

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

FORM 10-Q

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

For the quarterly period ended September 30, 2002

OR

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

For the transition period from _____ to _____

Commission File number 1-4982

PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

OHIO

34-0451060

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

6035 Parkland Blvd., Cleveland, Ohio

44124-4141

(Address of principal executive offices)

(Zip Code)

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

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Number of Common Shares outstanding at September 30, 2002 118,037,791

PART I - FINANCIAL INFORMATION

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

	Three Months Ended September 30,	
	2002	2001
Net sales	\$ 1,585,904	\$ 1,475,867
Cost of sales	1,299,890	1,197,625
Gross profit	286,014	278,242
Selling, general and administrative expenses	176,255	165,415
Interest expense	19,694	20,454
Interest and other (income) expense, net	(1,626)	(117)
Income before income taxes	91,691	92,490
Income taxes	30,716	31,909
Net income	\$ 60,975	\$ 60,581
	=====	=====
Earnings per share - basic	\$.52	\$.53
Earnings per share - diluted	\$.52	\$.52
Cash dividends per common share	\$.18	\$.18

See accompanying notes to consolidated financial statements.

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

ASSETS	September 30, 2002	June 30, 2002
Current assets:		
Cash and cash equivalents	\$ 45,730	\$ 46,384
Accounts receivable, net	945,861	1,006,313
Inventories:		
Finished products	507,905	531,821
Work in process	383,495	353,410
Raw materials	154,942	166,737
	1,046,342	1,051,968
Prepaid expenses	44,998	48,532
Deferred income taxes	80,386	82,421
	2,163,317	2,235,618
Plant and equipment		
Less accumulated depreciation	3,387,886	3,354,258
	1,705,928	1,657,293
	1,681,958	1,696,965
Goodwill	1,063,925	1,083,768
Intangible assets, net	58,487	51,286
Other assets	658,730	684,946
	\$ 5,626,417	\$ 5,752,583
	=====	=====
LIABILITIES		

Current liabilities:		
Notes payable	\$ 453,130	\$ 416,693
Accounts payable, trade	413,912	443,525
Accrued liabilities	418,725	451,310
Accrued domestic and foreign taxes	51,372	48,309
	1,337,139	1,359,837
Long-term debt	955,312	1,088,883
Pensions and other postretirement benefits	502,289	508,313
Deferred income taxes	89,603	76,955
Other liabilities	128,916	135,079
	3,013,259	3,169,067
SHAREHOLDERS' EQUITY		

Serial preferred stock, \$.50 par value; authorized 3,000,000 shares; none issued	--	--
Common stock, \$.50 par value; authorized 600,000,000 shares; issued 118,155,629 shares at September 30 and 118,124,294 shares at June 30	59,078	59,062
Additional capital	380,445	378,918
Retained earnings	2,513,941	2,473,808
Unearned compensation related to guarantee of ESOP debt	(73,034)	(79,474)
Deferred compensation related to stock options	2,347	2,347
Accumulated other comprehensive (loss)	(265,273)	(247,497)
	2,617,504	2,587,164
Less treasury shares, at cost: 117,838 shares at September 30 and 100,130 shares at June 30	(4,346)	(3,648)
	2,613,158	2,583,516
Total shareholders' equity	2,613,158	2,583,516
	\$ 5,626,417	\$ 5,752,583
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
<hr style="border-top: 1px dashed black;"/>		
Net income	\$ 60,975	\$ 60,581
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	60,902	59,159
Amortization	3,171	2,604
Deferred income taxes	11,726	(8,750)
Foreign currency transaction loss	3,757	1,342
Loss (gain) on sale of plant and equipment	82	(104)
Changes in assets and liabilities:		
Accounts receivable	55,260	68,870
Inventories	1,373	2,522
Prepaid expenses	3,879	10,168
Net assets held for sale		27,211
Other assets	23,554	14,331
Accounts payable, trade	(29,811)	(10,427)
Accrued payrolls and other compensation	(35,900)	(43,599)
Accrued domestic and foreign taxes	11,266	14,485
Other accrued liabilities	(7,949)	7,537
Pensions and other postretirement benefits	(5,978)	(4,492)
Other liabilities	(11,154)	1,659
	145,153	203,097
CASH FLOWS FROM INVESTING ACTIVITIES		
<hr style="border-top: 1px dashed black;"/>		
Acquisitions (less acquired cash of \$8 in 2002)	(1,987)	(135,545)
Capital expenditures	(38,614)	(59,296)
Proceeds from sale of plant and equipment	2,216	5,679
Other	2,717	(15,391)
	(35,668)	(204,553)
CASH FLOWS FROM FINANCING ACTIVITIES		
<hr style="border-top: 1px dashed black;"/>		
Net proceeds from (payments for) common share activity	845	(149)
(Payments of) proceeds from notes payable, net	(89,639)	33,838
Proceeds from long-term borrowings	10	5,842
Payments of long-term borrowings	(585)	(3,837)
Dividends	(20,842)	(20,731)
	(110,211)	14,963
Effect of exchange rate changes on cash	72	(1,688)
	(654)	11,819
Net (decrease) increase in cash and cash equivalents	46,384	23,565
Cash and cash equivalents at beginning of year		23,565
Cash and cash equivalents at end of period	\$ 45,730	\$ 35,384

See accompanying notes to consolidated financial statements.

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

The Company operates in two principal industry segments: Industrial and Aerospace. The Industrial Segment is the largest and includes a significant portion of International operations.

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

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

The Company also reports an Other Segment consisting of several business units which produce motion-control and fluid power control components for use primarily in the transportation industry and refrigeration and air conditioning industry, a business unit which designs and manufactures custom-engineered buildings and a business unit which develops and manufactures chemical car care and industrial products. In June 2002, the Company divested the businesses which were part of the Other Segment which administers vehicle service contract programs and product-related service programs. Net sales and segment operating income of the divested businesses for the three months ended September 30, 2001 were \$26,528 and \$1,858, respectively.

Business Segment Results by Industry

	Three Months Ended September 30,	
	2002	2001
Net sales		
Industrial:		
North America	\$ 727,577	\$ 650,840
International	365,659	296,291
Aerospace	277,321	312,500
Other	215,347	216,236
	-----	-----
Total	\$ 1,585,904	\$ 1,475,867
	=====	=====
Segment operating income		
Industrial:		
North America	\$ 51,045	\$ 40,465
International	26,646	19,828
Aerospace	42,533	56,892
Other	18,844	16,992
	-----	-----
Total segment operating income	139,068	134,177
Corporate general and administrative expenses	20,098	16,939
	-----	-----
Income before interest expense and other	118,970	117,238
Interest expense	19,694	20,454
Other expense (income)	7,585	4,294
	-----	-----
Income before income taxes	\$ 91,691	\$ 92,490
	=====	=====

PARKER-HANNIFIN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except per share amounts

1. Management representation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2002, the results of operations for the three months ended September 30, 2002 and 2001 and cash flows for the three months then ended.

2. Adoption of new accounting pronouncements

Effective July 1, 2002 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The implementation of these accounting pronouncements did not have a material effect on the Company's results of operations, financial position or cash flows.

3. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three months ended September 30, 2002 and 2001.

	Three Months Ended September 30,	
	2002	2001

Numerator:		

Net income applicable to common shares	\$ 60,975	\$ 60,581
Denominator:		

Basic - weighted average common shares	116,232,630	115,166,914
Increase in weighted average from dilutive effect of exercise of stock options	375,105	585,784

Diluted - weighted average common shares, assuming exercise of stock options	116,607,735	115,752,698
	=====	
Basic earnings per share	\$.52	\$.53
Diluted earnings per share	\$.52	\$.52

At September 30, 2002 and 2001, 5.64 million and 4.72 million of common shares, respectively, subject to stock options were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

4. Stock repurchase program

The Board of Directors has approved a program to repurchase the Company's common stock on the open market, at prevailing prices. The repurchase is primarily funded from operating cash flows and the shares are initially held as treasury stock. During the three-month period ended September 30, 2002 the Company purchased 15,000 shares of its common stock at an average price of \$37.84 per share.

5. Comprehensive income

The Company's items of other comprehensive income (loss) are foreign currency translation adjustments and unrealized gains (losses) on marketable securities. Comprehensive income for the three months ended September 30, 2002 and 2001 was as follows:

	Three Months Ended September 30,	
	2002	2001
Net income	\$ 60,975	\$ 60,581
Foreign currency translation adjustments	(17,916)	10,886
Unrealized gain (loss) on marketable securities (net of taxes of \$85 in 2002 and \$3,177 in 2001)	140	(5,273)
Comprehensive income	\$ 43,199	\$ 66,194

6. Business realignment charges

During the first quarter of fiscal 2003, the Company recorded a \$2,394 charge (\$1,699 after-tax or \$.01 per share) for the costs of appropriately structuring its businesses to operate in their current economic environment. The charge primarily relates to severance costs attributable to 123 employees in the Industrial Segment. As of September 30, 2002, the Company has made the majority of severance payments with the remaining payments expected to be made by June 30, 2003. The business realignment costs are presented in the Consolidated Statement of Income for the three months ended September 30, 2002 as follows: \$1,539 in Cost of sales and \$855 in Selling, general and administrative expenses.

During the first quarter of fiscal 2002, the Company recorded a \$5,041 charge (\$3,302 after-tax or \$.03 per share) for the costs of appropriately structuring its businesses to operate in their then current economic environment. The charge primarily related to severance costs attributable to 288 employees in the Industrial Segment, 139 employees in the Aerospace Segment and 8 employees in the Other Segment. All severance payments have been made. Of the pre-tax amount, \$3,317 related to the Industrial Segment, \$1,207 related to the Aerospace Segment and \$517 related to the Other Segment. The business realignment costs are presented in the Consolidated Statement of Income for the three months ended September 30, 2001 as follows: \$4,634 in Cost of sales and \$407 in Selling, general and administrative expenses.

7. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the three months ended September 30, 2002 are as follows:

	Industrial Segment	Aerospace Segment	Other Segment	Total
Balance as of June 30, 2002	\$829,044	\$76,216	\$178,508	\$1,083,768
Goodwill adjustments and other	(20,946)	(40)	1,143	(19,843)
Balance as of September 30, 2002	\$808,098	\$76,176	\$179,651	\$1,063,925

"Goodwill adjustments and other" represents final adjustments to the purchase price allocation for acquisitions completed within the last twelve months and foreign currency translation adjustments.

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

	September 30, 2002		June 30, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 22,355	\$ 10,280	\$ 22,356	\$ 9,930
Trademarks	19,482	900	17,058	644
Engineering drawings and other	31,091	3,261	24,576	2,130
Total	\$ 72,928	\$ 14,441	\$ 63,990	\$ 12,704

Total intangible amortization expense for the three months ended September 30, 2002 was \$2,012. The estimated amortization expense for the five years ending June 30, 2003 through 2007 is \$7,250, \$7,567, \$6,475, \$5,165 and \$4,765, respectively.

PARKER-HANNIFIN CORPORATION

FORM 10-Q

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002
AND COMPARABLE PERIOD ENDED SEPTEMBER 30, 2001

CONSOLIDATED STATEMENT OF INCOME

Net sales for the first quarter of fiscal 2003 were \$1,585.9 million, a 7.5 percent increase over prior-year first quarter sales of \$1,475.9 million. Without acquisitions, net sales decreased slightly, primarily the result of lower volume in the Aerospace Segment offsetting an increase in volume in the Industrial Segment.

Income from operations in the current quarter was \$109.8 million, a 2.7 percent decrease over the prior-year quarter income from operations of \$112.8 million. As a percent of sales, current-year operating income decreased to 6.9 percent from 7.7 percent in the prior year. Cost of sales, as a percent of sales, increased to 82.0 percent from 81.1 percent. Included in current-year and prior-year income from operations was \$2.4 million and \$5.0 million, respectively, in business realignment charges (see Note 6 on page 7 for further discussion). Excluding the business realignment charges, current-year operating income, as a percent of sales, decreased to 7.1 percent from 8.0 percent in the prior year. Excluding the business realignment charges, cost of sales, as a percent of sales, increased to 81.9 percent from 80.8 percent. The decreasing margins reflect the lower volume in the Aerospace Segment partially offset by higher volume and operating efficiencies experienced in the Industrial Segment. Selling, general and administrative expenses, as a percent of sales, were 11.1 percent compared to 11.2 percent in the prior year.

Interest expense for the current-year quarter decreased 3.7 percent due primarily to lower weighted-average interest rates.

The effective tax rate decreased to 33.5 percent for the current-year quarter, compared to 34.5 percent in the prior-year quarter. The decrease in the rate is primarily due to a lower foreign tax rate.

Net income for the quarter was \$61.0 million compared to \$60.6 million in the prior year. Net income decreased to 3.8 percent of sales compared to 4.1 percent in the prior-year. Net income in the current year quarter was adversely affected by an additional expense of approximately \$6.4 million related to domestic qualified defined benefit plans, resulting primarily from the lower market value of plan assets.

Backlog decreased to \$1.81 billion at September 30, 2002 compared to \$1.91 billion in the prior year and \$1.86 billion at June 30, 2002. The decrease in backlog reflects shipments exceeding new order rates across most markets in the Industrial North American operations as well as a decrease in Aerospace order rates.

RESULTS BY BUSINESS SEGMENT

INDUSTRIAL - Net sales of the Industrial Segment increased 15.4 percent to \$1,093.2 million compared to \$947.1 million in the first quarter of fiscal 2002. Industrial North American sales increased 11.8 percent and Industrial International sales increased 23.4 percent. Without the effect of currency rate changes, International sales would have increased 17.4 percent. Without the effect of acquisitions, North American sales increased 2.6 percent, and International sales increased 10.6 percent. The increase in Industrial North American sales reflects higher end-user demand experienced across most of the Industrial North American markets, particularly in the agriculture, construction and semi-conductor manufacturing markets. The increase in International Industrial sales is attributed to higher volume

across most markets in Europe and the Asia Pacific region partially offset by lower demand in Latin America.

Operating income for the Industrial Segment increased 28.9 percent to \$77.7 million compared to \$60.3 million in the prior year with Industrial North American operating income increasing 26.1 percent and Industrial International operating income increasing 34.4 percent. Included in Industrial North American current-year and prior-year operating income was \$0.9 million and \$2.5 million, respectively, of business realignment charges and included in Industrial International current-year and prior-year operating income was \$1.1 million and \$0.8 million, respectively, of business realignment charges. These charges were made as a result of actions the Company took to appropriately structure the Industrial operations to operate in their current economic environment and primarily consisted of severance costs and costs relating to the consolidation of manufacturing product lines. Excluding the business realignment charges, Industrial North American operating income increased 20.8 percent from the prior year and Industrial International operating income increased 34.7 percent from the prior year.

Excluding business realignment charges, North American operating income, as a percent of sales, increased to 7.1 percent from 6.6 percent and Industrial International operating income, as a percent of sales, increased to 7.6 percent from 7.0 percent. The increase in Industrial North American margins is primarily due to higher sales volume experienced across most markets particularly in the construction, agriculture and semiconductor manufacturing markets as well as improved operating efficiencies. The increase in Industrial International margins is primarily due to the higher sales volume experienced across most European markets as well as improved operating efficiencies in Europe.

Industrial Segment backlog increased 2.0 percent compared to a year ago, and decreased 7.3 percent since June 30, 2002. Without acquisitions, Industrial Segment backlog decreased 3.0 percent from a year ago. The decline in backlog since June 30, 2002 is primarily due to shipments exceeding new order rates within most Industrial markets.

The volatility of the global economy has made it difficult to assess the business conditions that are likely to be experienced by the Industrial Segment operations for the remainder of fiscal year 2003. At the present time, business conditions are expected to be the same as those experienced in the first quarter with a more pronounced improvement in business conditions anticipated in the second half of the fiscal year. The second half improvement assumes the Industrial Segment markets experience an increase in current end-user demand, particularly in the heavy-duty truck, machine tool, semi-conductor manufacturing and agriculture markets. The economic uncertainties in Europe and Latin America may mitigate the anticipated growth in the Industrial International operations. The Company expects to continue to take the necessary actions to appropriately structure the Industrial Segment operations to operate in their current economic environment. Such actions may include the necessity to record additional business realignment charges in fiscal 2003.

AEROSPACE - Net sales of the Aerospace Segment decreased 11.3 percent to \$277.3 million compared to \$312.5 million in the prior year. Operating income decreased 25.2 percent to \$42.5 million compared to \$56.9 million in the prior year. Operating income for the current-year quarter and prior-year quarter includes \$0.4 million and \$1.2 million, respectively, in business realignment charges. These business realignment charges relate primarily to severance costs. Excluding the business realignment charges, operating income, as a percent of sales, decreased to 15.5 percent from 18.6 percent primarily due to lower sales in the commercial OEM and aftermarket businesses partially offset by an increase in volume in military business.

Backlog for the Aerospace Segment decreased 12.8 percent compared to a year ago and remained essentially unchanged since June 30, 2002. The decline in backlog from a year ago is primarily due to a decline in both commercial OEM and aftermarket order rates, partially offset by an increase in military order rates. For the remainder of the fiscal year, the Company expects further slowdowns in commercial OEM and aftermarket orders. However, an increase in orders is anticipated in the military and defense market.

OTHER - Net sales of the Other Segment for the current-year quarter were \$215.3 million compared to \$216.2 million in the prior year. Without the effect of acquisitions and the divestiture of the businesses which administer vehicle service contract programs and product-related service programs, sales increased 3.1 percent as a result of higher demand in the automotive and refrigeration and air conditioning markets. Operating income increased 10.9 percent to \$18.8 million compared to \$17.0 million in the prior year. Included in the prior-year operating income was \$1.9 million of income associated with the divested businesses and \$0.5 million in business realignment charges. Excluding the operating income from the divested businesses and the business realignment charges, operating income, as a percent of sales, increased to 8.8 percent from 8.2 percent primarily due to the higher sales volume.

Backlog for the Other Segment increased 38.7 percent compared to a year ago and decreased 7.5 percent since June 30, 2002. The increase in backlog from a year ago is primarily due to an increase in orders by the businesses that produce motion-control and fluid control system components for use primarily in the transportation industry and refrigeration and air conditioning industry. The decline in backlog from June 30, 2002 is due to a slowdown in order rates from major original equipment manufacturers. For the remainder of fiscal year 2003, business conditions are expected to track those of the Industrial Segment.

Corporate general and administrative expenses increased to \$20.1 million for fiscal 2003 compared to \$16.9 million in the prior year. As a percent of sales, corporate general and administrative expenses for the current-year quarter increased slightly to 1.3 percent compared to 1.1 percent in the prior year.

Included in Other expense (income) (in the Business Segment Results by Industry) in fiscal 2003 are currency transaction losses of \$4.7 million compared to \$2.3 million in fiscal 2002.

BALANCE SHEET

Working capital declined to \$826.2 million at September 30, 2002 from \$875.8 million at June 30, 2002, with the ratio of current assets to current liabilities remaining constant at 1.6:1. The working capital decrease was primarily due to a decrease in Accounts receivable and an increase in Notes payable, partially offset by a decrease in Accounts payable, trade and Accrued liabilities.

Accounts receivable decreased to \$945.9 million at September 30, 2002 from \$1,006.3 million at June 30, 2002, primarily due to a concerted effort to collect outstanding receivables. Days sales outstanding remained constant at 50 days during the quarter. Inventories decreased \$5.6 million since June 30, 2002, with days supply increasing slightly.

Plant and equipment, net of accumulated depreciation, decreased \$15.0 million since June 30, 2002, primarily as a result of depreciation exceeding capital expenditures.

The decrease in Goodwill since June 30, 2002 reflects final purchase price adjustments to the purchase price allocation for acquisitions completed within the last twelve months.

Other assets decreased \$26.2 million since June 30, 2002, primarily as a result of decreases in qualified benefit plan assets and other investment assets.

Accounts payable, trade decreased to \$413.9 million at September 30, 2002 from \$443.5 million at June 30, 2002, with the reduction occurring consistently throughout the operations.

Accrued liabilities decreased \$32.6 million since June 30, 2002 primarily as a result of lower incentive compensation accruals.

Due to the strength of the dollar, foreign currency translation adjustments resulted in a decrease in net assets of \$17.9 million during the first quarter of fiscal 2003. The translation adjustments primarily affected Accounts receivable, Inventories, Plant and equipment and Goodwill.

STATEMENT OF CASH FLOWS

Cash and cash equivalents decreased \$0.7 million for the first three months of fiscal 2003 after increasing \$11.8 million during the same period of fiscal 2002.

Net cash provided by operating activities was \$145.2 million for the three months ended September 30, 2002 compared to \$203.1 million for the same three months of 2001. The decrease in net cash provided by operating activities in 2002 is primarily due to a decrease in working capital, partially offset by an increase in deferred income taxes.

Net cash used in investing activities was \$35.7 million for the first three months of fiscal 2003 compared to \$204.6 million for fiscal 2002. The significant decrease in the amount of cash used in investing activities in 2003 is attributable to a reduction in acquisition activity and capital expenditures. The reduction of capital expenditures in 2003 can be attributed to a decline in product demand, the consolidation of manufacturing facilities and lean manufacturing initiatives.

Net cash used in financing activities was \$110.2 million in fiscal 2003 compared to providing cash of \$15.0 million in fiscal 2002. In fiscal 2003 the Company decreased its outstanding borrowings by a net total of \$90.2 million compared to an increase of \$35.8 million in fiscal 2002. The decrease in the borrowing level in 2003 was due to the decline in acquisition activity and capital expenditure requirements.

The Company's goal is to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. To meet this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-equity of 34 to 37 percent. The debt to debt-equity ratio at September 30, 2002 decreased to 35.0 percent compared to 36.8 percent as of June 30, 2002.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company enters into forward exchange contracts, costless collar contracts and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. The Company does not hold or issue derivative financial instruments for trading purposes. In addition, the Company's foreign locations, in the ordinary course of business, enter into financial guarantees through financial institutions which enable customers to be reimbursed in the event of nonperformance by the Company. The total carrying and fair value of open contracts and any risk to the Company as a result of these arrangements is not material to the Company's financial position, liquidity or results of operations.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. The Company's objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting its exposure to changes in near term interest rates. In addition, the Company has entered into an interest rate swap agreement for a \$200 million notional principal amount. The agreement is with a major financial institution and the risk of loss is considered remote. The carrying value and fair value of the swap agreement is not material to the Company's financial position, liquidity or results of operations.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this Report on Form 10-Q and other written reports and oral statements are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, earnings projections, events or developments are forward-looking statements. It is possible that the Company's future performance and earnings projections may differ materially from current expectations, depending on economic conditions within both the industrial and aerospace markets, and the Company's ability to achieve anticipated benefits associated with announced realignment activities and strategic initiatives to improve operating margins. Among other factors which may affect future performance are:

- .. changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments,
- .. uncertainties surrounding timing, successful completion or integration of acquisitions,
- .. threats associated with and efforts to combat terrorism,
- .. competitive market conditions and resulting effects on sales and pricing,
- .. increases in raw-material costs that cannot be recovered in product pricing, and
- .. global economic factors, including currency exchange rates, difficulties entering new markets and general economic conditions such as interest rates.

The Company undertakes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this Report.

CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) within 90 days prior to the filing date of this Form 10-Q. Based on this evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective.

The Company periodically conducts an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer as well as the Company's Audit Committee and independent auditors, of its internal controls and procedures. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of the most recent evaluation.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

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

Exhibit 10(a) Form of Executive Life Insurance Agreement entered into by the Registrant and certain executives (including executive officers), as restated.

Exhibit 10(b) Parker-Hannifin Corporation Savings Restoration Plan, as restated.

Exhibit 10(c) Parker-Hannifin Corporation Executive Deferral Plan, as restated.

(b) The Registrant filed a report on Form 8-K on August 14, 2002 to file under Item 9 the:

Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 with respect to the Registrant's Form 10-K for the fiscal year ended June 30, 2002; and

Statement Under Oath of Principal Executive Officer and Principal Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings in accordance with the order issued by the Securities and Exchange Commission dated June 27, 2002 under Section 21(a)(1) of the Securities Exchange Act of 1934.

SIGNATURE

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

PARKER-HANNIFIN CORPORATION
(Registrant)

/s/ Michael J. Hiemstra
Michael J. Hiemstra
Executive Vice President - Finance and
Administration and Chief Financial Officer

Date: October 31, 2002

CERTIFICATIONS

I, Donald E. Washkewicz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Donald E. Washkewicz
Donald E. Washkewicz
President and Chief Executive Officer

I, Michael J. Hiemstra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Michael J. Hiemstra
Michael J. Hiemstra
Executive Vice President - Finance and
Administration and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
10(a)	Form of Executive Life Insurance Agreement entered into by the Registrant and certain executives (including executive officers), as restated
10(b)	Parker-Hannifin Corporation Savings Restoration Plan, as restated
10(c)	Parker-Hannifin Corporation Executive Deferral Plan, as restated

EXHIBIT 10(a)
EXECUTIVE LIFE INSURANCE AGREEMENT

This Executive Life Insurance Agreement ("Agreement") is made, as of January 1, 2002, by and between Parker-Hannifin Corporation, an Ohio corporation (the "Corporation"), and _____ (the "Executive").

RECITALS

A. The Executive desires to insure his or her life for the benefit and protection of his or her family or designated beneficiary under the Policy (as defined below); and

B. The Corporation desires to help the Executive provide certain insurance for the benefit and protection of his or her family or designated beneficiary by providing funds to pay the premiums due on the Policy in accordance with this Agreement; and

C. The Executive, as owner of the Policy, desires to assign certain rights and interests in the Policy to the Corporation, to the extent provided herein, as security for repayment of certain funds provided by the Corporation for the acquisition and/or maintenance of the Policy.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the mutual agreements and covenants set forth below, the parties to this Agreement agree as follows:

1. Definitions. For purposes of this Agreement, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

(a) "Aggregate Premiums Paid" shall mean, at any time, an amount equal to (i) the cumulative premiums paid by the Corporation on the Policy, less (ii) any policy loans to the Corporation and accrued and unpaid interest thereon. Notwithstanding the foregoing, Aggregate Premiums Paid shall not include extra benefit riders or agreements, other than those providing additional life insurance coverage on the Executive, and shall not include premiums waived pursuant to the terms of any disability waiver of a premium rider.

(b) "Base Annual Salary" shall mean the base annual compensation, excluding profit-sharing, RONA, bonuses, commissions, overtime, relocation expenses, incentive payments, non-monetary awards, expatriate premiums and differentials, or perquisites paid or provided to the Executive for employment services rendered to the Corporation, before reduction for compensation deferred pursuant to all qualified, non-qualified and Code Section

125 plans of the Corporation. For purposes of determining the Executive's Base Annual Salary hereunder, beginning January 1 of each year, the Executive's Base Annual Salary as of the most recent preceding December 1 will be used (which means that the Executive's Base Annual Salary may be adjusted for the purposes of this Agreement only once a year).

(c) "Cash Surrender Value" shall mean an amount that equals, at any specified time, the cash surrender value as determined under the terms of the Policy.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Collateral Assignment" shall mean an assignment made by the Executive in favor of the Corporation in a form mutually agreed to by the Corporation and the Executive and accepted by the Insurer.

(f) "Collateral Interest" shall mean the Corporation's rights and interests in the Policy, as set forth in Section 6 below.

(g) "Disability" or "Disabled" shall mean a period of disability during which the Executive qualifies for benefits under the Corporation's long-term disability plan.

(h) "Executive's Death Benefit" shall mean an amount that is equal to the Executive's Base Annual Salary multiplied by:

- (i) three, prior to Retirement or Termination of Employment; or
- (ii) the Post-Retirement Multiple, after Retirement.

(i) "Insurer" shall mean Sun Life Assurance Company of Canada Ltd., its successors and assigns, or any other life insurance company issuing a Policy hereunder.

(j) "Minimum Retirement Cash Value" shall mean, on the Split Dollar Maturity Date, the minimum amount of cash value that is needed in the Policy to maintain the Executive Death Benefit after Retirement, determined on the date of Retirement, assuming that the Policy will be held without surrender, withdrawal or loan until the Executive reaches age 95 and that the fixed interest rate to be used to project earnings on the Policy up to age 95 is the Insurer's announced interest rate under the Policy on the Split Dollar Maturity Date.

(k) "Plan" shall mean the plan described in Section 8(a) below.

(l) "Policy" shall mean the following policy or policies on the life of the Executive that are issued by the Insurer:

Policy Number	Type of Policy
_____	_____
_____	_____
_____	_____
_____	_____

(m) "Post-Retirement Multiple" shall mean the death benefit multiple determined at the time of the Executive's Retirement based upon the Executive's age, as follows:

Age at Retirement	Post-Retirement Multiple
Under 55	0
55	1
56	1.1
57	1.2
58	1.3
59	1.4
60	1.5
61	1.6
62	1.7
63	1.8
64	1.9
65	2

(n) "Prime Rate" shall mean the prime rate of interest as published in the Wall Street Journal on the date of Termination of Employment.

(o) "Retirement" or "Retire" shall mean severance from full-time employment from the Corporation on or after the attainment of age fifty-five (55) for any reason other than an authorized leave of absence, death or Termination for Cause. In addition, a person who continues to be Disabled at least until age 55 (regardless of his or her employment status with the Corporation) shall be treated as having reached Retirement under this Agreement at the earlier of age 65 with continued Disability or the time the Executive ceases to be Disabled.

(p) "Split Dollar Maturity Date" shall mean the date on which the first of any of the following events occurs:

- (i) The Executive's Termination of Employment;
- (ii) Termination of this Agreement in accordance with Section 9 below;
- (iii) The later of the Executive's Retirement or the fifteenth anniversary of the Executive's participation in the Plan (the "Fifteenth Anniversary"); or
- (iv) The Executive's death.

The Disability of the Executive shall not cause the Split Dollar Maturity Date to occur and the Disabled Executive will continue participation in the Plan until Retirement or Termination of Employment.

(q) "Termination for Cause" shall mean termination of the Executive's employment by the Corporation as a result of activity by the Executive detrimental to the interests of the Corporation, including without limitation:

- (i) the rendering of services for an organization, or engaging in a business, that is in competition with the Corporation;
- (ii) the disclosure to anyone outside of the Corporation, or the use for any purpose other than the Corporation's business, of confidential information or material related to the Corporation;
- (iii) fraud, embezzlement, theft-in-office or other illegal activity; or
- (iv) violation of the Corporation's Code of Ethics.

(r) "Termination of Employment" shall mean the ceasing of full-time employment with the Corporation for any reason other than Retirement, death, Disability (except as provided below) or an authorized leave of absence. If the Executive becomes Disabled and subsequently ceases to be Disabled before age 55 and does not return to employment with the Corporation, such failure to return to employment shall be deemed to be a Termination of Employment.

2. Acquisition of Policy; Ownership of Insurance. The parties to this Agreement shall cooperate in applying for and obtaining the Policy. The Policy shall be designed to provide sufficient death proceeds and Cash Surrender Value to enable payment or funding of the Executive's Death Benefit after payment of the Corporation's Collateral Interest; provided, however, that the Corporation and the Executive acknowledge that the actual death benefit paid to the Policy beneficiary and the Cash Surrender Value at any point in time are subject to Policy

experience. The Policy shall be issued to the Executive, as the sole and exclusive owner of the Policy, subject to the rights and interests granted to the Corporation, as provided in this Agreement and the Collateral Assignment, and further subject to the Executive's right of assignment under Section 15 hereof.

3. Premium Payments on Policy.

(a) Payments and Reimbursements. Prior to the occurrence of the Split Dollar Maturity Date, the Corporation shall pay to the Insurer, on or before each applicable premium due date, all applicable premiums for the Policy. All such premium payments made by the Corporation under this Agreement shall constitute advances by the Corporation to the Executive for which the Executive shall be responsible for repayment in accordance with the terms of this Agreement, but only up to an amount equal to the Corporation's Collateral Interest.

(b) Taxable Compensation. Each calendar year, the Executive shall be considered to have taxable compensation income that is equal to the value of the "economic benefit" derived by the Executive from the Policy's life insurance protection, as determined for Federal income tax purposes under the Code. To the extent required by the Code, the Corporation shall withhold from the Executive's Base Annual Salary, or other compensation paid to the Executive, in a manner determined by the Corporation, the Executive's share of FICA and other employment and income taxes relating to that taxable amount.

4. Corporation's Rights. The Corporation's rights and interests in and to the Policy shall be specifically limited to (i) the right to increase or decrease Policy death benefits annually in accordance with maintaining the "Executive's Death Benefit" as defined in Section 1(h); (ii) the right to be paid its Collateral Interest in accordance with Section 6 below; (iii) the rights specified in the Collateral Assignment, and; (iv) the right to obtain one or more loans or advances on the Policy, provided, however, that any such loans shall not, in the aggregate, exceed the Aggregate Premiums Paid by the Corporation at any specified date without the written consent of the Executive.

5. Executive's Rights. Subject to the terms of this Agreement and the Collateral Assignment, the Executive shall be the owner of the Policy, and shall be entitled to exercise all rights in the Policy; provided, however, that while the Collateral Assignment is in effect, the following rights may be exercised only in accordance with Section 6:

- (a) To borrow against or pledge the Policy;
- (b) To surrender, cancel or assign the Policy;
- (c) To take a distribution or withdrawal from the Policy; or
- (d) To increase or decrease the amount of the death benefit payable under the Policy.

6. Collateral Interest.

(a) On the Split Dollar Maturity Date, the Corporation's interest in the Policy (the "Collateral Interest") shall be determined in the following manner:

(i) If the Split Dollar Maturity Date occurs due to the Executive's Retirement or the Fifteenth Anniversary, the Corporation shall be entitled to receive from the Policy an amount equal to that portion of the Policy's Cash Surrender Value that exceeds the Minimum Retirement Cash Value, but in no event less than the Aggregate Premiums Paid.

(ii) If the Split Dollar Maturity Date occurs due to the Executive's Termination of Employment (other than Termination for Cause), the Corporation shall be entitled to receive from the Policy an amount equal to that portion of the Policy's Cash Surrender Value that does not exceed the Aggregate Premiums Paid plus accrued interest thereon (from the date such premiums were actually paid by the Corporation) at a rate of annual interest equal to the Prime Rate.

(iii) If the Split Dollar Maturity Date occurs due to the death of the Executive (except as provided in Section 6(a)(vi) below), the Corporation shall be entitled to that portion of the Policy's death proceeds equal to the sum of (A) the Aggregate Premiums Paid; and (B) any death proceeds in excess of the Aggregate Premiums Paid and the Executive's Death Benefit.

(iv) If the Split Dollar Maturity Date occurs due to the termination of this Agreement by the Corporation in accordance with Section 9 below, the Corporation shall be entitled to receive from the Policy an amount equal to that portion of the Policy's Cash Surrender Value that does not exceed the Aggregate Premiums Paid.

(v) If the Split Dollar Maturity Date occurs due to the termination of this Agreement by the Executive in accordance with Section 9 below or as a result of a Termination for Cause, the Corporation shall be entitled to receive from the Policy an amount equal to the entire Cash Surrender Value of the Policy.

(vi) If the Split Dollar Maturity Date occurs due to the suicide of the Executive or other contestable Policy event, and the proceeds from the Policy are limited by either a suicide or contestability provision under the Policy, the Corporation shall be entitled to that portion of the Policy's Cash Surrender Value and/or death proceeds equal to the sum of (A) the Aggregate Premiums Paid; and (B) any death proceeds or Cash Surrender Value, as the case may be, in excess of the Aggregate Premiums Paid and the Executive's Death Benefit.

(b) If the Split Dollar Maturity Date is other than the date of the Executive's death, the Corporation's Collateral Interest in the Policy, as determined in Section 6(a)(i), (ii), (iv) or (v) above, shall be paid to the Corporation in one of the following ways, as

elected by the Executive in writing within 30 days after the date the Corporation first notifies the Executive in writing of the occurrence of the Split Dollar Maturity Date:

(i) By the Executive authorizing the Insurer to pay to the Corporation from the Cash Surrender Value of the Policy an amount equal to the Corporation's Collateral Interest;

(ii) By the Executive taking a loan out on the Policy in an amount equal to the Corporation's Collateral Interest, with payment of the loan proceeds to the Corporation, provided that the Corporation shall not be responsible for any interest that may accrue on any such loan; or

(iii) By the Executive's payment to the Corporation, from the Executive's separate funds, of an amount equal to the Corporation's Collateral Interest.

The Corporation's Collateral Interest in the Policy shall be paid as soon as is reasonably practicable after the Split Dollar Maturity Date.

(c) If the Split Dollar Maturity Date is the date of the Executive's death, the Corporation's Collateral Interest in the Policy, as determined in Section 6(a)(iii) or (vi) above, shall be paid to the Corporation from the Policy's death proceeds as soon as is reasonably practicable after the Executive's death.

(d) If the Executive fails to timely exercise any of the options under Section 6(b) above, the Corporation shall be entitled to instruct the Insurer to pay to the Corporation from the Cash Surrender Value of the Policy an amount equal to the Corporation's Collateral Interest.

(e) The Corporation agrees to keep records of its premium payments and to furnish the Insurer with a statement of its Collateral Interest whenever the Insurer requires such statement.

(f) Concurrent with the signing of this Agreement, the Executive will collaterally assign the Policy to the Corporation, in the form of the Collateral Assignment, as security for the payment of the Collateral Interest, which assignment shall not be altered or changed without the consent of the Corporation and the Executive.

(g) Promptly following the Executive's death, the Corporation and the Executive's designated beneficiary under the Policy shall take all steps necessary to collect the death proceeds of the Policy by submitting the proper claims forms to the Insurer. The Corporation shall notify the Insurer of the amount of the Corporation's Collateral Interest in the Policy at the time of such death. Such amount shall be paid by the Insurer to the Corporation and the remainder of the Policy's death benefit will be paid by the Insurer to the Executive's designated beneficiary.

(h) Upon payment in full to the Corporation of its Collateral Interest as provided above, the Corporation shall (i) assign its Collateral Interest in the Policy to the Executive, (ii) execute and file with the Insurer an appropriate release of the Corporation's Collateral Interest in the Policy and (iii) have no further interest in the Policy. The Executive hereby acknowledges, understands and agrees that, upon the release of the Corporation's Collateral Interest, the Corporation shall not have any responsibility for the future performance of the Policy and shall have no obligation to make any additional premium payments.

(i) Upon payment to the Corporation of its Collateral Interest in accordance with this Section 6, this Agreement and the Executive's participation in the Plan shall terminate and neither party shall have any further rights or obligations under the Agreement or the Plan with respect to the Executive.

7. Insurer.

(a) The Insurer is not a party to this Agreement, shall in no way be bound by or charged with notice of its terms, and is expressly authorized to act only in accordance with the terms and conditions of the Policy. The Insurer shall be fully discharged from any and all liability under the Policy upon payment or other performance of its obligations in accordance with the terms and conditions of the Policy.

(b) The authority required for the Insurer to recognize the exercise of a right under the Policy shall be specified in the Collateral Assignment.

8. Plan; Named Fiduciary; Claims Procedure.

(a) This Agreement is part of the Parker Hannifin Corporation Executive Life Insurance Plan, which consists of all Parker Hannifin Corporation Executive Life Insurance Agreements and the related Collateral Assignments that so reference their association with the Plan.

(b) The Corporation is the named fiduciary of the Plan for purposes of this Agreement.

(c) The following claims procedure shall be followed in handling any benefit claim under this Agreement and the Plan:

(i) The Executive, or his or her beneficiary, if the Executive has died (the "Claimant"), shall file a claim for benefits by notifying the Corporation in writing. If the claim is wholly or partially denied, the Corporation shall provide a written notice within 90 days (unless special circumstances require an extension of time for processing the claim, in which case an extension not to exceed 90 days shall be allowed) specifying the reasons for the denial, the provisions of this Agreement on which the denial is based, and additional material or information, if any, that is necessary for the Claimant to receive benefits. Such written notice

shall also indicate the steps to be taken by the Claimant if a review of the denial is desired.

(ii) If a claim is denied, and a review is desired, the Claimant shall notify the Corporation in writing within 60 days after receipt of written notice of a denial of a claim. In requesting a review, the Claimant may review plan documents and submit any written issues and comments the Claimant feels are appropriate. The Corporation shall then review the claim and provide a written decision within 60 days of receipt of a request for a review (unless special circumstances require an extension of time for processing the claim, in which case an extension not to exceed 60 days shall be allowed). This decision shall state the specific reasons for the decision and shall include references to specific provisions of this Agreement, if any, upon which the decision is based.

(iii) In no event shall the Corporation's liability under this Agreement exceed the amount of proceeds from the Policy.

9. Amendment of Agreement; Termination. This Agreement shall not be modified or amended except by a writing signed by the Corporation and the Executive. Either party may terminate this Agreement, and Executive's participation in the Plan, at any time provided that the obligations of the party terminating the Agreement and the Plan with respect to the Executive are performed in full under the Agreement as of the time of the termination.

10. Binding Agreement. This Agreement shall be binding upon the heirs, administrators, executors, successors and assigns of each party to this Agreement.

11. State Law. This Agreement shall be subject to and be construed under the internal laws of the State of Ohio, without regard to its conflicts of laws principles.

12. Validity. In case any provision of this Agreement shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had never been inserted in this Agreement.

13. Not a Contract of Employment. The terms and conditions of this Agreement shall not be deemed to constitute a contract of employment between the Corporation and the Executive. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, with or without cause, unless expressly provided in a separate written employment agreement. Nothing in this Agreement shall be deemed to give the Executive the right to be retained in the service of the Corporation or to interfere with the right of the Corporation to discipline or discharge the Executive at any time.

14. Notice. Any notice or filing required or permitted to be given under this Agreement to the Executive or the Corporation shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

To the Executive: _____

To the Corporation: Parker Hannifin Corporation
6035 Parkland Boulevard
Cleveland, OH 44124
Attention: Director of Employee Benefits

or to such other address as may be furnished by the Executive or the Corporation in writing to the other party in accordance with this notice provision. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice or filing required or permitted to be given to the Executive or the Executive's beneficiary under this Agreement shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Executive.

15. Assignment. During the term hereof, the Executive may assign the Executive's right and obligations under this Agreement and ownership of the Policy without the consent of the Corporation; provided, however, that the cost of preparation and legal adequacy of the documentation to effect such assignment to the satisfaction of the Corporation and the Insurer is solely the responsibility of the Executive.

16. Acknowledgement; Release. The Executive assumes all risk of the creditworthiness of the Insurer and acknowledges that the Corporation makes no representation or guarantee of the creditworthiness of any Insurer. The Executive acknowledges and agrees that in consideration of the Executive's participation in the Plan, the Executive is waiving the right to continue participation in the Corporation's group life insurance plan (which provided a death benefit of \$50,000) and related accidental death and disability benefit. The Executive acknowledges responsibility for all federal, state and local tax consequences imposed on the Executive's participation in the Plan and further acknowledges that the Corporation has not made any representations or guarantees of the present or future tax consequences of the Executive's participation in the Plan.

17. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter of this Agreement and supersedes all previous negotiations, agreements and commitments in respect thereto. No oral explanation or oral information by either of the parties to this Agreement shall alter the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first written above.

PARKER-HANNIFIN CORPORATION

By: _____
Daniel T. Garey
Vice President, Human Resources

Signature of Executive

COLLATERAL ASSIGNMENT

This Collateral Assignment (this "Assignment") is made and entered into as of January 1, 2002, by and between _____ (the "Executive"), as both the owner of and insured under a life insurance policy, No. _____ (the "Policy"), issued by Sun Life Assurance Company of Canada Ltd. (the "Insurer"), and Parker-Hannifin Corporation, an Ohio corporation (the "Corporation").

RECITALS

A. The Executive desires to insure his or her life for the benefit and protection of his or her family or designated beneficiary under the Policy;

B. The Corporation desires to help the Executive provide certain insurance for the benefit and protection of his or her family or designated beneficiary by providing funds from time to time to pay the premiums due on the Policy, as more specifically provided for in that certain Executive Life Insurance Agreement entered into between the Executive and the Corporation as of the date hereof (the "Agreement"); and

C. In consideration of the Corporation agreeing to provide such funds in accordance with the terms and conditions of the Agreement, the Executive agrees to grant to the Corporation, as a security interest in the Policy, a collateral security interest for the payment of the Corporation's Collateral Interest (as defined in the Agreement).

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the mutual agreements and covenants set forth below, the parties to this Assignment agree as follows:

1. Assignment. The Executive hereby assigns, transfers and sets over to the Corporation, and its permitted successors, those certain rights and interests described in the Agreement that are to be assigned to the Corporation in accordance with the Agreement. Furthermore, this Assignment is made, and the Policy is to be held as collateral security for, any and all liabilities of the Executive to the Corporation, either now existing, or that may hereafter arise, pursuant to the terms of the Agreement.

2. Signatures. To facilitate the operation of this Assignment, the parties agree that the Insurer is hereby notified that the following rights under the Policy may be exercised while the Assignment is in effect without the signature or consent of the other party:

(a) The Corporation may sign a request to take a loan or partial withdrawal without the Executive's signature or consent;

(b) The Corporation may sign an instruction to the Insurer to pay an amount equal to the Corporation's Collateral Interest from the Policy's Cash Surrender Value to the Corporation, provided that the Corporation simultaneously delivers to the Insurer a notarized statement that the Corporation is exercising its rights in accordance with Section 6(d) of the Agreement;

(c) The Executive may sign a request to change the beneficiary or owner of the Policy without the signature or consent of the Corporation; and

(d) The exercise of any other right under the Policy not specifically set forth above shall be exercised with the signature of both the Corporation and the Executive.

3. Policy Proceeds. Any amount payable from the Policy during the Executive's life or at death shall first be paid to the Corporation to the extent of its Collateral Interest. Any balance will be paid to the Executive during the Executive's lifetime, or at the Executive's death, to the beneficiary designated by the Executive. A settlement option may be elected by the recipient of the proceeds. For purposes of this Section, the amount of the Collateral Interest shall be determined for purposes of the Insurer by a written statement delivered to the Insurer and signed by the Corporation.

4. Endorsement. The Corporation shall hold the Policy while this Assignment is operative and, upon request, forward the Policy to the Insurer, without unreasonable delay, for endorsement of any designation or change of beneficiary or ownership, any election of optional mode of settlement, or the exercise of any other right reserved by the Executive in this Assignment.

5. Insurer. The Insurer is hereby authorized to recognize the Corporation's claims to rights hereunder without investigating the reason for any action taken by the Corporation, the validity or amount of any of the liabilities of the Executive to the Corporation under the Agreement, the existence of any default therein, the giving of any notice required herein, or the application to be made by the Corporation of any amounts to be paid to the Corporation. The Insurer shall not be responsible for the sufficiency or validity of this Assignment and is not a party to the Agreement (or any other similar executive life insurance agreement) between the Corporation and the Executive.

6. Reassignment. Upon the full payment of the Corporation's Collateral Interest in accordance with the terms and conditions of this Assignment and the Agreement, the Corporation shall reassign to the Executive the Policy and all specific rights included in this Assignment.

7. Amendment of Assignment; Termination. This Assignment shall not be modified, amended or terminated, except by a writing signed by the Corporation and the Executive; provided, however, that this Assignment may be terminated by either party if that party terminates the Agreement in accordance with Section 9 of the Agreement and the obligations of the party terminating the Agreement are performed in full under the Agreement.

8. Binding Agreement; Assigns. This Assignment shall be binding upon the heirs, administrators, executors and permitted successors and assigns of each party to this Assignment. The Executive shall not assign his or her rights under this Assignment without the prior written consent of the Corporation.

9. State Law. This Assignment shall be subject to and be construed under the internal laws of the State of Ohio, without regard to its conflicts of law principles.

10. Validity. In case any provision of this Assignment shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Assignment, but this Assignment shall be construed and enforced as if such illegal or invalid provision had never been inserted in this Assignment.

IN WITNESS WHEREOF, the Executive and the Corporation have signed this Assignment as of the date first written above.

Signature of Executive

PARKER-HANNIFIN CORPORATION

By: _____
Daniel T. Garey
Vice President, Human Resources

Filed with the Insurer:

Insurer

Date: _____

EXHIBIT 10(b)

PARKER-HANNIFIN CORPORATION

SAVINGS RESTORATION PLAN

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), established this Savings Restoration Plan (the "Plan"), effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring some of the deferral opportunities and employer-provided benefits that are lost under The Parker Retirement Savings Plan due to legislative limits. The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement. The Plan is hereby amended and restated as of January 1, 2002, except as may be otherwise specifically set forth hereinafter.

ARTICLE 1

Definitions

1.1 Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 13 of the Plan.

1.2 Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3 of the Plan.

1.3 Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14 of the Plan.

1.4 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 Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (the "Board") (the "Company 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 Company or any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity (a "Subsidiary"); (B) an acquisition by any employee

benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (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 Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), 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 Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (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 Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

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

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

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

1.5 Compensation shall mean the sum of the Participant's base salary and regular bonuses (including profit-sharing, RONA, and executive compensation, but excluding payments under any long term incentive plan, volume incentive plan, or other extraordinary bonus or incentive plan) for a Plan Year before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Parker Select program. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.

1.6 Crediting Rate shall mean: (i) the amount described in Section 1.6.1 to the extent the Restoration Account balance represents either Annual Deferrals under Article 3 or earnings previously credited on such deferrals under Section 5.2; or (ii) the amount described in Section 1.6.2 to the extent the Restoration Account balance represents either

Matching Credits under Article 4 or interest previously credited on such Matching Credits under Section 5.2:

1.6.1 Crediting Rate for Annual Deferrals shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Annual Deferrals under Article 3 had been invested in one or more of the investment portfolios designated as available by the Administrator, less separate account fees and less applicable administrative charges determined annually by the Administrator.

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

1.6.2 Crediting Rate for Matching Credits shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Matching Credits under Article 4 had been invested in the Common Stock of the Company, including reinvestment of dividends. The rules and procedures for determining the value of the Common Stock of the Company shall be determined by the Administrator. The rules and procedures for re-allocating the Restoration Account balance attributable to the Matching Credits among the other portfolios offered under the Plan shall be determined by the Administrator.

1.7 Disability shall mean any long term disability as defined under the Company's long term disability plan. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

1.8 Early Retirement Date shall mean age 55 with ten or more years of employment with the Company.

1.9 Eligible Executive shall mean a key employee of the Company or any of its subsidiaries who: (i) is designated by the Administrator as eligible to participate in the Plan (subject to the restriction in Sections 10.2, 11.2 and 12.2 of the Plan); and (ii) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

1.10 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.11 Executive Deferral Plan shall mean the Parker-Hannifin Corporation Executive Deferral Plan as it currently exists and as it may subsequently be amended.

1.12 Financial Hardship shall mean an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence as determined by the Administrator. Cash needs arising from foreseeable events such as the purchase of a residence or education expenses for children shall not, alone, be considered a Financial Hardship.

1.13 Matching Credit shall mean the Company's credit to the Participant's Restoration Account under Article 4.

1.14 Normal Retirement Date shall mean the date on which a Participant attains age 65.

1.15 Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2 of the Plan.

1.16 Participation Agreement shall mean the Participant's written election to participate in the Plan.

1.17 Plan Year shall mean the calendar year.

1.18 Restoration Account shall mean the notional account established for record-keeping purposes for a Participant pursuant to Article 5 of the Plan.

1.19 Retirement shall mean a termination of employment following Normal or Early Retirement Date.

1.20 Savings Plan shall mean the Parker Retirement Savings Plan, formerly known as The Parker-Hannifin Employees' Savings Plus Stock Ownership Plan, as it currently exists and as it may subsequently be amended.

1.21 Termination of Employment shall mean the Participant's employment with the Company ceases for any reason whatsoever, whether voluntary or involuntary, other than Retirement or death.

1.22 Unscheduled Withdrawal shall mean a distribution of all or a portion of the entire amount credited to the Participant's Restoration Account requested by the Participant pursuant to the provisions of Article 11 of the Plan.

1.23 Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Articles 6, 7, 8, 9 or 15, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2

Participation

2.1 Participation Agreement / Annual Deferral. An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year coincident with or next following the date the individual becomes an Eligible Executive, provided such Eligible Executive has submitted to the Administrator a Participation Agreement. To be effective, the Eligible Executive must submit the Participation Agreement to the Administrator during the enrollment period designated by the Administrator. In the Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.

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

ARTICLE 3

Executive Deferrals

3.1 Deferral Election. A Participant may elect an Annual Deferral under this Plan to defer all or a portion of the Compensation that he or she cannot defer under the Savings Plan due to the Statutory Limit. Such election shall designate a specified percentage of Compensation to be deferred. Annual Deferrals under this Plan shall be irrevocable.

3.2 Maximum Annual Deferral. The Annual Deferral for a Plan Year shall be determined as:

(i) For a Participant who is not eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 15% of Compensation up to \$25,000.

(ii) For a Participant who is eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 5% of Compensation up to \$7,600.

3.3 Vesting. The Participant's right to receive Compensation deferred (and gains or losses thereon) under this Article 3 shall be 100% vested at all times.

ARTICLE 4

Company Matching Credits

4.1 Amount. The Company's Matching Credit in each Plan Year shall equal one hundred percent (100%) of the first three percent (3%) of Compensation deferred and fifty percent (50%) of the next two (2%) of Compensation deferred, reduced by the maximum matching contributions that would have been credited to the Participant's account under the Savings Plan if he had elected to make the maximum permitted deferral to the Savings Plan, whether or not he actually does so. Notwithstanding the foregoing, the maximum Matching Credit allocated to any Participant's Restoration Account in a Plan Year shall be \$17,000, less the maximum matching contributions that would have been credited to the Participant's account under the Savings Plan if he had elected to make the maximum permitted deferral to the Savings Plan.

4.2 Vesting. Subject to Section 12.4, the Participant's right to receive Matching Credits (and gains or losses thereon) credited to the Participant's Restoration Account shall be one hundred percent (100%) vested.

ARTICLE 5

Restoration Accounts

5.1 Restoration Accounts. Solely for record keeping purposes, the Company shall maintain a Restoration Account for each Participant.

5.2 The Timing of Credits.

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

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

(iii) gains or losses shall be credited to the Restoration Account as of the close of business on each Valuation Date, based on the Crediting Rate in effect for the day under Section 1.6.

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

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

ARTICLE 6

Retirement Benefits

6.1 Amount. Upon Retirement, the Company shall pay to the Participant the value of his Restoration Account at the time and in the manner selected by the Participant pursuant to the rules set forth in Sections 6.2 and 6.3.

6.2 Form of Retirement Benefits. The retirement benefit shall be paid monthly over a period of fifteen (15) years or the number of whole years required to result in a monthly benefit of at least one thousand dollars (\$1,000), if less; provided, however, that the Participant may elect to have payment made in one of the following options:

(i) a single lump sum payment in cash;

(ii) monthly installments over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000; or

(iii) an annual lump sum amount payable as of January 1 of each year equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the account over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000.

Payments shall be made or shall begin as of the first day of the month no later than the date sixty (60) days after the Participant's Retirement, unless the Participant has elected to have payments begin as of January 1 of a later year. However, in no event shall payments commence later than the January 1 occurring five (5) years after Retirement or, if earlier, the January 1 following the date the Participant attains age seventy (70). Notwithstanding the foregoing, the Company may postpone all or a portion of any scheduled payment until the next fiscal year to avoid loss of the corporate tax deduction under Internal Revenue Code Section 162(m). Except as provided in Article 7, 10, 11 or 15, the Participant may change the election of the form of payment at any time, except that if the election is not filed at least thirteen (13) months prior to the Participant's

scheduled date of commencement of payment, the election shall be ineffective unless the Participant agrees to take a ten percent (10%) reduction in the value of the Restoration Account.

6.3 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefits in a single lump sum.

ARTICLE 7

Termination Benefits

7.1 Amount. As of the first day of the month beginning no later than sixty (60) days after Termination of Employment, the Company shall pay to the Participant a termination benefit equal to the balance of the Restoration Account as of the Valuation Date.

7.2 Form of Termination Benefits. The Company shall pay the termination benefits in a single lump sum; provided, however, that except following a Change in Control the Company may, in its sole discretion, elect to pay the termination benefits over a period of three (3) years in monthly installments, in which event the Restoration Account shall continue to be credited with gains or losses based on the Crediting Rate(s) elected by the Participant from time to time.

ARTICLE 8

Survivor Benefits

8.1 Pre-Commencement Survivor Benefit. If the Participant dies prior to the commencement of installment payments, the Company shall pay the balance of the Restoration Account to the Participant's Beneficiary in one of the following forms, based on the Participant's election:

(i) a single lump sum payment in cash;

(ii) monthly installments over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000; or

(iii) an annual lump sum amount equal to a specified percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the account over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least

\$1,000.

Payments shall be made or shall begin as of the first day of the month no later than the date sixty (60) days after the Participant's death unless the Participant has elected to have payments begin as of January 1 of a later year. However, in no event shall payments commence later than the January 1 occurring five (5) years after death or, if earlier, the January 1 following the date the Participant would have attained age seventy (70). Except as provided in Article 7, 10, 11 or 15, the Participant (or after his death, his Beneficiary) may change the election of the form of payment at any time, except that if the election is not filed at least thirteen (13) months prior to the Participant's death, the election shall be ineffective unless the Beneficiary agrees to take a ten percent (10%) reduction in the value of the Restoration Account.

8.2 Post-Commencement Survivor Benefit. If the Participant dies after the time installment payments have commenced, the Company shall pay the remaining balance of the Restoration Account to the Participant's Beneficiary in accordance with the following rules, based on the Participant's election:

(i) continue in the form in effect before the Participant's death; or

(ii) a single lump sum in cash to be paid the first of the month no later than the date 60 days after the Participant's death.

8.3 Small Benefit Payment. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Beneficiary is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefits in a single lump sum.

ARTICLE 9

Disability

If a Participant suffers a Disability, the Company shall pay the benefit described in Article 6 to the Participant as if the date of the Participant's Termination of Employment for Disability were the Participant's Normal Retirement Date.

ARTICLE 10

Change in Control

10.1 Election. At the time the Participant is completing his initial Participation Agreement, the Participant may elect that, if a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Restoration Account within thirty (30) days after the Change of Control. Such balance shall be determined as of the end of the month sixty (60) days prior to the month in which the Change in Control occurs.

10.2 Benefit Reduction on Withdrawal. If a Participant has not made the election described in Section 10.1 above and, within thirty (30) days after a Change of Control, the Participant (or Beneficiary) elects to receive a distribution of the balance of the Restoration Account (determined as described in Section 10.1), the lump sum payment shall be reduced by an amount equal to five percent (5%) of the total balance of the Restoration Account (instead of the ten percent (10%) reduction otherwise provided for in Section 11.2). If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, and the Participant may not make any further Annual Deferrals until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

ARTICLE 11

Withdrawals

11.1 Election. A Participant (or Beneficiary if the Participant is deceased) may request an Unscheduled Withdrawal of all or a portion of the entire amount credited to the Participant's Restoration Account as of the Valuation Date on which the written request is received by the Administrator, which shall be paid in a single lump sum as soon as practicable following receipt of the request; provided, however, that (i) the minimum withdrawal shall be twenty-five percent (25%) of the Restoration Account balance, and (ii) an election to withdraw seventy-five percent (75%) or more of the balance shall be deemed to be an election to withdraw the entire balance.

11.2 Withdrawal Penalty. There shall be a penalty deducted from the Restoration Account prior to an Unscheduled Withdrawal equal to ten percent (10%) of the Unscheduled Withdrawal. If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, and the Participant may not make further Annual Deferrals until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

11.3 Financial Hardship Distribution. Upon a finding that the Participant or the Beneficiary has suffered a Financial Hardship, the Administrator may in its sole discretion permit the Participant to cease any on-going deferrals and accelerate

distributions of benefits under the Plan in the amount reasonably necessary to alleviate such Financial Hardship. If a distribution is made to a Participant on account of Financial Hardship, the Participant may not make further Annual Deferrals under the Plan until one entire Plan Year following the Plan Year in which a distribution based on Financial Hardship was made has elapsed; however, there shall be no withdrawal penalty assessed.

11.4 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant or Beneficiary who has requested the Unscheduled Withdrawal or Financial Hardship withdrawal is less than or equal to ten thousand dollars (\$10,000), the Company shall pay out the entire Restoration Account balance (reduced by the ten percent (10%) penalty, if applicable) in a single lump sum.

11.5 Limit on Withdrawals. Notwithstanding any of the foregoing, no Participant in a position described in Section 162(m) of the Internal Revenue Code (or who the Company reasonably believes will be in such a position) shall be permitted to take any distribution from the Plan in any year in which he is in or is believed to be in such a position.

ARTICLE 12

Conditions Related to Benefits

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

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

12.3 Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. If the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals.

12.4 Withholding. The Participant or the Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax

withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 13

Administration of Plan

The Company shall administer the Plan, provided, however, that the Company may elect to appoint a committee of three (3) or more individuals to administer the Plan. All references to the Administrator herein shall refer to the Company or, if such committee has been appointed, the committee.

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

ARTICLE 14

Beneficiary Designation

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

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

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

ARTICLE 15

Amendment and Termination of Plan

15.1 Amendment of Plan. Except as provided in Section 15.3, the Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (i) shall not decrease the balance of the Participant's Restoration Account at the time of such amendment; and (ii) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment. The Company may amend the Crediting Rate or Fixed Crediting Rate of the Plan prospectively, in which case the Company shall notify the Participant of such amendment in writing within thirty (30) days after such amendment.

15.2 Termination of Plan. Except as provided in Section 15.3, the Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such termination shall be treated as the date of Retirement or Termination of Employment for the purpose of calculating Plan benefits, and the Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan in monthly installments over a thirty-six (36) month period. Interest at an annualized rate equal to 90% of the Ten-Year United States Treasury Note rate as of January 1 of the year in which the Plan is terminated will be credited to the Participant's Restoration Account commencing as of the date of the Plan's termination and continuing until distribution under this Section is completed.

15.3 Amendment or Termination After Change in Control. Notwithstanding the foregoing, the Company shall not amend or terminate the Plan without the prior written consent of affected Participants for a period of two calendar years following a Change in Control and shall not thereafter amend or terminate the Plan in any manner which affects any Participant (or Beneficiary of a deceased Participant) who commences receiving payment of benefits under the Plan prior to the end of such two year period following a Change in Control.

15.4 Company Action. Except as provided in Section 15.3 or 15.5, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

15.5 Constructive Receipt Termination. In the event the Administrator

determines that amounts deferred under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the Provisions of Section 15.2 or as may be determined by the Administrator. The determination of the Administrator under this Section 15.5 shall be binding and conclusive.

ARTICLE 16

Miscellaneous

16.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

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

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

16.4 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

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

16.6 Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

16.7 Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

16.8 Waiver of Breach. The waiver by the Company of any breach of any

provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

16.9 Applicable Law. The Plan shall be governed and construed in accordance with the laws of Ohio except where the laws of Ohio are preempted by ERISA.

16.10 Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail, facsimile, or electronic mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 17

Claims and Review Procedures

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

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

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

EXHIBIT 10(c)

PARKER-HANNIFIN CORPORATION

EXECUTIVE DEFERRAL PLAN

WHEREAS, the Parker-Hannifin Corporation Executive Deferral Plan (the "Plan") was originally established as of October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by offering a deferral opportunity to accumulate capital on favorable economic terms; and

WHEREAS, pursuant to the authority granted in Article 14 of the Plan, Parker-Hannifin Corporation (the "Company"), has the authority to amend the Plan; and

WHEREAS, the Plan has been amended from time to time; and

WHEREAS, the Company now desires to further amend the Plan;

NOW, THEREFORE, the Plan is hereby amended and restated as of January 1, 2002 except as may be otherwise specifically set forth hereinafter.

ARTICLE 1

Definitions

1.1 Account shall mean the sum of the Annual Deferral Account and all LTI Deferral Accounts (vested and unvested).

1.2 Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 12 of the Plan.

1.3 Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3 of the Plan.

1.4 Annual Deferral Account shall mean the notional account established with respect to a Participant's Annual Deferrals and Automatic Deferrals for recordkeeping purposes pursuant to Article 4 of the Plan.

1.5 Automatic Deferral shall mean any amount automatically deferred to this Plan pursuant to Section 3.4 of this Plan.

1.6 Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 13 of the Plan.

1.7 Board shall mean the Board of Directors of the Company.

1.8 Bonuses shall mean amounts paid in cash to the Participant by the Company in the form of annual and other regular periodic bonuses before reductions for deferrals under this Plan, the Savings Plan or the Savings Restoration Plan. "Annual and other regular periodic bonuses" shall include amounts payable under the Company's Return on Net Assets Plan (RONA) and the Target Incentive Program, but shall exclude any payments under any long-term incentive program, any volume incentive or similar bonus program, and any other extraordinary bonus or incentive program.

1.9 Change in Control shall mean any of the following events have occurred:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company 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 Company or any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity (a "Subsidiary"); (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or (F) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of

this paragraph (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 Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), 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 Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (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 Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

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

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

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

1.10 Code shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.11 Compensation shall mean the sum of the Participant's Salary and anticipated Bonuses for a Plan Year before reductions for deferrals under this Plan, the Savings Plan, the Savings Restoration Plan, or the Benefits Plus Program. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.

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

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

1.13 Disability shall mean any long term disability as defined under the Company's long term disability plan. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

1.14 Early Retirement Date shall mean age 55 with ten or more years of employment with the Company; provided, however, that any Early Retirement prior to age 60 must be with the consent of the Compensation Committee of the Board.

1.15 Eligible Executive shall mean a key employee of the Company or any of its subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan

(subject to the restriction in Sections 9.2, 10.3 and 11.2 of the Plan); and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

1.16 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.17 Financial Hardship shall mean an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence as determined by the Administrator. Cash needs arising from foreseeable events such as the purchase of a residence or education expenses for children shall not, alone, be considered a Financial Hardship.

1.18 In-Service Distribution shall mean a distribution elected by the Participant pursuant to Article 10 of the Plan.

1.19 LTI Payment shall mean the amount that would otherwise be payable to an Eligible Executive for a Plan Year under any long-term incentive program of the Company.

1.20 LTI Deferral shall mean the amount of any LTI Payment which the Participant elects to defer with respect to a Plan Year pursuant to Articles 2 and 3 of the Plan.

1.21 LTI Deferral Account shall mean the one or more notional accounts established with respect to a Participant's LTI Deferrals for recordkeeping purposes pursuant to Article 4 of the Plan.

1.22 Normal Retirement Date shall mean the date on which a Participant attains age 65.

1.23 Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2 of the Plan.

1.24 Participation Agreement shall mean the Participant's written election to participate in the Plan.

1.25 Plan Year shall mean the calendar year.

1.26 Retirement shall mean a termination of employment following Normal or Early Retirement Date.

1.27 Salary shall mean the Participant's annual basic rate of pay from the Company (excluding Bonuses, commissions and other non-regular forms of compensation) before reductions for deferrals under this Plan, the Savings Plan or the Savings Restoration Plan.

1.28 Savings Plan shall mean The Parker Retirement Savings Plan as it currently exists and as it may subsequently be amended.

1.29 Savings Restoration Plan shall mean the Parker-Hannifin Corporation Savings Restoration Plan as it currently exists and as it may subsequently be amended.

1.30 Scheduled Withdrawal shall mean a distribution of all or a portion of the entire vested amount credited to the Participant's Account requested by the Participant pursuant to the provisions of Article 10 of the Plan.

1.31 Termination of Employment shall mean the Participant's employment with the Company ceases for any reason whatsoever, whether voluntary or involuntary, other than Retirement or death.

1.32 Unscheduled Withdrawal shall mean a distribution of all or a portion of the entire amount credited to the Participant's Account requested by the Participant pursuant to the provisions of Article 10 of the Plan.

1.33 Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Article 5, 6, 7, 8 or 14, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2

Participation

2.1 Participation Agreement/Deferrals.

(a) An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year following appointment as an Eligible Executive and submission to the Administrator of an Annual Participation Agreement. To be effective, the Eligible Executive must submit the Annual Participation Agreement to the Administrator during the enrollment period designated by the Administrator. In the Annual Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.

(b) In addition, an Eligible Executive shall become a Participant automatically as of the date Automatic Deferrals are credited to his Account pursuant to Section 3.4.

(c) With respect to those Participants who are eligible for an LTI Payment, the Administrator shall provide for a separate enrollment period and separate LTI Participation Agreements each year under which the Participant may designate any LTI Deferrals for a specified Plan Year.

2.2 Continuation of Participation. An Eligible Executive who has become a Participant in the Plan shall continue as a Participant in the Plan even though such executive ceases to be an Eligible Executive. However, a Participant shall not be eligible to elect a new

Annual Deferral or LTI Deferral unless the Participant is an Eligible Executive for the Plan Year for which the election is made.

ARTICLE 3

Executive Deferrals

3.1 Deferral Commitment.

(a) A Participant may elect in the Annual Participation Agreement to defer an amount equal to a specified dollar amount of Salary and a specified dollar amount or percentage of Bonuses to be earned by such Participant during the next Plan Year.

(b) A Participant may elect in the LTI Participation Agreement to defer an amount equal to a specified dollar amount or a percentage of LTI Payment that may be payable to the Participant in the next Plan Year.

(c) Annual Deferrals and LTI Deferrals under this Plan shall be irrevocable.

3.2 Minimum Annual Election.

(a) A Participant's elected Annual Deferral for a Plan Year must equal at least five thousand dollars (\$5,000), from either Salary or Bonuses or a combination of Salary and Bonuses.

(b) The elected LTI Deferral for a Plan Year must equal at least five thousand dollars (\$5,000).

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

3.3 Maximum Deferral Commitment.

(a) The Annual Deferral for any Plan Year may not exceed 20% of Salary plus 75% of Bonuses; provided, that the Annual Deferral may not reduce the Participant's income to an amount below the old age, survivor, and disability insurance wage base under Social Security.

(b) The LTI Deferral for a Plan Year may be 100% of the LTI Payment.

(c) Notwithstanding the foregoing, the Administrator may reduce the amount of an Annual Deferral and/or an LTI Deferral to the extent necessary to insure the Participant will have sufficient earnings from the Company from which to take any taxes required to be withheld from the Participant's earnings under federal, state or local law.

3.4 Automatic Deferrals. An amount equal to any Compensation that is not paid to an Eligible Executive because it cannot be deducted by the Company by reason of Section 162(m) of the Code shall be deemed to have been deferred under this Plan.

3.5 Vesting. Subject to Section 11.3:

(a) The Participant's right to the value of his Annual Deferral Account, as adjusted for gains and losses, shall be 100% vested at all times.

(b) The Participant's right to the value of each LTI Deferral Account, as adjusted for gains and losses, shall be 100% vested as of the third June 30 following the time the LTI Deferral Account is established; provided, however, that the Participant shall be fully vested in all LTI Deferrals as of the time: (1) he reaches age 60; (2) he retires prior to age 60 with permission of the Compensation Committee of the Board; (3) he retires due to Disability; (4) he dies; (5) there is a Change in Control; or (6) the Plan terminates.

ARTICLE 4

Accounts

4.1 Accounts. Solely for recordkeeping purposes, the Company shall maintain for each Participant one Annual Deferral Account for all Annual Deferrals and all Automatic Deferrals, and shall maintain for each Participant a separate LTI Deferral Account with respect to each LTI Deferral made by the Participant.

4.2 Timing of Credits--Pre-Termination. Each Plan Year, the Company shall credit to the Annual Deferral Account a Participant's Annual Deferrals and any Automatic Deferrals as of the time the deferrals would otherwise have been paid to the Participant but for the Annual Deferral election or the operation of Section 162(m) of the Code, and shall credit to a separate LTI Deferral Account a Participant's LTI Deferral as of the time the deferrals would otherwise have been paid to the Participant but for the LTI Deferral election. Gains or losses shall be credited to the Participant's Account as of the close of business on each Valuation Date, based on the Crediting Rate(s) in effect for the day under Section 1.6.

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

4.4 Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Annual Deferral Account and each LTI Deferral Account maintained for such Participant.

ARTICLE 5

Retirement Benefits

5.1 Amount. Upon Retirement, the Company shall pay to the Participant the value of his Account at the time and in the manner selected by the Participant pursuant to the rules set forth in Sections 5.2 and 5.3.

5.2 Form of Retirement Benefits. The retirement benefit shall be paid monthly over a period of fifteen (15) years or the number of whole years required to result in a monthly benefit of at least one thousand dollars (\$1,000), if less; provided, however, that the Participant may elect to have payment made in one of the following options:

(i) a single lump sum payment in cash;

(ii) monthly installments over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000; or

(iii) an annual lump sum amount payable as of January 1 of each year equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the account over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000.

Payments shall be made or shall begin as of the first day of the month no later than the date sixty (60) days after the Participant's Retirement, unless the Participant has elected to have payments begin as of January 1 of a later year. However, in no event shall payments commence later than the January 1 occurring five (5) years after Retirement or, if earlier, the January 1 following the date the Participant attains age seventy (70). Notwithstanding the foregoing, the Company may postpone all or a portion of any scheduled payment until the next fiscal year to avoid loss of the corporate tax deduction under Internal Revenue Code Section 162(m). Except as provided under Article 6, 9, 10 or 14, the Participant may change the election of the form of payment at any time, except that if the election is not filed at least thirteen (13) months prior to the Participant's scheduled date of commencement of payment, the election shall be ineffective unless the Participant agrees to take a ten percent (10%) reduction in the value of the Account.

5.3 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all benefits payable to the Participant is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefits in a single lump sum.

ARTICLE 6

Termination Benefits

6.1 Amount. As of the first day of the month beginning no later than sixty (60) days after Termination of Employment, the Company shall pay to the Participant a termination benefit equal to the balance as of the Valuation Date of the Annual Deferral Account and each LTI Deferral Account in which he is vested under Section 3.5(b).

6.2 Form of Termination Benefits. The Company shall pay the termination benefits in a single lump sum; provided, however, that except following a Change in Control the Company may, in its sole discretion, elect to pay the termination benefits over a period of three (3) years in monthly installments, in which event the Account shall continue to be credited with gains and losses based on the Crediting Rate(s) elected by the Participant from time to time.

ARTICLE 7

Survivor Benefits

7.1 Pre-Commencement Survivor Benefit. If the Participant dies prior to the commencement of installment payments, the Company shall pay the balance of the Account to the Participant's Beneficiary in one of the following forms, based on the Participant's election:

(i) a single lump sum payment in cash;

(ii) monthly installments over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000; or

(iii) an annual lump sum amount equal to a specified percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the account over 5, 10 or 15 years; provided, that if a monthly benefit is less than \$1,000, the Administrator may shorten the payout period in whole year increments to assure that each monthly payment is at least \$1,000.

Payments shall be made or shall begin as of the first day of the month no later than the date sixty (60) days after the Participant's death unless the Participant has elected to have payments begin as of January 1 of a later year. However, in no event shall payments commence later than the January 1 occurring five (5) years after death or, if earlier, the January 1 following the date the Participant would have attained age seventy (70). Except as provided in Article 9, 10

or 14 the Participant (or after his death, his Beneficiary) may change the election of the form of payment at any time, except that if the election is not filed at least thirteen (13) months prior to the Participant's death, the election shall be ineffective unless the Beneficiary agrees to take a ten percent (10%) reduction in the value of the Account.

7.2 Post-Commencement Survivor Benefit. If the Participant dies after the time installment payments have commenced, the Company shall pay the remaining balance of the Account to the Participant's Beneficiary in accordance with the following rules, based on the Participant's election:

(i) continue in the form in effect before the Participant's death;
or

(ii) a single lump sum in cash to be paid the first of the month no later than the date 60 days after the Participant's death.

7.3 Small Benefit Payment. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Beneficiary is less than or equal to ten thousand dollars (\$10,000), the Company shall pay such benefits in a single lump sum.

ARTICLE 8

Disability

If a Participant suffers a Disability, the Company shall pay the balance of the Participant's Account as of the Valuation Date to the Participant in accordance with Article 5 as if the date of the Participant's Termination of Employment for Disability were the Participant's Normal Retirement Date.

ARTICLE 9

Change in Control

9.1 Distribution.

(a) If a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Account within thirty (30) days after the Change of Control. In the event such a distribution is made, the Participant shall receive an additional adjustment payment calculated in accordance with the formula set forth in Exhibit A hereto.

(b) In addition to any other amounts payable hereunder, in the event it shall be determined that any payment, distribution or acceleration of vesting of any benefit hereunder would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision, or any interest or penalties are incurred by the Participant with respect to such excise

tax, then the Participant shall be entitled to receive an additional "gross-up payment" calculated as set forth in the change in control severance agreement in effect between the Company and the Participant as of the date of the Change in Control; provided, however, that if the Participant does not have a change in control severance agreement, the payment under this Section shall be determined in accordance with the calculation set forth in the most recent change in control severance agreement entered into by the Company and any executive of the Company; provided, further, that there shall be no duplication of such additional payment under this Plan and any change in control severance agreement.

ARTICLE 10

Scheduled and Unscheduled Withdrawals, Financial Hardship Distributions

10.1 Payment of Scheduled Withdrawal. No later than the last day of March of the Plan Year designated in the initial Annual Participation Agreement for a Scheduled Withdrawal (which date shall be no sooner than the January 1 following 5 years of participation), the Company shall pay to the Participant, in a lump sum or four approximately equal annual installments, all or a portion of the vested balance in the Participant's Annual Deferral and/or his LTI Deferral Account as of the Valuation Date preceding the time payment is made or commences.

10.2 Unscheduled Withdrawal. A Participant (or Beneficiary if the Participant is deceased) may request an Unscheduled Withdrawal of all or any portion of the vested balance credited to the Participant's Account as of the Valuation Date on which the written request is received by the Administrator, which shall be paid in a single lump sum as soon as practicable following receipt of the request; provided, however, (i) that the minimum withdrawal shall be twenty-five percent (25%) of the vested Account balance, and (ii) that an election to withdraw seventy-five percent (75%) or more of the vested Account balance shall be deemed to be an election to withdraw the entire vested Account balance.

10.3 Unscheduled Withdrawal Penalty. There shall be a penalty deducted from the Account prior to an Unscheduled Withdrawal equal to ten percent (10%) of the Unscheduled Withdrawal, which shall be ratably allocated among the Participant's Annual Deferral Account and each of his vested LTI Deferral Accounts. If a Participant elects such a withdrawal, any on-going Annual Deferral shall cease, any election of an LTI Deferral that otherwise would be effective before the first day of the Plan Year beginning one full Plan Year after such withdrawal shall not be effective, and the Participant may not make any further deferrals until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed.

10.4 Financial Hardship Distribution. Upon a finding that the Participant or the Beneficiary has suffered a Financial Hardship, the Administrator may in its sole discretion, permit the Participant to request distribution of a portion or all of his vested benefits under the Plan in the amount reasonably necessary to alleviate such Financial Hardship, which shall be ratably allocated among the Participant's Annual Deferral Account and each of his vested LTI

Deferral Accounts. If a distribution is to be made to a Participant on account of Financial Hardship, any on-going Annual Deferrals shall cease, any election of an LTI Deferral that otherwise would be effective before the first day of the Plan Year beginning one full Plan Year after such withdrawal shall not be effective, and the Participant may not make any further deferrals until one entire Plan Year following the Plan Year in which such withdrawal was made has elapsed; however, there shall be no withdrawal penalty assessed.

10.5 Small Benefit Exception. Notwithstanding any of the foregoing, if the sum of all vested benefits payable to the Participant or Beneficiary who has requested any withdrawal under this Article 10 is less than or equal to ten thousand dollars (\$10,000), the Company shall elect to pay out the entire vested Account balance (reduced, if applicable, by the ten percent (10%) penalty) in a single lump sum.

10.6 Limit on Withdrawals. Notwithstanding any of the foregoing, no Eligible Executive in a position described in Section 162(m)(3) of the Code (or who the Company reasonably believes will be in such a position) shall be permitted to take any distribution from the Plan in any year in which he is in or is believed to be a position described in Section 162(m)(3) of the Code.

ARTICLE 11

Conditions Related to Benefits

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

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

11.3 Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. If the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals and LTI Deferrals.

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

ARTICLE 12

Administration of Plan

The Company shall administer the Plan, provided, however, that the Company may elect to appoint a committee of three (3) or more individuals to administer the Plan. All references to the Administrator herein shall refer to the Company or, if such committee has been appointed, the committee.

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

ARTICLE 13

Beneficiary Designation

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

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

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new

designation, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrator shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 14

Amendment and Termination of Plan

14.1 Amendment of Plan. Except as provided in Section 14.3, the Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (a) shall not decrease the balance of the Participant's Account at the time of such amendment; and (b) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment. The Company may amend the Crediting Rate or Fixed Crediting Rate of the Plan prospectively, in which case, the Company shall notify the Participant of such amendment in writing within thirty (30) days after such amendment.

14.2 Termination of Plan. Except as provided in Section 14.3, the Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such termination shall be treated as the date of Retirement or Termination of Employment for the purpose of calculating Plan benefits, and the Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan in monthly installments over a thirty-six (36) month period. Interest at an annualized rate equal to 90% of the Ten-Year United States Treasury Note rate as of January 1 of the year in which the Plan is terminated will be credited to the Participant's Account prospectively commencing as of the date of the Plan's termination and continuing until distribution under this Section is completed.

14.3 Amendment or Termination After Change in Control. Notwithstanding the foregoing, the Company shall not amend or terminate the Plan without the prior written consent of affected Participants for a period of two calendar years following a Change in Control and shall not thereafter amend or terminate the Plan in any manner which affects any Participant (or Beneficiary) who commences receiving payment of benefits under the Plan prior to the end of such two year period following a Change in Control.

14.4 Company Action. Except as provided in Section 14.3 or 14.5, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

14.5 Constructive Receipt Termination. In the event the Administrator determines that amounts deferred under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the Provisions of Section 14.2 or as may be determined by the Administrator. The determination of the Administrator under this Section shall be binding and conclusive.

ARTICLE 15

Miscellaneous

15.1 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

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

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

15.4 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.

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

15.6 Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

15.7 Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

15.8 Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

15.9 Applicable Law. The Plan shall be governed and construed in accordance with the laws of Ohio except where the laws of Ohio are preempted by ERISA.

15.10 Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail,

facsimile or electronic mail to the principal office of the Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

ARTICLE 16

Claims and Review Procedures

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

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

EXHIBIT A

The purpose of the adjustment payment to be added to the distribution made pursuant to Section 9.1(a) (the "Make Whole Amount") is to offset the Participant's inability to defer until retirement or later the payment of taxes on the amounts deferred and the earnings and interest that would have otherwise accrued between the date of the Change in Control and the date on which the Participant elected to commence receipt of his Account (the "Commencement Date") under the Plan.

The Make Whole Amount shall be calculated as follows:

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