal Place of Business. In August 1997, the Corporation moved to a new state-of-the-art headquarters facility in Mayfield Heights, Ohio from its previous headquarters in Cleveland, Ohio. Accordingly, the Board of Directors recommends that the Corporation adopt an amendment to the Corporation's Amended Articles of Incorporation to change the location of the Corporation's principal place of business in the State of Ohio from Cleveland to Mayfield Heights.

Vote Required for Adoption of the Amended Articles. The increase in the number of authorized shares and the change in the location of the Corporation's principal place of business would be effected by the adoption of amendments to the Amended Articles of Incorporation. No change other than the increase in the number of authorized Common Shares from 300,000,000 to 600,000,000 and the change in the location of the Corporation's principal place of business will be made in the existing Amended Articles. Adoption of each of the amendments to the Amended Articles of Incorporation requires the affirmative vote of the holders of at least two-thirds of the outstanding Common Shares.

The Board of Directors unanimously recommends a vote FOR adoption of the amendments to the Amended Articles of Incorporation.

#### AMENDMENT TO 1993 STOCK INCENTIVE PROGRAM

General. In 1993, the shareholders of the Corporation approved the 1993 Stock Incentive Program (the "1993 Program") in order to permit the Corporation to continue to provide a long-term incentive to key employees by encouraging them to participate in the Corporation's anticipated future growth through the ownership of the Corporation's Common Shares made available through the grant of stock options and other forms of stock incentives. The 1993 Program permits the Corporation to grant to key employees non-qualified stock options ("NQSOs"), incentive stock options ("ISOs"), stock appreciation rights, restricted stock, incentive shares and dividend equivalent rights. The 1993 Program is administered by the Compensation and Management Development Committee of the Board of Directors which must be comprised of at least three non-employee Directors of the Corporation. The 1993 Program provides for the annual grant of awards in an amount not in excess of 1.5% of the Common Shares outstanding on June 30 of the immediately preceding fiscal year, provided that Common Shares available for awards in any fiscal year that are not utilized will be available for use in subsequent years. In no event will the number of Common Shares available for awards in any fiscal year exceed 2.5% of the Common Shares outstanding on June 30 of the previous fiscal year. The amount and terms of any awards are subject to the sole discretion of the Committee; provided, however, that all stock option exercise prices must be at least 100% of the fair market value of the Common Shares at the time of grant.

Subject to limited exceptions, the Board of Directors may amend the 1993 Program or any award granted thereunder without the approval of the shareholders. The 1993 Program will continue in effect until terminated by the Board of Directors. The New York Stock Exchange closing price for the Corporation's Common Shares on September \_\_\_\_, 1997 was \$\_\_\_\_\_.

Eligibility. The persons eligible to receive awards under the 1993

Program are those key salaried employees of the Corporation or its subsidiaries with executive, managerial, technical or professional responsibility, including an officer who is also a Director. The Committee, in its sole discretion, selects those persons entitled to participate in the 1993 Program. There are approximately 900 employees of the Corporation eligible to participate in the 1993 Program.

The Committee determines, subject to the terms of the 1993 Program, the individuals to whom awards will be granted, the number and type of awards to be granted and the terms and conditions of any award granted. The Committee is also authorized to adopt rules, guidelines and practices governing the 1993 Program and to interpret the provisions of the 1993 Program and any awards.

Income Tax Treatment of Options. Generally there are no federal income tax consequences to the Corporation or to the recipient of ISOs either at the time of grant or at the time of exercise of such options, except that the excess of the fair market value at the time of exercise of Common Shares acquired on exercise of ISOs over the option price may be subject to the alternative minimum tax. If Common Shares acquired on exercise of ISOs are held for at least two years after the date of grant and for one year after acquisition of the Common Shares by the optionee upon exercise, then any gain or loss on subsequent disposition of the Common Shares will be treated for federal income tax purposes as long-term capital gain or loss. If the foregoing holding period requirements are not met, gain recognized on disposition of the Common Shares is taxable as ordinary income to the optionee to the extent of the excess, if any, of the fair market value of the Common Shares acquired on the exercise date over the option price, and the Corporation will become entitled to a deduction in the same amount. Any further gain or loss to the optionee will be taxed as short-term or long-term capital gain depending on the holding period.

A NQSO issued under the 1993 Program will not result in any taxable income to the optionee or deduction to the Corporation at the time it is granted. Unlike an ISO, the holder of a NQSO will be deemed to have received compensation, taxable as ordinary income, at the time of exercise of the option in an amount equal to the difference between the fair market value of the Common Shares at the time of exercise and the option price, and the Corporation will at the same time become entitled to a tax deduction of like amount. If the Common Shares acquired are later sold or exchanged, the difference between the sale price and the fair market value of the shares on date of exercise of the option is taxable as long-term or short-term capital gain or loss depending on the holding period.

Amendment. The Board of Directors seeks approval to amend the 1993 Program solely with respect to limiting the number of stock options granted to any individual in a three-year period. Other than this amendment, the 1993 Program will remain as currently in effect. Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid, or otherwise taxable, to persons named in the Summary Compensation Table and employed by the Company at the end of the applicable year. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. In the case of stock options, one requirement is that the 1993 Program state a maximum number of shares with respect to which stock options may be granted during a specified period. The 1993 Program, as amended, provides that no employee shall be granted stock options for more than 500,000 shares of Common Stock in a three-year period, thereby satisfying the new requirement.

Set forth below is a table showing the number and dollar value of shares of restricted stock granted in fiscal year 1997 and the number of stock options which are outstanding as of August 20, 1997 under the 1993 Program for each of the named executive officers in the Summary Compensation Table on page \_\_\_\_, all current executive officers as a group, and all employees (except executive officers) as a group:

Name	Number of Options	Number of Shares and Value of Restricted Stock Granted in FY97
Duane E. Collins	_____	\$ _____
Dennis W. Sullivan	_____	\$ _____
Donald A. Zito	_____	\$ _____
Michael J. Hiemstra	_____	\$ _____
Stephen L. Hayes	_____	\$ _____
All current executive officers as a group	_____	\$ _____
All employees (except executive officers) as a group	_____	\$ _____

Approval of the amendment to the 1993 Program requires the affirmative

vote of the holders of at least a majority of the votes present or represented and entitled to vote on the proposal at the Annual Meeting.

The Board of Directors recommends a VOTE FOR approval of the amendment.

APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee and the Board of Directors recommend the appointment of Coopers & Lybrand L.L.P. as certified public accountants to examine the financial statements of the Corporation as of and for the fiscal year ending June 30, 1998. Coopers & Lybrand L.L.P. has made the annual audit of the Corporation's accounts since its organization in 1938. A representative of Coopers & Lybrand L.L.P. is expected to be present at the meeting with an opportunity to make a statement if he desires to do so and to respond to appropriate questions. Ratification of the appointment of Coopers & Lybrand L.L.P. as certified public accountants requires the affirmative vote of a majority of the votes cast thereon.

The Board of Directors unanimously recommends a vote FOR the proposal.

PRINCIPAL SHAREHOLDERS OF THE CORPORATION

The following table sets forth, as of August 20, 1997, the name and address of each person believed to be a beneficial owner of more than 5% of the Common Shares of the Corporation, the number of shares and the percentage so owned, as well as the beneficial ownership of Common Shares of the Corporation by the Directors, the executive officers of the Corporation named in the Summary Compensation Table on page \_\_\_\_\_, and all Directors and executive officers as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (A) (B)	Percentage of Class (C)
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	5,740,000 (D)	7.73%
Trimark Financial Corporation One First Canadian Place Suite 5600 Toronto, Ontario M5X 1E5	4,010,000 (E)	5.4%
J. G. Breen	_____	
P. C. Ely	_____	
A. H. Ford	_____	
F. A. LePage	_____	
P. W. Likins	_____	
H. R. Ortino	_____	
P. S. Parker	_____ (F)	
A. L. Rayfield	_____	
P. G. Schloemer	_____ (F)	
W. R. Schmitt	_____	
D. L. Starnes	_____	
S. A. Streeter	_____	
M. A. Treschow	_____	
D. E. Collins	_____ (F)	
D. W. Sullivan	_____ (F)	
D. A. Zito	_____ (F)	
M. J. Hiemstra	_____ (F)	
S. L. Hayes	_____ (F)	
All Directors and executive officers as a group (27 persons)	_____ (F)	____%

(A) Unless otherwise indicated, the beneficial owner has sole voting and investment power.

(B) All share amounts have been adjusted for the three-shares-for-two common stock split paid on September 5, 1997.

(C) No Director or executive officer beneficially owned more than 1% of the Corporation's Common Stock as of August 20, 1997.

(D) Pursuant to a statement filed by Capital Research and Management Company with the SEC in accordance with Rule 13d-1 of the Securities Exchange Act of 1934, Capital Research Development Company has reported that as of December 31, 1996, it had sole voting power over

\_\_\_\_\_ Common Shares and sole investment power over \_\_\_\_\_  
Common Shares.

- (E) Pursuant to a statement filed by Trimark Financial Corporation with SEC in accordance with Rule 13d-1 of the Securities Exchange Act of 1934, Trimark Financial Corporation has reported that as of December 31, 1996, it had sole voting and investment power over 4,010,000 Common Shares.
- (F) These amounts include \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ Common Shares subject to options exercisable on or prior to October \_\_\_\_\_, 1997 granted under the Corporation's stock option plans held by Messrs. Parker, Schloemer, Collins, Sullivan, Zito, Hiemstra and Hayes and all Directors and executive officers as a group, respectively. Such Common Shares are deemed to be outstanding only for the purpose of computing the percentage of shares owned by each of the individuals and the officers and Directors as a group. These amounts also include \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ Common Shares as to which Messrs. Parker, Schloemer, Collins, Sullivan, Zito, Hiemstra, and Hayes and all Directors and executive officers as a group, respectively, hold voting power pursuant to the Corporation's Retirement Savings Plan as of June 30, 1997.

#### SHAREHOLDERS' PROPOSALS

The deadline for shareholders to submit proposals to be considered for inclusion in the proxy statement for the 1998 Annual Meeting of Shareholders is expected to be May 31, 1998.

#### GENERAL

The Board of Directors knows of no other matters which will be presented at the meeting. However, if any other matters properly come before the meeting or any adjournment, the person or persons voting the proxies will vote in accordance with their best judgment on such matters.

The Corporation will bear the expense of preparing, printing and mailing this Proxy Statement. In addition to solicitation by mail, officers and other employees of the Corporation may solicit the return of proxies. The Corporation will request banks, brokers and other custodians, nominees and fiduciaries to send proxy material to beneficial owners of Common Shares. The Corporation will, upon request, reimburse them for their expenses in so doing. The Corporation has retained Kissel-Blake Inc., 110 Wall Street, New York, New York, to assist in the solicitation of proxies at an anticipated cost of \$14,000, plus disbursements.

You are urged to sign and return your Proxy promptly in order to make certain your shares will be voted at the meeting. Shares represented by properly executed proxies will be voted in accordance with any specification made thereon and, if no specification is made, will be voted in favor of fixing at five the number of Directors in the class whose three-year term of office will expire in 2000 and for the election of the nominees for Directors in such class; in favor of the amendments to the Corporation's Amended Articles of Incorporation; in favor of the amendment to the Corporation's 1993 Stock Incentive Program; and in favor of the appointment of Coopers & Lybrand L.L.P. as independent public accountants for the fiscal year ending June 30, 1998. Abstentions and broker non-votes are counted in determining the votes present at a meeting. Consequently, an abstention or a broker non-vote has the same effect as a vote against a proposal, as each abstention or broker non-vote would be one less vote in favor of a proposal. You may revoke your Proxy by giving notice to the Corporation in writing or in open meeting, without affecting any vote previously taken. However, your mere presence at the meeting will not operate to revoke your Proxy.

The Annual Report of the Corporation, including financial statements for the fiscal year ended June 30, 1997, is being mailed to shareholders with this Proxy Statement.

By Order of the Board of Directors

JOSEPH D. WHITEMAN  
JOSEPH D. WHITEMAN  
Secretary

September 22, 1997

PARKER-HANNIFIN CORPORATION  
PROXY FOR ANNUAL MEETING OF SHAREHOLDERS ON OCTOBER 22, 1997  
This Proxy is Solicited on behalf of the Board of Directors

The undersigned hereby appoints PATRICK S. PARKER, DUANE E. COLLINS and JOSEPH D. WHITEMAN, and any of them, as proxies to represent and to vote all shares of stock of Parker-Hannifin Corporation which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Corporation to be held on October 22, 1997, and at any adjournments thereof, on the proposals more fully described in the Proxy Statement for the Meeting in the manner specified herein and on any other business that may properly come before the Meeting.

PLEASE VOTE, DATE AND SIGN ON REVERSE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

Please sign exactly as your name(s) appear(s) hereon. Executors, administrators, guardians, officers of corporations and other signing in a fiduciary capacity should state their full titles as such.

You are encouraged to specify your choices by marking the appropriate boxes (SEE REVERSE SIDE) but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. The Proxies cannot vote your shares unless you sign and return this Card.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

_____	_____
_____	_____
_____	_____

[X] PLEASE MARK VOTES  
AS IN THIS EXAMPLE

WITH- FOR ALL  
FOR HOLD EXCEPT

PARKER-HANNIFIN CORPORATION	1.Election of Directors	[ ]	[ ]	[ ]
	Duane E. Collins	Allen H. Ford		
	Allan L. Rayfield	Paul G. Schloemer		
	Michael A. Treschow			

RECORD DATE SHARES:

INSTRUCTION: To withhold authority to vote for a particular nominee, mark the "For All Except" box and strike a line through the name(s) of the nominee(s). Your shares will be voted for the remaining nominee(s).

FOR AGAINST ABSTAIN

2.Amendment to Amended Articles of Incorporation to increase authorized shares.	[ ]	[ ]	[ ]
3.Amendment to Amended Articles of Incorporation to change principal place of business.	[ ]	[ ]	[ ]
4.Amendment to 1993 Stock Incentive Program.	[ ]	[ ]	[ ]
5.Appointment of Coopers & Lybrand L.L.P. as auditors for FY98.	[ ]	[ ]	[ ]

Please be sure to sign and date this Proxy.

\_\_\_\_\_  
Signature and Date

The Board of Directors recommends a vote FOR Items 1, 2, 3, 4 and 5.

\_\_\_\_\_  
Signature and Date

Mark box at right if an address change or [ ] comment has been noted on the reverse side of this card.



Parker-Hannifin Corporation 1993 Stock Incentive Program

Effective: April 22, 1993

Amended: August 15, 1996

Proposed Amendment Effective: October 22, 1997

1. Purpose.

The 1993 Stock Incentive Program 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 Program, except where the context otherwise indicates, the following definitions apply:

(a) "Award" means a stock option, stock appreciation right ("SAR"), restricted stock, incentive share, dividend equivalent right ("DER"), or other award under this Program.

(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

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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

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(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 Program 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 Program, 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, as in effect from time to time.

(e) "Compensation and Management Development 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 the disinterested administration standard set forth in Rule 16b-3.

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

(g) "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.

(h) "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 for 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 employee during or after employment with the Corporation; or (iii) fraud, embezzlement, theft-in-office or other illegal activity.

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(i) "Dividend equivalent right," herein sometimes called a "DER," means the right of the holder 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 12(a) below.

(j) "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.

(k) "Employee" means a regular employee of the Corporation or one of its

Subsidiaries.

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

(m) "Fair market value" in relation to a share as of any specific time shall mean such value as reported for 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.

(n) "Grantee" means a recipient of an award under this Program.

(o) "Incentive share" means an award of shares granted pursuant to Section 11 below.

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

(q) "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.

(r) "Restricted stock" means any share issued with the restriction that the holder 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 grant.

(s) "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 Program.

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

(u) "Shareholder-approved plan" means any of the plans constituting parts of any of the incentive programs previously or hereafter approved by shareholders of the Corporation.

(v) "Stock appreciation right," herein sometimes called an "SAR," means the right of the holder 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 9 below.

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

(x) "Terminate" 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.

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(y) "Terminate normally" for an employee participating in this Program means 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 program, 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.

(z) "Year" means fiscal year.

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 Program. The Committee will, subject to the terms of the Program, 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) determine the terms, conditions, vesting periods and restrictions applicable to awards; (v) adopt, alter and repeal administrative rules and practices governing this Program; (vi) interpret the terms and provisions of this Program and any awards granted under this Program; (vii) prescribe the forms of any notices of awards or other instruments relating to awards; and (viii) otherwise supervise the administration of this Program. 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 Program shall be binding and conclusive upon the individual employees involved and all persons claiming under them.

(c) With respect to Insiders, transactions under this Program are intended to comply with all applicable conditions of Rule 16b-3. To the extent any provision of this Program or any action by the Committee under this Program 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 Program shall be deemed issued subject to the foregoing qualification.

(d) An award under this Program is not transferable except, as provided in the award, by will, pursuant to the laws of descent and distribution, or pursuant to a qualified domestic relations order, and is not subject, in whole or in part, to attachment, execution, or levy of any kind. The designation by a grantee of a designated beneficiary shall not constitute a transfer. Notwithstanding the foregoing, an employee may transfer any nonqualified stock option granted under this Plan to members of his immediate family (defined as

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his children, grandchildren and spouse) or to one or more trusts for the benefit of such family members or partnerships in which such family members are the only partners if the instrument evidencing such stock option expressly so provides (or is amended to so provide) and the employee does not receive any consideration for the transfer; provided that any such transferred stock option shall continue to be subject to the same terms and conditions that are applicable to such stock option immediately prior to its transfer (except that such transferred stock option shall not be further transferable by the transferee inter vivos).

(e) Any rights with respect to an award granted under this Program 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 Program or any awards granted under this Program to fail to qualify for the exemption provided by Rule 16b-3.

(h) This Program 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.

#### 5. Term.

This Program will continue in effect until terminated by the Board.

#### 6. Awards That May Be Granted.

The aggregate number of shares that may be subject to awards granted under this Program in any fiscal year, subject to adjustment as provided in Section 7 below, will be equal to the sum of (a) one and one-half percent (1.5%) of the number of shares outstanding on the last day of the previous fiscal year; plus (b) the number of shares that were available for the grant of awards in previous fiscal years; provided, that, in no event will the number of shares available for the grant of awards in any fiscal year exceed two and one-half percent (2.5%) of the shares outstanding on the last day of the previous fiscal year. The aggregate number of shares that may be issued upon exercise of ISOs is 1,000,000. When an unexercised award lapses, expires, terminates or is forfeited, the related shares may be available for distribution in connection with future awards but will continue to be subject to the 2.5% maximum described above. The assumption of awards granted by an organization acquired by the Corporation, or the grant of awards under this Program in substitution for any such awards, will not reduce the number of shares available in any fiscal year for the grant of awards under this Program.

#### 7. Adjustments.

In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase common stock of the Corporation at a price

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substantially below fair market value, or other similar corporate event affects the common stock 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 Program, then the Committee shall, in its sole discretion, and in such manner as the Committee may deem equitable, adjust any or all of (a) the number and kind of shares which thereafter may be the subject of Awards under this Program, (b) the number and kind of shares subject to outstanding Awards, and (c) the exercise price with respect to any of the foregoing.

#### 8. Stock Options.

One or more stock options can be granted to any eligible employee. No employee may be granted stock options for more than 500,000 shares of common stock 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 grant, but shall in no instance be

less than 100 percent of fair market value at the time of grant. 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 Program and any applicable regulations of the Committee in effect at the time and valued at fair market value on the date of exercise of the stock option. Stock options granted hereunder may be designated as ISOs (except to the extent otherwise specified in this Section 8) or nonqualified stock options. 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 must comply with requirements of Section 422 of the Code.

9. Stock Appreciation Rights.

(a) An SAR may be granted to an eligible employee as a separate award hereunder. Any such 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 holder thereof, 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 grant of such SAR (which shall in no instance be less than 100 percent of fair market value at the time of grant) times the number of shares specified in such SAR, or portion thereof, which is so exercised.

(b) Any stock option granted under this Program may include an SAR, either at the time of grant 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 optionee 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

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excess of the fair market value, at the time of exercise of such SAR, of one share over the exercise price specified in such stock option times the number of shares specified in such stock option, or portion thereof, which is so surrendered.

(c) 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 grant.

(d) 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.

10. Restricted Stock.

(a) An award of restricted stock may be granted hereunder to an eligible employee, for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant. The terms and conditions of restricted stock, including the vesting period, shall be specified by the Committee, at its sole discretion, in the grant.

(b) Any 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.

11. Incentive Shares.

(a) An incentive award may be granted hereunder in the form of shares. Incentive shares may be granted to an eligible employee for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant. The terms and conditions of incentive shares shall be specified by the grant.

(b) Incentive shares may be paid to the grantee in a single installment or in installments and may be paid at the time of grant or deferred to a later date or dates. Each grant shall specify the time and method of payment as determined by the Committee.

12. 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 grant. Dividend equivalents credited to the holder of a DER may be paid currently or may be deemed to be reinvested in additional shares (which may thereafter accrue additional dividend equivalents). 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.

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(b) Any award under this Program that is settled in whole or in part in cash on a deferred basis may provide by the grant 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 grant.

13. 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 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.

14. 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 in accordance with rules established by the Committee. These rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of the awards.

15. 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 Program 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 Program and of any notice of award and has not engaged in any detrimental activity.

16. Change in Control.

The Committee may in its discretion and upon such terms as it deems appropriate, accelerate the date on which any outstanding option or SAR becomes exercisable or waive the restrictions or other terms and conditions on the vesting of any restricted or incentive shares in the event of a 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 person 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 and the option price.

17. 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 16 may vary from the terms and provisions otherwise specified in this Program and may, instead, correspond to the terms and provisions of the awards granted by the other corporation.

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18. Amendments to This Program; Amendments of Outstanding Awards.

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

(b) The Committee may, in its discretion, 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, waive any restrictions or conditions applicable to, or accelerate the vesting of, any award.

19. Withholding Taxes.

The Corporation shall have the right to deduct from any cash payment made under this Program 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 or securities of the Corporation upon exercise of a stock option or SAR, upon settlement of a DER, upon delivery of restricted stock or incentive shares, or upon exercise, settlement, or payment of any other award under this Program, 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 Program may provide by the grant that the grantee of such award may elect, in accordance with any applicable regulations of the granting authority, 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 equal to the amount of such required or permitted withholding taxes to be paid in shares.

20. Grants of Awards to Employees Who are Foreign Nationals.

Without amending this Program, but subject to the limitations specified in Section 18 above, the Committee can 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 Program as may in the judgment of the granting authority be necessary or desirable to foster and promote achievement of the purposes of this Program.

21. Rights of Employees.

Nothing in this Program 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.

22. Effective Date.

This Program was ratified by the Board and became effective on April 22, 1993, subject to approval of the shareholders on or before October 28, 1993. Awards may be granted prior to approval of the Program by shareholders, but no such award may be exercised until after the Program has been approved by shareholders. If the shareholders do not approve the Program on or before October 28, 1993, all awards granted under the Program shall terminate.