

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, 2008

OR

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

For the transition period from _____ to _____

Commission File number 1-4982



PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

6035 Parkland Blvd., Cleveland, Ohio
(Address of principal executive offices)

34-0451060
(IRS Employer
Identification No.)

44124-4141
(Zip Code)

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

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

Yes No

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of Common Shares outstanding at September 30, 2008 161,152,731

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended	
	September 30,	
	2008	2007
Net sales	\$3,064,688	\$2,787,256
Cost of sales	2,337,222	2,122,297
Gross profit	727,466	664,959
Selling, general and administrative expenses	332,683	324,961
Interest expense	28,096	22,421
Other expense (income), net	9,958	(165)
Income before income taxes	356,729	317,742
Income taxes	106,553	88,145
Net income	<u>\$ 250,176</u>	<u>\$ 229,597</u>
Earnings per share - basic	\$ 1.52	\$ 1.35
Earnings per share - diluted	\$ 1.50	\$ 1.33
Cash dividends per common share	\$.25	\$.21

See accompanying notes to consolidated financial statements.

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

	(Unaudited) September 30, 2008	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 608,327	\$ 326,048
Accounts receivable, net	1,821,681	2,046,726
Inventories:		
Finished products	601,989	600,132
Work in process	696,264	682,816
Raw materials	208,540	211,746
	1,506,793	1,494,694
Prepaid expenses	72,870	82,326
Deferred income taxes	147,447	145,831
Total current assets	4,157,118	4,095,625
Plant and equipment	4,593,809	4,728,078
Less accumulated depreciation	2,737,979	2,801,556
	1,855,830	1,926,522
Goodwill	2,625,761	2,798,092
Intangible assets, net	986,759	1,020,609
Other assets	507,088	546,006
Total assets	<u>\$10,132,556</u>	<u>\$10,386,854</u>
LIABILITIES		
Current liabilities:		
Notes payable	\$ 677,890	\$ 118,864
Accounts payable, trade	836,873	961,886
Accrued payrolls and other compensation	319,561	433,070
Accrued domestic and foreign taxes	219,298	183,136
Other accrued liabilities	489,005	486,300
Total current liabilities	2,542,627	2,183,256
Long-term debt	1,878,933	1,952,452
Pensions and other postretirement benefits	482,895	491,935
Deferred income taxes	165,136	162,678
Other liabilities	319,097	337,562
Total liabilities	5,388,688	5,127,883
SHAREHOLDERS' EQUITY		
Serial preferred stock, \$.50 par value; authorized 3,000,000 shares; none issued	—	—
Common stock, \$.50 par value; authorized 600,000,000 shares; issued 181,046,128 shares at September 30 and June 30	90,523	90,523
Additional capital	559,784	528,802
Retained earnings	5,595,284	5,387,836
Unearned compensation related to guarantee of ESOP debt	—	(4,951)
Deferred compensation related to stock options	2,073	2,112
Accumulated other comprehensive (loss) income	(236,421)	117,642
	6,011,243	6,121,964
Less treasury shares, at cost:		
19,893,397 shares at September 30 and 13,331,126 shares at June 30	(1,267,375)	(862,993)
Total shareholders' equity	4,743,868	5,258,971
Total liabilities and shareholders' equity	<u>\$10,132,556</u>	<u>\$10,386,854</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2008	2007
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 250,176	\$ 229,597
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	64,057	61,263
Amortization	22,109	14,913
Stock compensation	20,655	23,554
Deferred income taxes	7,622	(3,452)
Foreign currency transaction loss (gain)	1,159	(5,180)
Loss on sale of plant and equipment	765	1,003
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	118,791	2,975
Inventories	(89,651)	(53,943)
Prepaid expenses	5,783	1,808
Other assets	8,305	13,735
Accounts payable, trade	(83,240)	(28,644)
Accrued payrolls and other compensation	(75,045)	(90,089)
Accrued domestic and foreign taxes	59,149	49,297
Other accrued liabilities	3,849	18,781
Pensions and other postretirement benefits	15,588	21,111
Other liabilities	(22,725)	12,172
Net cash provided by operating activities	<u>307,347</u>	<u>268,901</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisitions (less acquired cash of \$119 in 2008 and \$177 in 2007)	(12,088)	(33,551)
Capital expenditures	(98,273)	(56,484)
Proceeds from sale of plant and equipment	7,437	1,544
Other	(8,004)	(8,188)
Net cash (used in) investing activities	<u>(110,928)</u>	<u>(96,679)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from exercise of stock options	532	9,416
(Payments for) common shares	(413,959)	(512,835)
Tax benefit from share-based compensation	2,837	7,377
Proceeds from notes payable, net	564,580	375,150
Proceeds from long-term borrowings	3,265	3,403
(Payments of) long-term borrowings	(6,287)	(4,532)
Dividends	(41,109)	(36,544)
Net cash provided by (used in) financing activities	<u>109,859</u>	<u>(158,565)</u>
Effect of exchange rate changes on cash	(23,999)	1,554
Net increase in cash and cash equivalents	282,279	15,211
Cash and cash equivalents at beginning of year	<u>326,048</u>	<u>172,706</u>
Cash and cash equivalents at end of period	<u>\$ 608,327</u>	<u>\$ 187,917</u>

See accompanying notes to consolidated financial statements.

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

The Company operates in three reportable business segments: Industrial, Aerospace and Climate & Industrial Controls. 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.

Climate & Industrial Controls - This segment manufactures motion-control systems and components for use primarily in the refrigeration and air conditioning and transportation industries.

	Three Months Ended September 30,	
	2008	2007
Net sales		
Industrial:		
North America	\$ 1,107,077	\$ 1,005,828
International	1,223,192	1,100,888
Aerospace	478,473	427,290
Climate & Industrial Controls	255,946	253,250
Total	\$ 3,064,688	\$ 2,787,256
Segment operating income		
Industrial:		
North America	\$ 160,486	\$ 155,182
International	202,952	183,433
Aerospace	68,148	57,436
Climate & Industrial Controls	15,499	15,506
Total segment operating income	447,085	411,557
Corporate general and administrative expenses	40,374	45,309
Income from operations before interest expense and other	406,711	366,248
Interest expense	28,096	22,421
Other expense	21,886	26,085
Income before income taxes	\$ 356,729	\$ 317,742

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

1. Management representation

In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2008, the results of operations for the three months ended September 30, 2008 and 2007 and cash flows for the three months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's 2008 Annual Report on Form 10-K. Interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

2. New accounting pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 141 (revised 2007), "Business Combinations" (Statement No. 141R). Statement No. 141R changes the accounting for business combinations both during the period of acquisition and in subsequent periods. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. Statement No. 141R is effective for fiscal years beginning after December 15, 2008. Generally, the effect of Statement No. 141R on the Company's financial position or results of operations will depend on future acquisitions.

In December 2007, the FASB issued FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB 51." Statement No. 160 requires the recognition of a noncontrolling interest as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement No. 160 is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the effect on the Company's financial position or results of operations of complying with the provisions of Statement No. 160.

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities." Statement No. 161 establishes guidelines to report how derivative and hedging activities affect an entity's financial position, financial performance, and cash flows. Statement No. 161 is effective for fiscal years beginning after November 15, 2008. The Company has not yet determined the effect, if any, that Statement No. 161 will have on the Company's disclosures regarding derivatives and hedging activities.

3. Product warranty

In the ordinary course of business, the Company warrants its products against defect in design, materials and workmanship over various time periods. The warranty accrual as of September 30, 2008 and June 30, 2008 is immaterial to the financial position of the Company and the change in the accrual for both the current-year quarter and prior-year quarter was immaterial to the Company's results of operations and cash flows.

4. 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, 2008 and 2007.

	Three Months Ended	
	September 30,	
	2008	2007
<u>Numerator:</u>		
Income applicable to common shares	\$ 250,176	\$ 229,597
<u>Denominator:</u>		
Basic - weighted average common shares	164,415,418	169,782,809
Increase in weighted average from dilutive effect of equity-based awards	2,497,798	3,438,683
Diluted - weighted average common shares, assuming exercise of equity-based awards	<u>166,913,216</u>	<u>173,221,492</u>
Basic earnings per share	\$ 1.52	\$ 1.35
Diluted earnings per share	\$ 1.50	\$ 1.33

At September 30, 2008 and 2007, 3,645,525 and 1,898,576 common shares, respectively, subject to equity-based awards were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

5. Share repurchase program

The Company has a program to repurchase its common shares. Under the program, the Company is authorized to repurchase an amount of common shares each fiscal year equal to the greater of 7.5 million shares or five percent of the shares outstanding as of the end of the prior fiscal year. Repurchases are funded primarily from operating cash flows, and the shares are initially held as treasury stock. The Company repurchased 6,708,024 shares of its common stock at an average price of \$61.71 during the three-month period ended September 30, 2008 under this program.

6. Comprehensive income

The Company's primary item of other comprehensive income (loss) is foreign currency translation adjustments. Comprehensive income for the three months ended September 30, 2008 and 2007 was as follows:

	Three Months Ended September 30,	
	2008	2007
Net income	\$ 250,176	\$ 229,597
Foreign currency translation adjustments	(360,663)	109,662
Retirement benefits amortization	8,000	8,040
Unrealized (loss) on marketable equity securities	(1,459)	
Realized loss on cash flow hedges	59	59
Comprehensive (loss) income	<u>\$(103,887)</u>	<u>\$347,358</u>

Foreign currency translation adjustments are net of taxes of \$20,938 and \$11,223 for the three months ended September 30, 2008 and September 30, 2007, respectively. Retirement benefits amortization is net of taxes of \$4,775 and \$4,710 for the three months ended September 30, 2008 and September 30, 2007, respectively. Unrealized (loss) on marketable equity securities is net of tax of \$903 for the three months ended September 30, 2008. The realized loss on cash flow hedges is net of taxes of \$38 for the three months ended September 30, 2008 and 2007 and is reflected in the Interest expense caption in the Consolidated Statement of Income.

7. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the three months ended September 30, 2008 are as follows:

	Industrial Segment	Aerospace Segment	Climate & Industrial Controls Segment	Total
Balance June 30, 2008	\$2,382,479	\$100,413	\$315,200	\$2,798,092
Acquisitions	9,911			9,911
Foreign currency translation	(151,436)	(43)	(3,995)	(155,474)
Goodwill adjustments	(27,143)		375	(26,768)
Balance September 30, 2008	<u>\$2,213,811</u>	<u>\$100,370</u>	<u>\$311,580</u>	<u>\$2,625,761</u>

"Goodwill adjustments" primarily represent final adjustments to the purchase price allocation during the twelve-month period subsequent to the acquisition date and primarily involves the valuation of property, plant and equipment and intangible assets. The 2009 purchase price allocations are preliminary and may require subsequent adjustment.

7. Goodwill and intangible assets, continued

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, 2008		June 30, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 196,599	\$ 35,695	\$ 96,385	\$ 35,770
Trademarks	244,783	44,231	247,874	42,503
Customer lists and other	754,904	129,601	876,092	121,469
Total	<u>\$ 1,196,286</u>	<u>\$ 209,527</u>	<u>\$ 1,220,351</u>	<u>\$ 199,742</u>

Total intangible amortization expense for the three months ended September 30, 2008 was \$21,515. The estimated amortization expense for the five years ending June 30, 2009 through 2013 is \$80,908, \$80,052, \$74,126, \$69,844 and \$64,469, respectively.

8. Retirement benefits

Net periodic pension cost recognized included the following components:

	Three Months Ended September 30,	
	2008	2007
Service cost	\$ 17,649	\$ 19,799
Interest cost	41,796	40,916
Expected return on plan assets	(46,551)	(46,955)
Amortization of prior service cost	3,339	3,045
Amortization of net actuarial loss	9,637	10,585
Amortization of initial net (asset)	(16)	(17)
Net periodic benefit cost	<u>\$ 25,854</u>	<u>\$ 27,373</u>

Postretirement benefit cost recognized included the following components:

	Three Months Ended September 30,	
	2008	2007
Service cost	\$ 380	\$ 450
Interest cost	1,425	1,464
Net amortization and deferral and other	(185)	(105)
Net periodic benefit cost	<u>\$ 1,620</u>	<u>\$ 1,809</u>

9. Income taxes

As of September 30, 2008, the Company had gross unrecognized tax benefits of \$114,147. The total amount of unrecognized benefits that, if recognized, would affect the effective tax rate was \$81,139. The accrued interest related to the gross unrecognized tax benefits, excluded from the amounts above, was \$9,810.

The Company and its subsidiaries file income tax returns in the United States and various state and foreign jurisdictions. In the normal course of business, the Company's tax returns are subject to examination by taxing authorities throughout the world. The Company is no longer subject to examinations of its federal income tax returns by the Internal Revenue Service (IRS) for fiscal years through 2001, except for certain refund claims outstanding. All significant state and local and foreign tax returns have been examined for fiscal years through 2001. The Company believes that it is reasonably possible that within the next 12 months the IRS examination for fiscal years 2002 and 2005 will be settled. However, the Company does not anticipate that within the next 12 months the total unrecognized tax benefits will significantly change due to the settlement of examinations and the expiration of statute of limitations.

10. Fair value measurement

On July 1, 2008, the Company adopted the provisions of FASB Statement No. 157, "Fair Value Measurements." Statement No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Statement No. 157 indicates that among other things, a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FASB Staff Position 157-2 delays the effective date of the application of Statement No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The adoption of Statement No. 157 had no effect on the Company's financial position or results of operations.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at September 30, 2008 follows:

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets:</u>				
Available for sale securities	\$ 6,890	\$ 6,890	\$	\$
Derivatives	2,931		2,931	
<u>Liabilities:</u>				
Deferred compensation plans	128,618	128,618		
Derivatives	1,166		1,166	

The fair value of derivatives is calculated through a model that utilizes market observable inputs including both spot and forward prices for the same underlying currencies. Available for sale securities are measured at fair value using quoted market prices. The Company has established nonqualified deferred compensation programs which permit officers, directors and certain management employees to defer a portion of their compensation, on a pre-tax basis, until their termination of employment. Changes in the value of the compensation deferred under these programs are recognized based on the fair value of the participants investment elections.

10. Fair value measurement, continued

On July 1, 2008, the Company adopted the provisions of FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." Statement No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect to measure any financial assets or financial liabilities at fair value that were otherwise not required to be measured at fair value under other accounting standards.

11. Contingencies

The Company is involved in various litigation arising in the normal course of business, including proceedings based on product liability claims, workers' compensation claims and alleged violations of various environmental laws. The Company is self-insured in the United States for health care, workers' compensation, general liability and product liability up to predetermined amounts, above which third party insurance applies. Management regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for liabilities. While the outcome of pending proceedings cannot be predicted with certainty, management believes that any liabilities that may result from these proceedings will not have a material adverse effect on the Company's liquidity, financial condition or results of operations.

On April 27, 2007, a grand jury in the Southern District of Florida issued a subpoena to the Company's subsidiary, Parker ITR, requiring the production of documents, in particular documents related to communications with competitors and customers related to Parker ITR's marine oil and gas hose business. The Company and Parker ITR substantially complied with this subpoena. On August 2, 2007, the Japan Fair Trade Commission (JFTC) requested that Parker ITR submit a report to the JFTC on specific topics related to its investigation of marine hose suppliers. Parker ITR did so. The JFTC issued a final order and Parker ITR complied with that order. The European Commission issued Requests for Information to the Company and Parker ITR, the first such request was dated May 15, 2007. The Company and Parker ITR submitted responses to these requests. The Company and Parker ITR continue to cooperate with the European Commission. Brazilian and Korean competition authorities initiated investigations (the Brazilian investigation commenced on November 14, 2007 and the Korean investigation commenced on January 17, 2008) related to the marine hose supply activities of Parker ITR. The Company and Parker ITR are cooperating with the Brazilian and Korean authorities. At the current stage of these regulatory investigations, the Company is unable to reasonably estimate the potential loss or range of loss, if any, arising from such investigations.

In addition, four class action lawsuits were filed in the Southern District of Florida: *Shipyards Supply LLC v. Bridgestone Corporation, et al*, filed May 17, 2007; *Expro Gulf Limited v. Bridgestone Corporation, et al.*, filed June 6, 2007; *Bayside Rubber & Products, Inc. v. Trelleborg Industrie S.A., et al.*, filed June 25, 2007; *Bayside Rubber & Products, Inc. v. Caleca, et al.*, filed July 12, 2007; and one in the Southern District of New York: *Weeks Marine, Inc. v. Bridgestone Corporation, et al.*, filed July 27, 2007. The Company is named as a defendant in one case and it filed an answer in that matter. Parker ITR filed a motion to dismiss in each of the four cases in which it is a defendant. Parker ITR's motions to dismiss were denied as moot after all five cases were consolidated in the Southern District of Florida as 08-MDL-1888. On September 12, 2008, the plaintiffs filed an amended consolidated class action complaint that alleges that the defendants, for a period of approximately 21 years, conspired with competitors in unreasonable restraint of trade to artificially raise, fix, maintain or stabilize prices, rig bids and allocate markets and customers for marine oil and gas hose in the United States. Plaintiffs generally seek treble damages, a permanent injunction, attorneys' fees, and pre-judgment and post-judgment interest. Motions to dismiss and for class certification are currently pending. The Company has established a reserve of \$21.2 million, of which \$1.2 million was recorded during the first quarter of fiscal 2009, for known and potential civil damages.

12. Subsequent event

Subsequent to the end of the first quarter of fiscal 2009, the Company completed seven acquisitions including the acquisitions of Legris SA and Origa Group. Legris SA is a manufacturer of fluid circuit components and systems for pneumatic, hydraulic, and chemical processing applications. Origa Group is a manufacturer of rodless pneumatic actuators, electric actuators, filter regulator lubricators, pneumatic cylinders and valves used in the transportation, semiconductor and packaging and conveying markets. Aggregate annual revenues for the seven acquisitions completed subsequent to the end of the first quarter of fiscal 2009, for their most recent fiscal year prior to acquisition, were approximately \$503 million. The Company primarily used cash on hand and proceeds from commercial paper borrowings to fund the acquisitions.

FORM 10-Q

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008
AND COMPARABLE PERIOD ENDED SEPTEMBER 30, 2007

OVERVIEW

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

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

- Institute of Supply Management (ISM) index of manufacturing activity with respect to North American mobile and industrial markets;
- Purchasing Managers Index (PMI) on manufacturing activity with respect to most International mobile and industrial markets;
- Aircraft miles flown and revenue passenger miles for commercial aerospace markets and Department of Defense spending for military aerospace markets; and
- Housing starts with respect to the North American residential air conditioning market.

ISM and PMI indexes above 50 indicate that the manufacturing economy is expanding, resulting in the expectation that the Company's order rates in the mobile and industrial markets in the respective geographic areas should be positive year-over-year. ISM and PMI indexes below 50 would indicate the opposite effect. The ISM index at the end of September 2008 was 43.5 and the PMI for the Eurozone countries at the end of September 2008 was 45.0. With respect to the aerospace market, aircraft miles flown and revenue passenger miles continue to show improvement over comparable fiscal 2008 levels. The Company anticipates that Department of Defense spending in fiscal 2009 will be about 4 percent higher than the 2008 level. Housing starts in September 2008 were approximately 31 percent lower than housing starts in September 2007. The Company does not anticipate housing starts to improve in fiscal 2009.

The Company also believes that there is a high correlation between changes in interest rates throughout the world and worldwide industrial manufacturing activity. Increases in interest rates typically have a negative impact on industrial production thereby lowering future order rates while decreases in interest rates typically have the opposite effect. In October 2008, the world's leading central banks, including the U.S. Federal Reserve, the European Federal Reserve and the Bank of England, reduced their official interest rates. Given the current worldwide financial crisis, it is unknown whether these interest rate cuts will have the same impact on worldwide industrial manufacturing activity as past interest rate cuts.

The Company's major opportunities for growth are as follows:

- Leveraging the Company's broad product line with customers desiring to consolidate their vendor base and outsource system engineering;
- Marketing systems solutions for customer applications;
- Expanding the Company's business presence outside of North America;
- Introducing new products, including those resulting from the Company's innovation initiatives;
- Completing strategic acquisitions in a consolidating motion and control industry; and
- Expanding the Company's vast distribution network.

The financial condition of the Company remains strong as evidenced by the continued generation of substantial cash flows from operations, a debt to debt-equity ratio of 35.0 percent (29.1 percent calculated on a net-debt to net-debt-equity basis) and a demonstrated ability to borrow needed funds at affordable interest rates despite the current tight credit environment.

Many acquisition opportunities remain available to the Company within its target markets. During the first quarter of fiscal 2009, the Company completed one acquisition whose aggregate incremental annual revenues were approximately \$11 million. Subsequent to the end of the quarter, the Company completed seven acquisitions whose aggregate incremental annual revenues were approximately \$503 million. Acquisitions will continue to be considered from time to time to the extent there is a strong strategic fit, while at the same time, maintaining the Company's strong financial position. The Company will also continue to assess the strategic fit of its existing businesses and initiate efforts to divest businesses that are not considered to be a good long-term fit for the Company. Future business divestitures could have a negative effect on the Company's results of operations.

The Company routinely strives to improve customer service levels and manage changes in raw material prices and expenses related to employee health and welfare benefits. The current recessionary-like business conditions in the U.S. economy and the slowdown in some of the global economies make it difficult for the Company to anticipate the business conditions that are likely to be experienced by the Company's operations for the remainder of fiscal year 2009. The Company is currently focused on maintaining its financial strength through the current worldwide economic situation and has in place a number of strategic financial performance initiatives relating to growth and margin improvement in order to meet this challenge, including strategic procurement, strategic pricing, lean enterprise, product innovation, global diversification and business realignments.

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

CONSOLIDATED STATEMENT OF INCOME

(in millions)	Three months ended	
	September 30,	
	2008	2007
Net sales	\$3,064.7	\$2,787.3
Gross profit	\$ 727.5	\$ 665.0
Gross profit margin	23.7%	23.9%
Selling, general and administrative expenses	\$ 332.7	\$ 325.0
Selling general and administrative expenses, as a percent of sales	10.9%	11.7%
Interest expense	\$ 28.1	\$ 22.4
Other expense (income), net	\$ 10.0	\$ (0.2)
Effective tax rate	29.9%	27.7%
Net income	\$ 250.2	\$ 229.6
Net income, as a percent of sales	8.2%	8.2%

Net sales for the first quarter of fiscal 2009 increased 10.0 percent over the prior-year first quarter reflecting higher volume experienced primarily in the Industrial North American, Industrial International and Aerospace Segments. Acquisitions made in the last 12 months contributed about 45 percent of the net sales increase and the effect of currency rate changes contributed about 18 percent of the net sales increase.

Gross profit margin decreased slightly as higher raw material costs and unfavorable product mix more than offset the increase in sales.

Selling, general and administrative expenses increased primarily due to the higher sales volume partially offset by lower incentive compensation.

Interest expense for the current-year quarter increased 25.3 percent over the prior-year first quarter primarily due to higher average debt outstanding in the current-year quarter. Borrowings in the current-year quarter were made in anticipation of the closing of several specific acquisitions and were also used to repurchase the Company's common shares.

Other expense (income), net in the current-year quarter included a \$7.7 million expense related to an investment and a \$1.2 million expense related to a litigation settlement.

Effective tax rate for the current-year quarter was higher than the prior-year quarter primarily due to the prior-year quarter tax rate reflecting the tax benefit received as a result of a change in the German tax rate. In October 2008, the research and development tax credit was extended retroactive to January 1, 2008. The Company estimates that the tax benefit to be received from the research and development tax credit will reduce tax expense by approximately \$5 million in the second quarter of fiscal 2009 and currently estimates the effective tax rate for fiscal 2009 will reflect a \$10 million tax benefit.

RESULTS BY BUSINESS SEGMENT

Industrial Segment

<u>(in millions)</u>	Three months ended September 30,	
	2008	2007
Net sales		
North America	\$1,107.1	\$1,005.8
International	1,223.2	1,100.9
Operating income		
North America	160.5	155.2
International	\$ 203.0	\$ 183.4
Operating income, as a percent of sales		
North America	14.5%	15.4%
International	16.6%	16.7%
Backlog	\$1,590.2	\$1,462.5

The Industrial Segment operations experienced the following percentage changes in net sales in the current-year compared to the equivalent prior-year period:

	Three months ended September 30, 2008
Industrial North America – as reported	10.1%
Acquisitions	7.6%
Currency	0.1%
Industrial North America – without acquisitions and currency	2.4%
Industrial International – as reported	11.1%
Acquisitions	3.3%
Currency	4.3%
Industrial International – without acquisitions and currency	3.5%
Total Industrial Segment – as reported	10.6%
Acquisitions	5.3%
Currency	2.3%
Total Industrial Segment – without acquisitions and currency	3.0%

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

Excluding the effects of acquisitions and currency exchange rates, the increase in Industrial North American sales reflects higher demand experienced from distributors and higher end-user demand experienced in a number of markets, particularly in construction, farm and agriculture, oil and gas and machine tool markets. Lower end-user demand was experienced in the light and heavy-duty truck, semiconductor and automotive markets. The increase in Industrial International sales is primarily attributed to higher volume across most markets in Latin America and the Asia Pacific region.

The decrease in both Industrial North American and Industrial International margins is primarily due to higher raw material costs and unfavorable product mix more than offsetting the higher sales volume. Acquisitions, not yet fully integrated, negatively impacted both Industrial North American and Industrial International margins in the current-year quarter.

The increase in backlog from the prior-year quarter is primarily due to higher order rates in the Industrial North American businesses. The decrease in backlog from the June 30, 2008 amount of \$1,743.8 million is due primarily to lower order rates experienced in the Industrial International businesses. The Company anticipates Industrial North American sales for fiscal 2009 to increase between 2.2 percent to 2.6 percent from the fiscal 2008 level and Industrial International sales for fiscal 2009 will range between a decrease of 0.3 percent to an increase of 0.1 percent from the fiscal 2008 level. Industrial North American operating margins in fiscal 2009 are expected to range from 13.6 percent to 14.0 percent and Industrial International operating margins are expected to range from 15.0 percent to 15.4 percent. The Company expects to continue to take the actions necessary to structure appropriately 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 2009.

Aerospace Segment

<u>(in millions)</u>	<u>Three months ended</u> <u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Net sales	\$ 478.5	\$ 427.3
Operating income	\$ 68.1	\$ 57.4
Operating income, as a percent of sales	14.2%	13.4%
Backlog	\$1,736.6	\$1,509.7

The increase in net sales in the Aerospace Segment is primarily due to an increase in both commercial original equipment manufacturer (OEM) and aftermarket volume partially offset by lower military aftermarket volume. The higher margins were primarily due to a higher concentration of sales in the current-year first quarter occurring in the higher margin aftermarket OEM businesses partially offset by higher product development costs.

The increase in backlog from the prior-year quarter is primarily due to higher order rates in the commercial OEM businesses partially offset by lower order rates in the military aftermarket businesses. Backlog remained essentially unchanged from the June 30, 2008 amount of \$1,737.4 million. For fiscal 2009, sales are expected to increase from 2.6 percent to 3.0 percent from the fiscal 2008 level and operating margins are expected to range from 12.8 percent to 13.2 percent. Lower commercial aftermarket volume in future product mix and higher than currently expected new product development costs could result in lower margins.

Climate & Industrial Controls Segment

<u>(in millions)</u>	<u>Three months ended</u> <u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Net sales	\$255.9	\$253.3
Operating income	\$ 15.5	\$ 15.5
Operating income, as a percent of sales	6.1%	6.1%
Backlog	\$139.9	\$150.0

The increase in sales in the Climate & Industrial Controls Segment is primarily due to higher end-user demand in the residential air conditioning market partially offset by lower end-user demand in the heavy-duty truck and automotive markets. Margins in the current-year quarter remained at the prior-year level due primarily to product mix and the incurrence of business realignment charges in the current-year quarter more than offsetting the higher sales volume.

The decrease in backlog from the prior-year quarter and the June 30, 2008 amount of \$170.1 million is primarily due to lower orders in the heavy-duty truck and automotive markets. For fiscal 2009, sales are expected to decline from 3.1 percent to 2.7 percent from the fiscal 2008 level and operating margins are expected to range from 4.5 percent to 4.9 percent. The Company expects to continue to take the actions necessary to structure appropriately the Climate & Industrial Controls Segment operations. Such actions may include the necessity to record additional business realignment charges in fiscal 2009.

Corporate and Other

Corporate general and administrative expenses decreased to \$40.4 million in the current-year quarter compared to \$45.3 million in the prior-year quarter. As a percent of sales, corporate general and administrative expenses for the current-year quarter decreased to 1.3 percent compared to 1.6 percent in the prior-year quarter. The lower expense in the current-year quarter is primarily due to lower incentive compensation expenses.

Included in Other expense (in the Business Segment Results) in the current-year quarter is a currency gain of \$7.4 million compared to currency gain of \$2.2 million in the prior-year quarter.

BALANCE SHEET

<u>(dollars in millions)</u>	<u>September 30,</u> <u>2008</u>	<u>June 30,</u> <u>2008</u>
Accounts receivable	\$ 1,821.7	\$2,046.7
Inventories	1,506.8	1,494.7
Plant and equipment, net of accumulated depreciation	1,855.8	1,926.5
Goodwill	2,625.8	2,798.1
Intangible assets, net	986.8	1,020.6
Notes payable	677.9	118.9
Accounts payable, trade	836.9	961.9
Accrued payrolls and other compensation	319.6	433.1
Accrued domestic and foreign taxes	219.3	183.1
Shareholders' equity	4,743.9	5,259.0
Working capital	\$ 1,614.5	\$1,912.4
Current ratio	1.63	1.88

Accounts receivable are primarily receivables due from customers for sales of product (\$1,640.2 million at September 30, 2008 and \$1,820.8 million at June 30, 2008). Days sales outstanding relating to trade accounts receivable decreased to 49 days from 50 days at June 30, 2008.

Inventories increased slightly since June 30, 2008. Days supply of inventory (DSI) increased to 67 days from 61 days at June 30, 2008. The increase in DSI was primarily due to a combination of higher raw material costs and lower than anticipated customer demand, especially within the Industrial International operations.

Notes payable increased since June 30, 2008 primarily due to additional commercial paper borrowings made in anticipation of acquisitions closing in the second quarter of fiscal 2009.

Accounts payable, trade decreased \$125 million primarily due to the timing of payments for purchases.

Accrued payrolls and other compensation decreased primarily due to incentive compensation payouts during the current-year quarter.

Accrued domestic and foreign taxes increased primarily due to a higher estimated income tax provision.

Due to the strengthening of the U.S. dollar, foreign currency translation adjustments resulted in a decrease in Shareholders' equity of \$360.7 million during the current-year quarter. The translation adjustments primarily decreased the balances of Accounts receivable, Inventories, Plant and equipment, Goodwill and Intangible assets, net.

The decrease in working capital was primarily due to the increase in commercial paper borrowings during the current-year quarter.

STATEMENT OF CASH FLOWS

(in millions)	Three months ended	
	September 30,	
	2008	2007
Cash provided by (used in):		
Operating activities	\$ 307.3	\$ 268.9
Investing activities	(110.9)	(96.7)
Financing activities	109.9	(158.6)
Effect of exchange rates	(24.0)	1.6
Net increase in cash and cash equivalents	282.3	15.2

Cash flows from operating activities – The increase in cash flows from operating activities is primarily due to higher net income and a lower level of cash used for working capital needs.

Cash flow used in investing activities – Net cash used in investing activities increased slightly over the prior year. The Company used fewer funds for acquisitions but increased its capital expenditures in the current-year quarter.

Cash flow from financing activities – The increase in cash flows from financing activities is due to increased proceeds from commercial paper borrowings and less cash required for share repurchases. Additional commercial paper borrowings were made primarily in anticipation of the closing of several acquisitions in the second quarter of fiscal 2009. In the current-year quarter, the Company repurchased a comparable number of its common shares as the prior-year quarter, but the average price per share was lower in the current-year quarter resulting in a lower amount of cash required to complete the repurchases.

The Company's goal is to maintain no less than an "A" rating on senior debt to ensure availability and reasonable cost of external funds. As a means of achieving this objective, the Company has established a financial goal of maintaining a ratio of debt to debt-equity of no more than 37 percent.

<u>Debt to Debt-Equity Ratio (in millions)</u>	September 30, 2008	June 30, 2008
Debt	\$ 2,556.8	\$2,071.3
Debt & equity	\$ 7,300.7	\$7,330.3
Ratio	35.0%	28.3%

The Company has a line of credit totaling \$1,500 million through a multi-currency revolving credit agreement with a group of banks, of which \$851 million was available as of September 30, 2008. The credit agreement expires September 2012; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which request may result in changes to the current terms and conditions of the credit agreement. A portion of the credit agreement supports the Company's commercial paper note program, which is rated A-1 by Standard & Poor's, P-1 by Moody's and F-1 by Fitch, Inc. These ratings are considered investment grade. The revolving credit agreement requires a facility fee of 4.5/100ths of one percent of the commitment per annum at the Company's present rating level. The revolving credit agreement contains provisions that increase the facility fee of the credit agreement in the event the Company's credit ratings are lowered. A lowering of the Company's credit ratings would not limit the Company's ability to use the credit agreement nor would it accelerate the repayment of any outstanding borrowings.

The Company's credit agreements and indentures governing certain debt agreements contain various covenants, the violation of which would limit or preclude the use of the credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. At the Company's present rating level, the most restrictive financial covenants provide that

the ratio of secured debt to net tangible assets be less than 10 percent. As of September 30, 2008, the ratio of secured debt to net tangible assets was less than one percent. The Company is in compliance with all covenants and expects to remain in compliance during the term of the credit agreements and indentures.

The Company's principal sources of liquidity are its cash flows provided from operating activities and borrowings either from or directly supported by its line of credit. Current events in the credit markets have adversely impacted the lending ability of many financial institutions thereby restricting the availability of credit to many companies; however, the Company has not been affected by the lack of credit availability and does not foresee any impediments to borrow funds at affordable interest rates in the near future. While the economic outlook for the near future remains uncertain, the Company's ability to generate cash from its operations and ability to borrow directly from its line of credit or sources directly supported by its line of credit should be sufficient to support working capital needs, planned growth, dividend payments and share repurchases. The Company regularly considers acquisition opportunities and additional borrowings may be used to finance acquisitions completed during the current fiscal year. As such, the Company borrowed approximately \$260 million of additional funds subsequent to the end of the current-year quarter to fund the acquisitions discussed in Note 12 to the Consolidated Financial Statements.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued FASB Statement No. 141 (revised 2007), "Business Combinations" (Statement No. 141R). Statement No. 141R changes the accounting for business combinations both during the period of acquisition and in subsequent periods. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. Statement No. 141R is effective for fiscal years beginning after December 15, 2008. Generally, the effect of Statement No. 141R on the Company's financial position or results of operations will depend on future acquisitions.

In December 2007, the FASB issued FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB 51." Statement No. 160 requires the recognition of a noncontrolling interest as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. Statement No. 160 is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the effect on the Company's financial position or results of operations of complying with the provisions of Statement No. 160.

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities." Statement No. 161 establishes guidelines to report how derivative and hedging activities affect an entity's financial position, financial performance, and cash flows. Statement No. 161 is effective for fiscal years beginning after November 15, 2008. The Company has not yet determined the effect, if any, that Statement No. 161 will have on the Company's disclosures regarding derivatives and hedging activities.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this Quarterly 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 future performance and earnings projections of the Company may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the Company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins and growth, innovation and global diversification initiatives. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments, or significant changes in financial condition,
- uncertainties surrounding timing, successful completion or integration of acquisitions,
- threats associated with and efforts to combat terrorism,
- uncertainties surrounding the ultimate resolution of outstanding litigation,
- competitive market conditions and resulting effects on sales and pricing,
- increases in raw material costs that cannot be recovered in product pricing,
- the Company's ability to manage costs related to insurance and employee retirement and health care benefits, and
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation and interest rates and credit availability.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company enters into forward exchange contracts and costless collar contracts, comprised of puts and calls, to reduce its exposure in both freely convertible and non-freely convertible 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.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the first quarter of fiscal 2009. Based on this evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective.

There has been no change in the Company's internal control over financial reporting during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings. On April 27, 2007, a grand jury in the Southern District of Florida issued a subpoena to the Company's subsidiary, Parker ITR, requiring the production of documents, in particular documents related to communications with competitors and customers related to Parker ITR's marine oil and gas hose business. The Company and Parker ITR substantially complied with this subpoena. On August 2, 2007, the Japan Fair Trade Commission ("JFTC") requested that Parker ITR submit a report to the JFTC on specific topics related to its investigation of marine hose suppliers. Parker ITR did so. The JFTC issued a final order and Parker ITR complied with that order. The European Commission issued Requests for Information to the Company and Parker ITR, the first such request was dated May 15, 2007. The Company and Parker ITR submitted responses to these requests. The Company and Parker ITR continue to cooperate with the European Commission. Brazilian and Korean competition authorities initiated investigations (the Brazilian investigation commenced on November 14, 2007 and the Korean investigation commenced on January 17, 2008) related to the marine hose supply activities of Parker ITR. The Company and Parker ITR are cooperating with the Brazilian and Korean authorities.

In addition, four class action lawsuits were filed in the Southern District of Florida: *Shipyards Supply LLC v. Bridgestone Corporation, et al.*, filed May 17, 2007; *Expro Gulf Limited v. Bridgestone Corporation, et al.*, filed June 6, 2007; *Bayside Rubber & Products, Inc. v. Trelleborg Industrie S.A., et al.*, filed June 25, 2007; *Bayside Rubber & Products, Inc. v. Caleca, et al.*, filed July 12, 2007; and one in the Southern District of New York: *Weeks Marine, Inc. v. Bridgestone Corporation, et al.*, filed July 27, 2007. The Company is named as a defendant in one case and it filed an answer in that matter. Parker ITR filed a motion to dismiss in each of the four cases in which it is a defendant. Parker ITR's motions to dismiss were denied as moot after all five cases were consolidated in the Southern District of Florida as 08-MDL-1888. On September 12, 2008, the plaintiffs filed an amended consolidated class action complaint that alleges that the defendants, for a period of approximately 21 years, conspired with competitors in unreasonable restraint of trade to artificially raise, fix, maintain or stabilize prices, rig bids and allocate markets and customers for marine oil and gas hose in the United States. Plaintiffs generally seek treble damages, a permanent injunction, attorneys' fees, and pre-judgment and post-judgment interest. Motions to dismiss and for class certification are currently pending.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.(a) *Unregistered Sales of Equity Securities.* Not applicable.(b) *Use of Proceeds.* Not applicable.(c) *Issuer Purchases of Equity Securities.*

<u>Period</u>	<u>(a) Total Number of Shares Purchased</u>	<u>(b) Average Price Paid Per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</u>	<u>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 1, 2008 through July 31, 2008	99,600	\$ 68.87	99,600	12,971,347
August 1, 2008 through August 31, 2008	3,351,655(2)	\$ 62.76	3,291,408	9,679,939
September 1, 2008 through September 30, 2008	3,317,016	\$ 60.44	3,317,016	6,362,923
Total:	6,768,271	\$ 61.71	6,708,024	6,362,923

- (1) On August 16, 1990, the Company publicly announced that its Board of Directors authorized the repurchase by the Company of up to 3.0 million shares of its common stock. From time to time, the Board of Directors has adjusted the number of shares authorized for repurchase under this program. On January 25, 2007, the Company publicly announced that its Board of Directors approved an increase in the number of shares authorized for repurchase under this program so that, beginning on such date, the aggregate number of shares authorized for repurchase was equal to 10 million. On October 1, 2007, the number of shares authorized and then remaining for repurchase under this program was adjusted to reflect the 3-shares-for-2 stock split completed on that date. There is no expiration date for this program.
- (2) Includes 60,247 shares surrendered to the Company by certain executive officers in order to satisfy tax withholding obligations on restricted stock and the vesting of restricted stock under the Company's Long Term Incentive Awards.

ITEM 6. Exhibits.

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

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10(a)	Form of Parker-Hannifin Corporation Amended and Restated Change in Control Severance Agreement entered into by the Registrant and executive officers.
10(b)	Parker-Hannifin Corporation Amended and Restated Change in Control Severance Plan.
10(c)	Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program.
10(d)	Form of 2009 Notice of Stock Options with Tandem Stock Appreciation Rights for Executive Officers.
10(e)	Form of Notice of FY09 Target Incentive Bonus Award under the Parker-Hannifin Corporation Performance Bonus Plan.
10(f)	Form of Notice of 2009-10-11 Long Term Incentive Award under the Parker-Hannifin Corporation Performance Bonus Plan.
10(g)	Form of Notice of FY09 RONA Bonus Award under the Parker-Hannifin Corporation Performance Bonus Plan.
10(h)	Summary of RONA Bonus Awards in Lieu of Certain Executive Perquisites.
10(i)	Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan.
10(j)	Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan.
10(k)	Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan.
10(l)	Form of 2009 Notice of Issuance of Restricted Stock for Non-Employee Directors.
10(m)	Amended and Restated Deferred Compensation Plan for Directors of Parker-Hannifin Corporation.
10(n)	Summary of the Compensation of the Non-Employee Members of the Board of Directors, effective October 1, 2008.
12	Computation of Ratio of Earnings to Fixed Charges as of September 30, 2008.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
31(i)(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31(i)(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.

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/ Timothy K. Pistell

Timothy K. Pistell

Executive Vice President - Finance and Administration and
Chief Financial Officer

Date: November 6, 2008

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PARKER-HANNIFIN CORPORATION
 AMENDED AND RESTATED
 CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (“Agreement”) is amended and restated as of the _____ day of _____, 2008, by and between Parker-Hannifin Corporation (the “Company”) and _____ (the “Executive”).

W I T N E S S E T H

WHEREAS, the Company considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its stockholders; and

WHEREAS, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined in Section 1) may arise and that such possibility may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Board (as defined in Section 1) has determined that it is in the best interests of the Company and its stockholders to secure the Executive’s continued services and to ensure the Executive’s continued and undivided dedication to his duties in the event of any threat or occurrence of a Change in Control (as defined in Section 1); and

WHEREAS, the Board has authorized the Company to enter into this Agreement; and

WHEREAS, the Company and the Executive entered into this Agreement, originally effective as of the _____ day of _____, _____; and

WHEREAS, the Company and the Executive desire to amend and restate this Agreement to reflect the requirements of the American Jobs Creation Act (the “Act”) with respect to nonqualified deferred compensation subject to Section 409A of the Code.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the Company and the Executive hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the respective meanings set forth below:

- (a) “Affiliated Group” means the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code, for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2

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

- (b) “Board” means the Board of Directors of the Company.
- (c) “Bonus” means the annual bonuses payable pursuant to the RONA Plan and the Target Incentive Program, except to the extent determined by the Company to be extraordinary.
- (d) “Cause” means:
 - (i) a material breach by the Executive of the duties and responsibilities of the Executive (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Executive’s part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; or
 - (ii) the commission by the Executive of a felony involving moral turpitude. The determination of Cause shall be made by the Board. Cause shall not exist unless and until the Company has delivered to the Executive a copy of a resolution duly adopted by three-quarters (3/4) of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of the conduct set forth in this Section 1(d) and specifying the particulars thereof in detail. The Company must notify the Executive that it believes Cause has occurred within ninety (90) days of its knowledge of the event or condition constituting Cause or such event shall not constitute Cause under this Agreement. For purposes of clause (i) above, any act, or failure to act, by the Executive based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.
- (e) “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 (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 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) any acquisition by the Executive or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Executive (or any entity in which the Executive or a group of persons including the Executive, 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 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 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 Agreement to the contrary, if the Executive's employment is terminated prior to a Change in Control, and the Executive 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") (such a termination of employment an "Anticipatory Termination"), then for all purposes of this Agreement except with respect to benefits under Sections 2(a)(i)(B) and 2(d)(ii) that constitute nonqualified deferred compensation subject to Section 409A of the Code, the date immediately prior to the date of such Anticipatory Termination shall be deemed to be the date of a Change in Control.

- (f) “Code” means the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- (g) “Company” means Parker-Hannifin Corporation, an Ohio corporation.
- (h) “Corporate Change 409A Event” means the occurrence of one of the following events:
- (i) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1(h)(ii) of this Agreement). Notwithstanding the foregoing, a Corporate Change 409A Event shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change 409A Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company’s acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Corporate Change 409A Event shall then occur.
- (ii) A change in effective control of the Company, which occurs on either of the following dates:
- (A) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1(h)(i) of this Agreement). Notwithstanding the foregoing, a Corporate Change 409A Event shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by

the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change 409A Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Corporate Change 409A Event shall then occur.

- (B) The date that a majority of the Company's Board is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the Board prior to the date of such appointment or election.
- (iii) a change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (b) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (c) a person or group (within the meaning of the regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1(h)(iii)(c) of this Agreement.

Notwithstanding Sections 1(h)(i), 1(h)(ii)(a) and 1(h)(iii) above, the consummation of a Business Combination shall not be deemed a Corporate Change 409A Event if, immediately following such Business Combination: (a) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or

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

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1(h)(i) or 1(h)(ii)(a) above shall not be deemed to be a Corporate Change 409A Event by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

- (i) "Date of Termination" means the date of the Executive's separation from service with the Company, within the meaning of Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Executive reasonably anticipate that the level of bona fide services the Executive will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Executive for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Executive has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Company reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether the Executive, if the Executive would otherwise experience a separation from service with the Company as part of the disposition of assets, will be considered to experience a separation of service for purposes of Section 1.409A-1(h) of the Regulations.
- (j) "Disability" means the condition whereby the Executive is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Company, in its complete and sole discretion, shall determine the Executive's Disability. The Company may require that the Executive submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Company to confirm Disability. On the basis of such medical evidence, the determination of the Company as to whether or not a condition of Disability exists or continues shall be conclusive.

- (k) "Good Reason" means, without the Executive's express written consent, the occurrence of any of the following events after a Change in Control:
- (i) the assignment to the Executive of any duties (including a diminution of duties) inconsistent in any adverse respect with the Executive's position(s), duties, responsibilities or status with the Company immediately prior to such Change in Control;
 - (ii) an adverse change in the Executive's reporting responsibilities, titles or offices with the Company as in effect immediately prior to such Change in Control;
 - (iii) any removal or involuntary termination of the Executive from the Company otherwise than as expressly permitted by this Agreement or any failure to re-elect the Executive to any position with the Company held by the Executive immediately prior to such Change in Control;
 - (iv) a reduction by the Company in the Executive's rate of annual base salary as in effect immediately prior to such Change in Control or as the same may be increased from time to time thereafter;
 - (v) any requirement of the Company that the Executive (A) be based anywhere more than twenty-five (25) miles from the facility where the Executive is located at the time of the Change in Control or (B) travel on Company business to an extent substantially more burdensome than the travel obligations of the Executive immediately prior to such Change in Control;
 - (vi) the failure of the Company to (A) continue in effect any employee benefit plan or compensation plan in which the Executive is participating immediately prior to such Change in Control, or the taking of any action by the Company which would adversely affect the Executive's participation in or reduce the Executive's benefits under any such plan (including the failure to provide the Executive with a level of discretionary incentive award grants consistent with the past practice of the Company in granting such awards to the Executive during the three-Year period immediately preceding the Change in Control), (B) provide the Executive and the Executive's dependents with welfare benefits (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and dismemberment and travel accident insurance plans and programs) in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Group in effect for the Executive immediately prior to such Change in Control, (C) provide fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Group in effect for the Executive immediately

prior to such Change in Control, or (D) provide the Executive with paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and the Affiliated Group as in effect for the Executive immediately prior to such Change in Control, unless in the case of any violation of (A), (B) or (C) above, the Executive is permitted to participate in other plans, programs or arrangements which provide the Executive (and, if applicable, the Executive's dependents) with no less favorable benefits at no greater cost to the Executive; or (vii) the failure of the Company to obtain the assumption agreement from any successor as contemplated in Section 9(b).

For purposes of this Agreement, any good faith determination of Good Reason made by the Executive shall be conclusive; provided, however, that an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company promptly after receipt of notice thereof given by an Executive shall not constitute Good Reason. The Executive's right to terminate employment for Good Reason shall not be affected by the Executive's incapacitation due to mental or physical illness and the Executive's continued employment shall not constitute consent to or a waiver of rights with respect to any event or condition constituting Good Reason. The Executive must provide notice of termination within ninety (90) days of his knowledge of an event or condition constituting Good Reason hereunder or such event shall not constitute Good Reason hereunder. A transaction which results in the Company no longer being a publicly traded entity shall not in and of itself be treated as Good Reason unless and until one of the events or conditions set forth in Sections 1(k)(i) through (vii) occurs.

Any event or condition described in Sections 1(k)(i) through (vi) which occurs prior to a Change in Control, but was at the request of a Third Party, shall constitute Good Reason following a Change in Control for purposes of this Agreement (as if a Change in Control had occurred immediately prior to the occurrence of such event or condition) notwithstanding that it occurred prior to the Change in Control. Notwithstanding anything in this Section 1(k) to the contrary, if during the 180-day period commencing upon the 91st day immediately following a Change in Control, the Executive's employment terminates for any or no reason (other than for Cause) such termination shall be treated as a termination for Good Reason hereunder.

- (l) "Nonqualifying Termination" means the Executive's separation from service (within the meaning of Section 1.409A-1(h) of the Regulations and Section 1(i) of this Agreement) (i) by the Company for Cause, (ii) by the Executive for any reason other than Good Reason, (iii) as a result of the Executive's death, or (iv) as a result of the Executive's Retirement.
- (m) "Projected Bonus Amount" means, with respect to any Year, the greater of (i) the Executive's Target Bonus Amount for such Year; or (ii) to the extent calculable after at least one calendar quarter of the Year, the Bonus the Executive would have earned in the Year in which the Executive's Date of Termination occurs had the Company's financial performance through the end of the fiscal quarter immediately preceding the Date of Termination continued throughout said Year (the "Earned Bonus Amount").

- (n) "Regulations" means regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- (o) "Retirement" means the Executive's mandatory retirement (not including any mandatory early retirement) in accordance with the Company's retirement policy generally applicable to its salaried employees, as in effect immediately prior to the Change in Control, or in accordance with any retirement arrangement established with respect to the Executive with the Executive's written consent.
- (p) "RONA Plan" means the Company's Return on Net Assets Plan, or any successor thereto.
- (q) "Specified Employee" means a person designated from time to time as such by the Company pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- (r) "Subsidiary" means 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 of such corporation or other entity.
- (s) "Target Bonus Amount" means, with respect to any Year, the Executive's target Bonus for such Year.
- (t) "Target Incentive Program" means the Company's Target Incentive Program, or any successor thereto.
- (u) "Termination Period" means the period of time beginning with a Change in Control and ending three (3) years following such Change in Control.
- (v) "Year" means the fiscal year of the Company.

2. Payments Upon Termination of Employment.

- (a) If during the Termination Period the employment of the Executive shall terminate, other than by reason of a Nonqualifying Termination, then, subject to Sections 2(g) and 2(h), the Company shall pay to the Executive (or the Executive's Beneficiary (as defined in Section 9(c)) or estate), within five (5) days following the Date of Termination, as compensation for services rendered to the Company:
 - (i) A lump-sum cash amount equal to the sum of: (A) the Executive's base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (B) any compensation previously deferred by the Executive other than pursuant to a tax-qualified plan (together with any

interest and earnings thereon) (the “Deferred Amount”), plus an additional adjustment payment calculated in accordance with the formula set forth in Exhibit A hereto, (C) any accrued vacation pay, and (D) to the extent not provided under the Company’s Bonus plans, a pro-rata portion of the Executive’s Projected Bonus Amount for the Year in which the Executive’s Date of Termination occurs, in each case to the extent not theretofore paid. Notwithstanding the foregoing, in the event of an Anticipatory Termination, in lieu of the payment referred to in Section 2(a)(i)(D), the Company shall pay to the Executive (or the Executive’s Beneficiary (as defined in Section 9(c)) or estate), within two and one-half (2 1/2) months after the end of the Year in which the Executive’s Date of Termination occurs, a pro-rata portion of the Bonus earned based on Company performance as certified by the Compensation and Human Resources Committee of the Board after the end of such Year; provided, however, that if a Change in Control occurs after such Anticipatory Termination and prior to such payment, payment of a pro-rata portion of the Executive’s Projected Bonus Amount shall be paid, in accordance with Section 2(a)(i)(D), within five (5) days after such Change in Control.

- (ii) A lump-sum cash amount equal to the product of: (A) the lesser of (1) three (3) and (2) the quotient resulting from dividing the number of full and partial months from the Executive’s Date of Termination until the Executive would be subject to Retirement, by twelve (12) and (B) the sum of (1) the Executive’s highest annual rate of base salary during the 12-month period immediately preceding the Date of Termination and (2) the highest of (x) the Executive’s average Bonus (annualized for any partial Years of employment) earned during the 3-Year period immediately preceding the Year in which the Date of Termination occurs (or shorter annualized period if the Executive had not been employed for the full three-Year period), (y) the Executive’s Target Bonus Amount for the Year in which the Change in Control occurs and (z) the Executive’s Target Bonus Amount for the Year in which the Date of Termination occurs; provided, that any amount paid pursuant to this Section 2(a)(ii) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Executive upon termination of employment of the Executive under any severance plan, policy, or arrangement of the Company.
- (b) If during the Termination Period, the employment of the Executive shall terminate, other than by reason of a Nonqualifying Termination, for a period of three (3) years (or, if lesser, the period ending on the date on which the Executive would be subject to Retirement) commencing on the Date of Termination, the Company shall continue to keep in full force and effect (or otherwise provide) all policies of medical, accident, disability and life insurance with respect to the Executive and his dependents with the same level of coverage, upon the same terms and otherwise to the same extent (and on the same after-tax basis, with any payment required to keep the Executive in the same after-tax position made no later than the end of the calendar year in which the

Executive remits the related taxes), as such policies shall have been in effect immediately prior to the Date of Termination (or, if more favorable to the Executive, immediately prior to the Change in Control), and the Company and the Executive shall share the costs of the continuation of such insurance coverage in the same proportion as such costs were shared immediately prior to the Date of Termination.

- (c) If during the Termination Period the employment of the Executive shall terminate, other than by reason of a Nonqualifying Termination, then the Executive shall be credited with three (3) years additional age and service credit for purposes of qualifying for any retiree medical benefits programs of the Company, although receipt of such retiree medical benefits shall not commence until the Executive is otherwise eligible under the terms of the retiree medical plan. If the Executive is terminated pursuant to a Nonqualifying Termination and would have been eligible to retire under the terms and conditions of the Company's retiree medical program as of immediately prior to the Executive's Date of Termination (or, if more favorable to the Executive, as of immediately prior to the Change in Control), the Executive's termination of employment shall be treated as a retirement under the Company's retiree medical program. The retiree medical benefits (and cost) to be provided to the Executive (and the Executive's eligible dependents) by the Company shall be no less favorable than the benefits (and cost) under the retiree medical program of the Company as of immediately prior to the Executive's Date of Termination (or, if more favorable to the Executive, as of immediately prior to the Change in Control), and shall be provided notwithstanding any amendment to, or termination of, the Company's retiree medical program.
- (d) If during the Termination Period the employment of the Executive shall terminate by reason of a Nonqualifying Termination or the Executive shall suffer a Disability, then, subject to Sections 2(g) and 2(h), the Company shall pay to the Executive within thirty (30) days following the Date of Termination or Disability, a cash amount equal to the sum of (i) the Executive's base salary from the Company and its Subsidiaries through the Date of Termination or Disability and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (ii) any compensation previously deferred by the Executive other than pursuant to a tax-qualified plan (together with any interest and earnings thereon), (iii) any accrued vacation pay, and (iv) in the event of a Nonqualifying Termination other than for Cause or the Executive's Disability, to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Executive's Earned Bonus Amount for the Year in which the Executive's Date of Termination or Disability occurs, in each case to the extent not theretofore paid.
- (e) If subsequent to a Change in Control and the end of the Termination Period, the employment of the Executive shall be terminated by the Company (other than by reason of a Nonqualifying Termination), then, subject to Section 2(h), the Company shall pay the Executive within five (5) days following his Date of Termination a lump sum cash payment equal to the sum of (i) the Executive's highest annual rate of base salary during the 12-month period immediately preceding the Date of Termination and (ii) the higher of (A) the Executive's average Bonus (annualized for any partial Years of

employment) earned during the 3-Year period immediately preceding the Year in which the Date of Termination occurs and (B) the Executive's Target Bonus Amount for the Year in which the Date of Termination occurs; provided, that any amount paid pursuant to clauses (i) and (ii) of this Section 2(e) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Executive upon termination of employment of the Executive under any severance plan, policy or arrangement of the Company.

- (f) If subsequent to a Change in Control and the end of the Termination Period, the employment of the Executive shall be terminated by the Company, the Company shall pay the Executive within five (5) days following his Date of Termination a lump sum cash payment equal to: (i) the Executive's base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time, (ii) any accrued vacation pay, and (iii) if the termination is other than for Cause, to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Executive's Earned Bonus Amount for the Year in which the Executive's Date of Termination occurs, in each case to the extent not theretofore paid.
- (g) Notwithstanding any of the foregoing provisions of this Section 2, (i) the amounts described in Section 2(a)(i)(B), including the additional adjustment payment calculated in accordance with the formula set forth in Exhibit A, and Section 2(d)(ii) of this Agreement shall be paid as a lump sum only if (A) the Date of Termination occurs within two years following a Corporate Change 409A Event, or (B) to the extent that payment in a lump sum is otherwise permitted by Section 409A of the Code.
- (h) Notwithstanding any of the foregoing provisions of this Section 2, in the event that the Executive is a Specified Employee upon the Date of Termination, to the extent required in order to comply with Section 409A of the Code, amounts and benefits to be paid or provided under this Agreement following the Date of Termination and not on account of the Executive's Disability shall be paid or provided to the Executive on the first day of the seventh month following the Date of Termination.

3. Gross-Up Payment.

- (a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, distribution or acceleration of vesting of any award or benefit by the Company or its Subsidiaries to or for the benefit of the Executive (whether paid or payable, distributed or distributable or accelerated or subject to acceleration pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such

taxes) imposed upon the Gross-Up Payment, the Executive retains an amount equal to the sum of (i) the Excise Tax imposed upon the Payments and (ii) the product of any deductions disallowed because of the inclusion of the Gross-Up Payment in the Executive's adjusted gross income for federal income tax purposes and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to (1) pay applicable federal income taxes at the highest applicable marginal rates of federal income taxation for the calendar year in which the Gross-Up Payment is to be made, (2) pay applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes and (3) have otherwise allowable deductions for federal income tax purposes at least equal to those which could be disallowed because of the inclusion of the Gross-Up Payment in the Executive's adjusted gross income. The payment of a Gross-Up Payment under this Section 3(a) shall in no event be conditioned upon the Executive's termination of employment or the receipt of severance benefits under this Agreement.

- (b) Subject to the provisions of Section 3(a), all determinations required to be made under this Section 3, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Towers Perrin, or such other professional consulting firm as may be engaged by the Human Resources and Compensation Committee of the Board of Directors for time to time (the "Consulting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Company or the Executive that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "Determination"). In the event that the Consulting Firm (or any affiliate thereof) is serving as a consultant for the individual, entity or group effecting the Change in Control, the Executive may appoint a nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Consulting Firm hereunder). All fees and expenses of the Consulting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Consulting Firm in connection with the performance of the services hereunder. The Gross-Up Payment under this Section 3 with respect to any Payments shall be made no later than thirty (30) days following the date of such Payment. If the Consulting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on the Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. The Determination by the Consulting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") or Gross-Up Payments are made by the Company which should not have been made ("Overpayment"), consistent with the calculations required

to be made hereunder. In the event that the Executive thereafter is required to make payment of any additional Excise Tax, the Consulting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of the Executive, and in any event by December 31 of the calendar year next following the calendar year in which the Excise Tax is remitted. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse the Executive for his Excise Tax, the Consulting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by the Executive to or for the benefit of the Company. The Executive shall cooperate, to the extent his expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax.

(c) Notwithstanding Section 6 hereof, this Section 3 shall survive the termination of this Agreement unless the Executive's employment was terminated by the Company for Cause.

4. Withholding Taxes. The Company may withhold from all payments due to the Executive (or his beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

5. Reimbursement of Expenses. If any contest or dispute shall arise under this Agreement involving termination of the Executive's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, the Company shall reimburse the Executive, on a current basis, for all legal fees and expenses, if any, incurred by the Executive within 10 years after the Date of Termination in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate of Key Bank from time to time in effect, but in no event higher than the maximum legal rate permissible under applicable law, such interest to accrue from the date the Company receives the Executive's statement for such fees and expenses through the date of payment thereof. The Company's reimbursement of the Executive's legal fees and expenses pursuant to this Section 5 shall be made on or before the last day of the calendar year following the calendar year in which such legal fees and expenses are incurred. The amount of legal fees and expenses eligible for reimbursement during any calendar year shall not affect the amount of legal fees and expenses eligible for reimbursement during any other calendar year, and the right to reimbursement shall not be subject to liquidation or exchange for another benefit.

6. Termination of Agreement. This Agreement shall be effective on the date hereof and shall continue until the first to occur of (i) the termination of the Executive's employment with the Company prior to a Change in Control (except as otherwise provided hereunder), (ii) a Nonqualifying Termination, (iii) the Executive's Disability, or (iv) the Executive's termination of employment following the Termination Period.

7. Scope of Agreement. Nothing in this Agreement shall be deemed to entitle the Executive to continued employment with the Company or its Subsidiaries, and if the Executive's employment with the Company shall terminate prior to a Change in Control, the Executive shall have no further rights under this Agreement (except as otherwise provided hereunder); provided, however, that notwithstanding anything herein to the contrary, any termination of the Executive's employment following a Change in Control shall be subject to all of the benefit and payment provisions of this Agreement.

8. Obligations of the Executive. The Executive agrees that if a Change in Control shall occur, the Executive shall not voluntarily leave the employ of the Company without Good Reason during the 90-day period immediately following a Change in Control.

9. Successors' Binding Obligation.

- (a) This Agreement shall not be terminated by any Business Combination or transfer of assets. In the event of any Business Combination or transfer of assets, the provisions of this Agreement shall be binding upon the surviving or resulting corporation or any person or entity to which the assets of the Company are transferred.
- (b) The Company agrees that concurrently with any Business Combination or transfer of assets, it will cause any successor or transferee unconditionally to assume by written instrument delivered to the Executive (or his beneficiary or estate) all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption prior to the effectiveness of any such Business Combination or transfer of assets that results in a Change in Control shall constitute Good Reason hereunder and shall entitle the Executive to compensation and other benefits from the Company in the same amount and on the same terms as the Executive would be entitled hereunder if the Executive's employment were terminated following a Change in Control other than by reason of a Nonqualifying Termination. For purposes of implementing the foregoing, the date on which any such Business Combination or transfer of assets becomes effective shall be deemed the date Good Reason occurs, and the Executive may terminate employment for Good Reason on or following such date.
- (c) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amounts would be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons appointed in writing by the Executive to receive such amounts (the "Beneficiary" or "Beneficiaries") or, if no person is so appointed, to the Executive's estate.

10. Notice.

- (a) For purposes of this Agreement, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

Parker-Hannifin Corporation
6035 Parkland Boulevard
Cleveland, Ohio 44124-4141
Attention: Secretary

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt. Alternatively, notice may be deemed to have been delivered when sent by facsimile or telex to a location provided by the other party hereto.

- (b) A written notice of the Executive's Date of Termination by the Company or the Executive, as the case may be, to the other, shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) specify the Date of Termination (which date shall not be less than fifteen (15) nor more than sixty (60) days after the giving of such notice). The failure by the Executive or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

11. Full Settlement; No Mitigation. The Company's obligation to make any payments provided for by this Agreement to the Executive and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

12. Employment with Members of Affiliated Group. Employment with the Company for purposes of this Agreement shall include employment with any member of the Affiliated Group.

13. Governing Law; Validity. The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio without regard to the principle of conflicts of laws. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which other provisions shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

15. Miscellaneous. No provision of this Agreement may be modified or waived unless such modification or waiver is agreed to in writing and signed by the Executive and by a duly authorized officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Failure by the Executive or the Company to insist upon strict compliance with any provision of this Agreement or to assert any right the Executive or the Company may have hereunder, including without limitation, the right of the Executive to terminate employment for Good Reason, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement. Except as otherwise specifically provided herein, the rights of, and benefits payable to, the Executive, his estate or his beneficiaries pursuant to this Agreement are in addition to any rights of, or benefits payable to, the Executive, his estate or his beneficiaries under any other employee benefit plan or compensation program of the Company.

16. Compliance with Section 409A of the Code. This Agreement will be administered in a manner consistent with all applicable requirements of the Act, Section 409A of the Code and the Regulations or other guidance thereunder and any provision in the Agreement that is inconsistent with Section 409A of the Code shall be void and without effect.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized officer of the Company and the Executive has executed this Agreement as of the day and year first above written.

PARKER-HANNIFIN CORPORATION:

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

EXECUTIVE:

Printed: _____

EXHIBIT A

The purpose of the adjustment payment to be added to the Deferred Amount pursuant to Section 2(a)(i)(B) (the "Make Whole Amount") is to offset the Executive's inability to defer until the Executive's Normal Retirement Date (as defined in the Company's Amended and Restated Executive Deferral Plan) or later the payment of taxes on both the Deferred Amount and the earnings and interest that would have otherwise accrued between the Date of Termination and the Executive's Normal Retirement Date or such later date on which the Executive elected to commence receipt of the Deferred Amount (the "Commencement Date") under the Company's Amended and Restated Executive Deferral Plan (the "Plan").

The Make Whole Amount shall be calculated as follows:

1. The Executive's Deferred Amount under the Plan as of the Date of Termination (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 Date of Termination (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 Executive'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 Executive'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 Executive.
- b. The after-tax Made Whole Amount will be deemed to be invested by the Executive in a tax-deferred annuity that is structured to make payments beginning on the Commencement Date in the same form as elected by the Executive 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".

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
CHANGE IN CONTROL SEVERANCE PLAN

Adopted: 07/21/2008

Effective: 07/21/2008

The Parker-Hannifin Corporation (the "Company"), having determined that it is in the best interests of the Company and its stockholders to secure the continued services, dedication and objectivity of its management employees in the event of any threat or occurrence of, or negotiation or other action that could lead to, or create the possibility of, a Change in Control (as defined in Section 1(e)), without concern as to whether such employees might be hindered or distracted by personal uncertainties and risks created by any such possible Change in Control, established this Parker-Hannifin Corporation Change in Control Severance Plan (the "Plan"), originally effective March 1, 1996. To encourage the full attention and dedication to the Company by such employees, the Board authorized the Company to adopt the Plan. The Plan is hereby amended and restated as of July 21, 2008 to reflect the requirements of the American Jobs Creation Act (the "Act") with respect to nonqualified deferred compensation subject to Section 409A of the Code. The Plan will be administered in a manner consistent with all applicable requirements of the Act and Section 409A of the Code and any regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect.

1. Definitions. As used in this Plan, the following terms shall have the respective meanings set forth below:

- (a) "Affiliated Group" means the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.
- (b) "Board" means the Board of Directors of the Company.
- (c) "Bonus" means the annual bonuses payable pursuant to the RONA Plan and the Target Incentive Program, except to the extent determined by the Company to be extraordinary.

- (d) “Cause” means
- (i) a material breach by a Participant (as defined in Section 1(m)) of the duties and responsibilities of the Participant (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the Participant’s part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; or
 - (ii) the commission by the Participant of a felony involving moral turpitude. The determination of Cause shall be made by the Board unless expressly delegated in writing by the Board to the Compensation Committee of the Board (the “Committee”). Cause shall not exist unless and until the Company has delivered to the Participant a copy of a resolution duly adopted by three-quarters (3/4) of the Board (or a majority of the Committee) at a meeting of the Board (or the Committee) called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant’s counsel, to be heard before the Board or the Committee, as the case may be), finding that in the good faith opinion of the Board (or the Committee) the Participant was guilty of the conduct set forth in this Section 1(d) and specifying the particulars thereof in detail. The Company must notify the Participant that it believes “Cause” has occurred within ninety (90) days of its knowledge of the event or condition constituting Cause. For purposes of paragraph (i) above, any act, or failure to act, by the Participant based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company.
- (e) “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 (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 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) with respect 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); or
- (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 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; or
- (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 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 except with respect to benefits under sections 2(a)(1)(B) and 2(b)(2) that constitute nonqualified deferred compensation subject to Section 409A of the Code, 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.

- (f) "Code" means the Internal Revenue Code of 1986, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- (g) "Company" means Parker-Hannifin Corporation, an Ohio corporation.
- (h) "Corporate Change 409A Event" means the occurrence of one of the following events:
 - (i) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting

power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1(h)(ii) of this Plan). Notwithstanding the foregoing, a Corporate Change 409A Event shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change 409A Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Corporate Change 409A Event shall then occur.

- (ii) A change in effective control of the Company, which occurs on either of the following dates:
 - (A) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1(h)(i) of this Plan). Notwithstanding the foregoing, a Corporate Change 409A Event shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Corporate Change 409A Event would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Corporate Change 409A Event shall then occur.
 - (B) The date that a majority of the Company's Board is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the Board prior to the date of such appointment or election.
- (iii) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the regulations under Section 409A of the Code) acquires (or

has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to (A) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (B) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (C) a person or group (within the meaning of the regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (D) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1(h)(iii)(C) of this Plan.

Notwithstanding Sections 1(h)(i), 1(h)(ii)(A) and 1(h)(iii) above, the consummation of a Business Combination shall not be deemed a Corporate Change 409A Event if, immediately following such Business Combination: (a) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1(h)(i) or 1(h)(ii)(A) above shall not be deemed to be a Corporate Change 409A Event by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

- (i) "Date of Termination" means the date of a Participant's separation from service with the Company, within the meaning of Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level

of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Company reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant who would otherwise experience a separation from service with the Company as part of the disposition of assets will be considered to experience a separation of service for purposes of Section 1.409A-1(h) of the Regulations.

- (j) “Disability” means the condition whereby a Participant is: (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Company, in its complete and sole discretion, shall determine a Participant’s Disability. The Company may require that a 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 Company to confirm Disability. On the basis of such medical evidence, the determination of the Company as to whether or not a condition of Disability exists or continues shall be conclusive.
- (k) “Good Reason” means, without a Participant’s express written consent, the occurrence of any of the following events after a Change in Control:
- (i) the assignment to the Participant of any duties inconsistent in any adverse respect with the Participant’s position(s), duties, responsibilities or status with the Company immediately prior to such Change in Control; or
 - (ii) an adverse change in the Participant’s reporting responsibilities, titles or offices with the Company as in effect immediately prior to such Change in Control; or
 - (iii) any removal or involuntary termination of the Participant from the Company other than as expressly permitted by this Plan or any failure to re-elect the Participant to any position with the Company held by the Participant immediately prior to such Change in Control; or
 - (iv) a reduction by the Company in the Participant’s rate of annual base salary as in effect immediately prior to such Change in Control or as the same may be increased from time to time thereafter; or

- (v) any requirement of the Company that the Participant (A) be based anywhere more than twenty-five (25) miles from the facility where the Participant is located at the time of the Change in Control or (B) travel on Company business to an extent substantially more burdensome than the travel obligations of the Participant immediately prior to such Change in Control; or
- (vi) the failure of the Company to (A) continue in effect any employee benefit plan or compensation plan in which the Participant is participating immediately prior to such Change in Control, or the taking of any action by the Company which would adversely affect the Participant's participation in or reduce the Participant's benefits under any such plan (including the failure to provide the Participant with a level of discretionary incentive award grants consistent with the Company's grants of such awards to the Participant during the three-Year period immediately prior to the Change in Control), (B) provide the Participant and the Participant's dependents with welfare benefits (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and dismemberment and travel accident insurance plans and programs) in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Group in effect for the Participant immediately prior to such Change in Control, (C) provide fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Group in effect for the Participant immediately prior to such Change in Control, or (D) provide the Participant with paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and the Affiliated Group as in effect for the Participant immediately prior to such Change in Control, unless in the case of any violation of (A), (B) or (C) above, the Participant is permitted to participate in other plans, programs or arrangements which provide the Participant (and, if applicable, the Participant's dependents) with no less favorable benefits at no greater cost to the Participant; or
- (vii) the failure of the Company to obtain the assumption agreement from any successor as contemplated in Section 8(b).

Any event or condition described in Sections 1(k)(i) through (vi) which occurs prior to a Change in Control, but was at the request of a Third Party, shall constitute Good Reason following a Change in Control for purposes of this Plan (as if a Change in Control had occurred immediately prior to the occurrence of such event or condition) notwithstanding that it occurred prior to the Change in Control. For purposes of this Plan, any good faith determination of Good Reason made by a Participant shall be conclusive; provided, however, that an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company promptly after receipt of notice thereof given by a Participant shall not constitute Good Reason. The Participant's right to terminate employment for Good Reason shall not be affected by the Participant's incapacitation due to mental or physical illness and the Participant's continued employment shall not constitute consent to or a waiver of rights with respect to any event or condition constituting Good Reason. The Participant must provide notice of termination within ninety (90) days of his knowledge of an event or condition constituting Good Reason under the Plan. A transaction which results in the Company no longer being a publicly traded entity shall not in and of itself be treated as Good Reason unless and until one of the events or conditions set forth in Sections 1(k)(i) through (vii) occurs.

Notwithstanding anything in this Section 1(k) to the contrary, if during the 90-day period immediately following a Change in Control, a Participant's employment terminates for any or no reason (other than for Cause) such termination shall be treated as a termination for Good Reason under the Plan.

- (l) "Non-qualifying Termination" means a Participant's separation from service (with the meaning of Section 1.409A-1(h) of the Regulations and Section 1(i) of this Plan): (i) by the Company for Cause; (ii) by the Participant for any reason other than a Good Reason; (iii) as a result of the Participant's death; or (iv) as a result of the Participant's Retirement.
- (m) "Participant" means any employee of the Company or any Subsidiary (other than employees who have entered into Change in Control severance agreements with the Company) who is employed at or above Grade 15 (or the equivalent level), not taking into account any reduction of employment level following a Change in Control which would constitute Good Reason under this Plan.
- (n) "Plan" means the Parker-Hannifin Corporation Amended and Restated Change in Control Severance Plan.
- (o) "Projected Bonus Amount" means, with respect to any Year, the greater of: (i) the Participant's Target Bonus Amount for such Year; or (ii) to the extent calculable after at least one calendar quarter of the Year, the Bonus the Participant would have earned in the Year in which the Executive's Date of Termination occurs had the Company's financial performance through the end of the fiscal quarter immediately preceding the Date of Termination continued throughout said Year (the "Earned Bonus Amount").
- (p) "Regulations" means regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- (q) "Retirement" means a Participant's mandatory retirement (not including any mandatory early retirement) in accordance with the Company's retirement policy generally applicable to its salaried employees, as in effect immediately prior to the Change in Control, or in accordance with any retirement arrangement established with respect to such Participant with the Participant's written consent.
- (r) "RONA Plan" means the Company's Return on Net Assets Plan, or any successor thereto.
- (s) "Specified Employee" means a person designated from time to time as such by the Company pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- (t) "Subsidiary" means 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 of such corporation or other entity.

- (u) “Termination Period” with respect to a Participant means the period of time beginning with a Change in Control and ending on the earliest to occur of: (i) the Participant’s death; and (ii) two (2) years following such Change in Control.
- (v) “Target Bonus Amount” means, with respect to any Year, the Participant’s target Bonus for such Year.
- (w) “Target Incentive Program” means the Company’s Target Incentive Program, or any successor thereto.
- (x) “Year” means the fiscal year of the Company.

2. Payments Upon Termination of Employment.

- (a) If during the Termination Period the employment of a Participant shall terminate, other than by reason of a Nonqualifying Termination, then, subject to Sections 2(c) and 2(d), the Company shall pay to the Participant (or the Participant’s Beneficiary (as defined in Section 8(c)) or estate) within five (5) days following the Date of Termination, as compensation for services rendered to the Company:
 - (i) a lump-sum cash amount equal to the sum of: (A) the Participant’s base salary from the Company and its Subsidiaries through the Date of Termination and any outstanding annual Bonus or long-term bonus awards for which payment is due and owing at such time; (B) any compensation previously deferred by the Participant other than pursuant to a tax-qualified plan (together with any interest and earnings thereon); (C) any accrued vacation pay; and (D) to the extent not provided under the Company’s Bonus plans, a pro-rata portion of the Participant’s Projected Bonus Amount for the Year in which the Date of Termination occurs, in each case to the extent not already paid; plus
 - (ii) a lump-sum cash amount equal to the product of: (A) the lesser of: (1) one (1); and (2) the quotient resulting from dividing the number of full and partial months from the Participant’s Date of Termination until the Participant would be subject to Retirement, by twelve (12); and (B) the sum of: (i) the Participant’s highest annual rate of base salary during the 12-month period immediately preceding the Date of Termination; and (ii) the highest of (x) the Participant’s average Bonus (annualized for any partial Years of employment) earned during the 3-Year period immediately preceding the Year in which the Date of Termination occurs (or shorter annualized period if the Participant had not been employed for the full three-Year period), (y) the Participant’s Target Bonus Amount for the Year in which the Change in Control occurs and (z) the Participant’s Target Bonus Amount for the Year in which the Date of Termination occurs; provided, that any amount paid pursuant to this Section 2(a)(2) shall offset an equal amount of any severance relating to salary or bonus continuation to be received by the Participant upon termination of employment of the Participant under any severance plan, policy, or arrangement or employment agreement of the Company.

- (iii) For a period of one (1) year (or, if lesser, the period ending on the date on which the Executive would be subject to Retirement) commencing on the Date of Termination, the Company shall continue to keep in full force and effect (or otherwise provide) all policies of medical, accident, disability and life insurance with respect to the Participant and his dependents with the same level of coverage, upon the same terms and otherwise to the same extent as such policies shall have been in effect immediately prior to the Date of Termination (or, if more favorable to the Participant, immediately prior to the Change in Control), and the Company and the Participant shall share the costs of the continuation of such insurance coverage in the same proportion as such costs were shared immediately prior to the Date of Termination. Following such one (1) year period of coverage, the Company shall offer the Participant continued health coverage under Section 4980B of the Code, for a period of twelve (12) additional months.
- (b) If during the Termination Period the employment of a Participant shall terminate by reason of a Nonqualifying Termination or the Participant shall suffer a Disability, then, subject to Sections 2(c) and 2(d), the Company shall pay to the Participant within thirty (30) days following the Date of Termination or Disability, a cash amount equal to the sum of:
 - (i) the Participant's base salary from the Company and its Subsidiaries through the Date of Termination or Disability and any outstanding Bonus or long-term bonus awards for which payment is due and owing at such time;
 - (ii) any compensation previously deferred by the Participant other than pursuant to a tax-qualified plan (together with any interest and earnings thereon);
 - (iii) any accrued vacation pay; and
 - (iv) in the event of a Nonqualifying Termination other than for Cause or the Participant's Disability, to the extent not provided under the Company's Bonus plans, a pro-rata portion of the Participant's Earned Bonus Amount for the Year in which the Date of Termination or Disability occurs, in each case to the extent not already paid.
- (c) Notwithstanding any of the foregoing provisions of this Section 2, the amounts described in Section 2(a)(1)(B) and Section 2(b)(2) shall be paid as a lump sum only if: (i) the Date of Termination occurs no later than two years following a Corporate Change 409A Event; or (ii) to the extent that payment in a lump sum is otherwise permitted by Section 409A of the Code.
- (d) Notwithstanding any of the foregoing provisions of this Section 2, in the event that a Participant is a Specified Employee upon the Date of Termination, to the extent required in order to comply with Section 409A of the Code, amounts and benefits to be paid or provided under this Plan following the Date of Termination and not on account of the Participant's Disability shall be paid or provided to the Participant on the first day of the seventh month following the Date of Termination.

3. Excise Tax Limitation.

- (a) Notwithstanding anything contained in this Plan or any other agreement or plan to the contrary, the payments and benefits provided to, or for the benefit of, any Participant under this Plan or under any other plan or agreement (the "Payments") shall be reduced (but not below zero) to the extent necessary so that no payment to be made, or benefit to be provided, to the Participant or for his benefit under this Plan or any other plan or agreement shall be subject to the imposition of excise tax under Section 4999 of the Code (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). The Company shall reduce or eliminate the Payments to the Participant in the following order: (i) cash payments; (ii) cancellation of accelerated vesting of equity awards (based on the reverse order of the date of grant); and (iii) reduction of welfare benefits.
- (b) All determinations required to be made under this Section 3 shall be made by Towers Perrin, or such other professional consulting firm engaged by the Committee from time to time as its independent consultant (the "Consulting Firm"). The Consulting Firm shall provide its calculations, together with detailed supporting documentation, both to the Company and Participant within fifteen (15) days after the receipt of notice from the Participant that there has been a Payment (or at such earlier times as are requested by the Company) and, with respect to the Limited Payment Amount, a reasonable opinion to the Participant that he is not required to report any Excise Tax on his federal income tax return with respect to the Limited Payment Amount (collectively, the "Determination"). In the event that the Consulting Firm is serving as a consultant for the individual, entity or group effecting the Change in Control, the Company shall prior to the Change in Control appoint a nationally recognized public accounting firm to make the determination required under the Plan (which accounting firm shall then be referred to as the Consulting Firm under the Plan). All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Consulting Firm shall be borne by the Company. The Determination by the Consulting Firm shall be binding upon the Company and the Participant (except as provided in Subsection (c) below).
- (c) If it is established pursuant to a final determination of a court or an Internal Revenue Service (the "IRS") proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, a Participant by the Company, which are in excess of the limitations provided in Section 3 (hereinafter referred to as an "Excess Payment"), such Excess Payment shall be deemed for all purposes to be a loan to the Participant made on the date the Participant received the Excess Payment and the Participant shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of the Participant's receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made under this Section 3. In the event that it is determined: (i) by the Consulting Firm, the Company (which shall include the position taken by the Company, or together with its consolidated group, on its federal income tax return) or the IRS; or (ii) pursuant to a determination by a court, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to the Participant within ten (10) days of such determination, and in

any event by December 31 of the calendar year next following the calendar year in which the Excise Tax is remitted, together with interest on such amount at the applicable federal rate from the date such amount would have been paid to the Participant until the date of payment.

4. Withholding Taxes. The Company may withhold from all payments due to a Participant (or his beneficiary or estate) under the Plan all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.
5. Reimbursement of Expenses. If any contest or dispute shall arise under this Plan involving termination of a Participant's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, the Company shall reimburse the Participant, on a current basis, for all legal fees and expenses, if any, incurred by the Participant within 10 years after the Date of Termination in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate of Key Bank from time to time in effect, but in no event higher than the maximum legal rate permissible under applicable law, such interest to accrue from the date the Company receives the Participant's statement for such fees and expenses through the date of payment thereof. The Company's reimbursement of a Participant's legal fees and expenses pursuant to this Section 5 shall be made on or before the last day of the calendar year following the calendar year in which such legal fees and expenses are incurred. The amount of legal fees and expenses eligible for reimbursement during any calendar year shall not affect the amount of legal fees and expenses eligible for reimbursement during any other calendar year, and the right to reimbursement shall not be subject to liquidation or exchange for another benefit.
6. Termination or Amendment of Plan.
 - (a) This Plan, originally in effect as of March 1, 1996, shall continue until terminated by the Company as provided in paragraph (b) of this Section 6; provided, however, that a Participant's participation under this Plan shall terminate in any event upon the first to occur of: (i) the Participant's death; (ii) the Participant's Disability; and (iii) termination of the Participant's employment with the Company prior to a Change in Control (except as otherwise provided in this Plan).
 - (b) The Company shall have the right prior to a Change in Control, in its sole discretion, pursuant to action by the Board, to approve the termination or amendment of this Plan; provided, however, that no such action which would adversely affect the rights or potential rights of Participants shall be taken by the Board during any period of time when the Board has knowledge that any person has taken steps reasonably calculated to effect a Change in Control until, in the opinion of the Board, such person has abandoned or terminated its efforts to effect a Change in Control; and provided, further, that in no event shall this Plan be terminated or amended within the two-year period following a Change in Control in any manner which would adversely affect the rights or potential rights of Participants.

7. Scope of Plan. Nothing in this Plan shall be deemed to entitle any Participant to continued employment with the Company or its Subsidiaries, and if a Participant's employment with the Company shall terminate prior to a Change in Control, the Participant shall have no further rights under this Plan (except as otherwise provided in this Plan); provided, however, that any termination of a Participant's employment during the two-year period following a Change in Control shall be subject to all of the provisions of this Plan.
8. Successors Binding Obligation.
 - (a) This Plan shall not be terminated by any Business Combination or transfer of assets. In the event of any Business Combination or transfer of assets, the provisions of this Plan shall be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred.
 - (b) The Company agrees that concurrently with any Business Combination or transfer of assets, it will cause any successor or transferee unconditionally to assume all of the obligations of the Company under the Plan. Failure of the Company to obtain such assumption prior to the effectiveness of any such Business Combination or transfer of assets constituting a Change in Control shall constitute Good Reason under this Plan and shall entitle each Participant to compensation and other benefits from the Company in the same amount and on the same terms as each such Participant would be entitled under the Plan if the Participant's employment were terminated following a Change in Control other than by reason of a Nonqualifying Termination. For purposes of implementing the foregoing, the date on which any such Business Combination or transfer of assets becomes effective shall be deemed the date Good Reason occurs, and the Participant may terminate employment for Good Reason on or following such date.
 - (c) This Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant shall die while any amounts would be payable to the Participant under the Plan had the Participant continued to live, all such amounts, unless otherwise provided in this Plan, shall be paid in accordance with the terms of this Plan to such person or persons appointed in writing by the Participant to receive such amounts (the "Beneficiary" or "Beneficiaries") or, if no person is so appointed, to the Participant's estate.
9. Full Settlement; Resolution of Disputes. The Company's obligation to make any payments provided for by this Plan to a Participant and otherwise to perform its obligations under the Plan shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Participant or others. In no event shall a Participant be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan and such amounts shall not be reduced whether or not the Participant obtains other employment.
10. Employment with Members of Affiliated Group. Employment with the Company for purposes of this Plan shall include employment with any member of the Affiliated Group.

11. Governing Law; Validity. To the extent not pre-empted by ERISA, the interpretation, construction and performance of this Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio without regard to the principle of conflicts of laws. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which other provisions shall remain in full force and effect.
12. Notice. For purposes of this Plan, all notices and other communications required or permitted under the Plan shall be in writing and shall be deemed to have been duly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to the Participant: Residence address in Company records

If to the Company:

Parker-Hannifin Corporation
6035 Parkland Boulevard
Cleveland, Ohio 44124
Attention: Secretary

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt. Alternatively, notice may be deemed to have been delivered when sent by facsimile or telex to a location provided by the other party.

A written notice of the Participant's Date of Termination by the Company or the Participant, as the case may be, to the other, shall: (i) indicate the specific termination provision in this Plan relied upon; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Participant's employment under the provision so indicated; and (iii) specify the Date of Termination (which date shall not be less than fifteen (15) nor more than sixty (60) days after the giving of such notice). The failure by the Participant or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Participant or the Company under the Plan or preclude the Participant or the Company from asserting such fact or circumstance in enforcing the Participant's or the Company's rights under this Plan.

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

Adopted: 07/21/2008
Effective: 07/21/2008

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

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

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

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

1. Definitions

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

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

- (c) **Affiliated Group:** The Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining an Affiliated Group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of “service recipient” contained in Section 409A of the Code.
- (d) **Beneficiary:** The person or persons or entity designated as such in accordance with Article 8 of the Program.
- (e) **Board:** The Board of Directors of the Company.
- (f) **Business Combination:** A merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company’s stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise.
- (g) **Change in Control:** The occurrence of one of the following events:
- (1) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1(g)(2) of this Program). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company’s acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

- (2) A change in effective control of the Company, which occurs on either of the following dates:
- (i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1(g)(1) of this Program). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.
 - (ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.
- (3) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to:
- (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

- (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;
- (iii) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company; or
- (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1(g)(3)(iii) of this Program.

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

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

- (h) Change in Control Lump Sum Payment: The lump sum payment made upon a Change in Control as calculated under Section 4.03(b).
- (i) Change in Control Severance Agreement: The agreement between an Eligible Executive and the Company that provides for certain benefits if the Eligible Executive's employment terminates following a Corporate Change Vesting Event;

provided, that in the case of a former Participant who is receiving benefits under the Program, Change in Control Severance Agreement shall mean the change in control severance agreement that was in effect between the Participant and the Company at the time of his or her retirement.

- (j) Code: The Internal Revenue Code of 1986, as amended, or any successor statute, and regulations and guidance issued thereunder.
- (k) Committee: The Human Resources and Compensation Committee of the Board.
- (l) Company: Parker-Hannifin Corporation, an Ohio corporation, its corporate successors, and the surviving corporation resulting from any merger of Parker-Hannifin Corporation with any other corporation or corporations.
- (m) Company Voting Securities: Securities of the Company eligible to vote for the election of the Board.
- (n) Consolidated Plan: The Parker-Hannifin Consolidated Pension Plan as it currently exists and as it may subsequently be amended.
- (o) Contingent Annuitant: In the event of a Participant's election of an annuity (other than a single life annuity) under Section 4.02(c) or the Participant's deemed election of an annuity under Section 6.02(a), the person designated by such Participant or deemed designated by such Participant as a contingent annuitant.
- (p) Corporate Change Vesting Event: The occurrence of one of the following events:
 - (1) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding Company Voting Securities; provided, however, that the event described in this paragraph shall not be deemed to be a Corporate Change Vesting Event by virtue of any of the following situations:
 - (i) an acquisition by the Company or any Subsidiary;
 - (ii) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary;
 - (iii) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities;
 - (iv) a Non-Control transaction (as defined in paragraph (3));

- (v) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity's outstanding voting interests); or
 - (vi) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Corporate Change Vesting Event under this paragraph (1);
- (2) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (2), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;
- (3) the consummation of a Business Combination, unless:
 - (i) immediately following such Business Combination:
 - (A) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination;

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

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

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

- (q) Disability: The condition whereby a Participant is:
- (1) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
 - (2) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Executive Long-Term Disability Plan or any other accident and health plan covering employees of the Company.
- (r) Executive Long-Term Disability Plan: Parker-Hannifin Corporation Executive Long-Term Disability Plan, as it may be amended from time to time.
- (s) Highest Average Three-Year Compensation: One-third of the aggregate amount of compensation paid to a Participant from the Affiliated Group during the three calendar years of the Participant's employment which were the three highest years of annual compensation, including base salary, bonuses payable under the Company's Return on Net Assets (RONA) Plan (except to the extent determined by the Committee to be extraordinary) and Target Incentive Bonus Program, any amounts which would otherwise be paid as compensation during a calendar year but which are deferred by a Participant pursuant to any qualified or nonqualified deferred compensation program sponsored by the Affiliated Group, and any amounts that would otherwise be paid as compensation during a calendar year but which are deferred under Section 125, 127, or 129 of the Code, but excluding:
- (1) any deferred compensation received during any such year but credited under the Program to the Participant for a prior year;
 - (2) any income realized due to the exercise of stock options or stock appreciation rights;
 - (3) any payments, in cash, deferred or otherwise, payable to the Participant under the Company's Long-Term Incentive bonus program, under any extraordinary bonus arrangements, under any severance agreement (other than as may be required under Section 4.03(b)), or as an executive perquisite; and
 - (4) such items as fringe benefits includible in income as compensation for federal tax purposes, moving and educational reimbursement expenses, overseas allowances received by the Participant from the Affiliated Group, and any other irregular payments.

- (t) Life Expectancy: The expected remaining lifetime (to the nearest integer) based on the Mortality Table and the age at the nearest birthday of the Participant or Recipient at the date the Lump Sum Payment or Change in Control Lump Sum Payment is made (unless otherwise specified herein). If a joint and contingent survivor annuity has been elected, then Life Expectancy shall reflect the joint Life Expectancy of the Participant or Recipient and Contingent Annuitant.
- (u) Lump Sum Payment: The Lump Sum Payment provided in Section 4.02 with the amount determined as set forth in Section 4.03(a).
- (v) Mortality Table: For Participants who entered the Program before July 1, 2006, eighty percent (80%) of the 1983 Group Annuity Mortality factor (male only); for Participants who entered the Program after June 30, 2006, the “applicable mortality table” prescribed under Section 417(e) of the Code for qualified plans.
- (w) Normal Retirement Date: As defined in the Consolidated Plan.
- (x) Parent Corporation: The ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of a Surviving Corporation.
- (y) Participant: An employee of the Company designated to participate in the Program pursuant to Article 2 who has timely submitted a Participation Agreement to the Company, while so employed; provided, however, that any employee of the Company who, as of the date of a Corporate Change Vesting Event, has entered into a Change in Control Severance Agreement with the Company shall automatically be a Participant in the Plan.
- (z) Participation Agreement: An employee’s written or electronic agreement to participate in the Program and, to the extent permitted under Section 409A of the Code, initial election of the form of payment of retirement benefits pursuant to Section 4.02(a).
- (aa) Profit Sharing Account Balance: As defined in the Consolidated Plan.
- (bb) Program: The Parker-Hannifin Corporation Amended and Restated Supplemental Executive Retirement Benefits Program set forth herein as it may subsequently be amended.
- (cc) PRP: The Parker-Hannifin Corporation Amended and Restated Pension Restoration Plan as it currently exists and as it may subsequently be amended.

- (dd) **Qualified Plan Death Benefit:** The death benefit payable to the surviving spouse under the Consolidated Plan (and/or any death benefit payable to a surviving spouse under any other defined benefit arrangement described in Sections 3.03(c), (d), or (h)), multiplied by a factor equal to 1 plus (0.025 multiplied by each year of Service less than 35 but equal to or greater than 15). Thus, the factor will range from 1.5 at 15 years of Service to 1 at 35 or more years of Service, as illustrated by the following examples:

<u>Years of Service</u>	<u>Factor</u>
35 or more	1.000
30	1.125
25	1.250
20	1.375
15	1.500

- (ee) **Recipient:** A retiree, Contingent Annuitant, or Beneficiary, who is currently receiving benefits or is entitled to receive benefits under the Program.
- (ff) **Regulations:** The regulations issued under Section 409A of the Code. Reference to any section of the Regulations shall be read to include any amendment or revision of such Regulation.
- (gg) **RIA Balance:** The total contributions to the Participant's Retirement Income Account under the Savings Plan (or any successor thereto) and the Participant's Nonqualified Retirement Income Account under the Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan (or any successor thereto), plus hypothetical earnings/losses calculated as if the accounts had been invested from the time of the first contribution 60% in the securities represented in the Standard & Poor's 500 Index (in the proportions represented therein) and 40% in the securities represented in the Lehman Brothers Intermediate Government/ Corporate Bond Fund Index (in the proportions represented therein).
- (hh) **Savings Plan:** The Parker Retirement Savings Plan as it currently exists and as it may subsequently be amended.
- (ii) **Service:** Employment as an employee by any member of the Affiliated Group, as well as employment by a corporation, trade or business, that is now part of the Affiliated Group at a time prior to its becoming part of the Affiliated Group, but in such case only if and to the extent that the Committee shall so direct at any time prior to retirement. For purposes of determining a Participant's eligibility to receive a benefit hereunder, Service shall include any additional years credited to a Participant under Section 2.06.
- (jj) **Specified Employee:** A person designated from time to time as such by the Committee pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.

- (kk) **Specified Rate:** The average of the daily closing On-The-Run Long Bond rates as displayed by the Bloomberg Professional Financial System at screen "GT 30 GVT" (or any successor screen), for the second full calendar month preceding the month in which a Participant's Termination of Employment occurs; provided that while 30-Year Treasury Bonds are issued by the U.S. Treasury, the Specified Rate shall be the monthly average annual yield of 30-Year United States Treasury Bonds for constant maturities as published by the Federal Reserve Bank during the month in which a Participant's Termination of Employment occurs and in effect on the first day of the month following such Participant's Termination of Employment. Notwithstanding the foregoing, for purposes of calculating a Change in Control Lump Sum Payment, the Specified Rate shall be the interest rate for immediate annuities of the Pension Benefit Guaranty Corporation (PBGC) in effect on the date of the Change in Control as set forth in Appendix B to Part 2619 of 29 Code of Federal Regulations, or any other successor or similar rate.
- (ll) **Subsidiary:** Any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- (mm) **Surviving Corporation:** The corporation resulting from a Business Combination.
- (nn) **Termination of Employment:** A Participant's "separation from service" with the Affiliated Group, within the meaning of Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been providing services to the Affiliated Group for less than 36 months). In the event of a disposition of assets by the Company to an unrelated person, the Company reserves the discretion to specify (in accordance with Section 1.409A-1(h)(4) of the Regulations) whether a Participant, who would otherwise experience a separation from service with the Affiliated Group as part of the disposition of assets, will be considered to experience a separation from service for purposes of Section 1.409A-1(h) of the Regulations.

2. **Participation**

2.01 **Participants.** The Participants in the Program shall be:

- (a) such officers and other key executives of the Company as shall be designated as Participants from time to time by the Committee, and who have submitted to the Company, within 30 days after such designation, a Participation Agreement evidencing agreement to the terms of the Program, including, but not limited to, the non-competition provisions of Article Z; and

- (b) upon a Corporate Change Vesting Event, those individuals who have entered into a Change in Control Severance Agreement with the Company as of the date of such Corporate Change Vesting Event.

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

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

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

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

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

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

3. Supplemental Retirement Benefits

3.01 Eligibility At or After Normal Retirement Date. Any provision of Section 2.04 to the contrary notwithstanding, provided that the 13-month service requirement of Section 2.05 is satisfied, any Participant with at least 120 calendar months of Service who Terminates his or her Employment with the Affiliated Group on or after his or her Normal Retirement Date shall be eligible for a monthly supplemental retirement benefit computed as set forth in Section 3.03.

3.02 Eligibility Prior to Normal Retirement Date. Provided that the 13-month service requirement of Section 2.05 is satisfied, any Participant with at least 120 calendar months of Service:

- (a) who Terminates his or her Employment with the Affiliated Group with the consent of the Committee after attainment of age 55; or
- (b) who is employed at the time of a Corporate Change Vesting Event; or
- (c) whose Employment with the Affiliated Group is Terminated by the Company for reasons other than for cause (as determined solely by the Committee) after attainment of age 55 but prior to the expiration of the requisite period of employment established by the Committee with respect to the Participant pursuant to Section 2.04; or

- (d) who Terminates the Participant's Employment with the Affiliated Group prior to his or her Normal Retirement Date due to Disability or with entitlement to any benefits under the Executive Long-Term Disability Plan; or
- (e) who Terminates his or her Employment with the Affiliated Group after attainment of age 60 (and after completion of the requisite period of employment established by the Committee with respect to him or her pursuant to Section 2.04) but prior to his or her Normal Retirement Date; shall be eligible for a monthly supplemental retirement benefit as set forth in Section 3.04.

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

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

entitled or would be entitled as of the earliest date following the Participant's Termination of Employment for which Social Security benefits or other state-provided retirement benefits would be payable (whether or not Social Security benefits or other state-provided retirement benefits are actually paid to the Participant at such time), with such reduction to begin at the earliest date after retirement for which Social Security benefits or other state-provided retirement benefits would be payable to the Participant;

- (h) the monthly single life Actuarial Equivalent of any benefit which the Participant is entitled to receive from any previous employer, provided that a contract between the Participant and the Company grants the Participant service for service with the previous employer and the contract states the amount to be offset; and
- (i) the excess, if any, of:
 - (1) the sum of:
 - (i) the monthly benefit determined after application of the foregoing provisions of this Section 3.03; and
 - (ii) the monthly long-term disability benefits to which the Participant is entitled under the Executive Disability Plan, over
 - (2) an amount equal to $1/12^{\text{th}}$ of 66 $2/3\%$ of the Participant's compensation (as defined in the Executive Disability Plan).

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

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

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

- (a) in the case of a Participant who does not have at least 15 years of Service at the time of his or her retirement, .3055 percent for each month that his or her Service is less than 15 years;
- (b) after applying Section 3.04(a) if applicable, .1515 percent for each of the first 60 months by which commencement of the benefit precedes Normal Retirement Date, and by .3030 percent for each additional month by which commencement of the benefit precedes Normal Retirement Date; provided, however, that if the Participant has at least 30 years of Service, and entitlement to payment is a result of a Change in Control, the .1515 shall be reduced to .07575, and the .3030 shall be reduced to .1515;
- (c) any amounts described in Sections 3.03(b)-(h); and
- (d) the excess, if any, of:
 - (1) the sum of:
 - (i) the monthly benefit determined after application of the foregoing provisions of this Section 3.04; and
 - (ii) the monthly long-term and short-term disability benefits to which the Participant is entitled under the Executive Disability Plan, over
 - (2) an amount equal to 1/12th of 66 2/3% of the Participant's compensation (as defined in the Executive Disability Plan).

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

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

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

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

4. Payment of Benefits

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

4.02 Payments Under Certain Situations.

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

- (b) One-Time Change by Participant. In addition to any election pursuant to Section 4.02(c) or 4.02(d), a Participant shall be allowed a one-time election to change the form of payment of his or her supplemental retirement benefit; provided, however, that:
- (1) any such election shall not be effective for at least 12 months following the date made; and
 - (2) as a result of any such election, payment shall be delayed for 5 years from the date the payment was scheduled to commence or to be made (taking into account any delay in payment or commencement of payment under Section 4.01 on account of a Participant's status as a Specified Employee).
- (c) Changes Between Actuarially Equivalent Forms of Annuity. A Participant may elect at any time prior to Termination of Employment to convert his or her supplemental retirement benefit payable as an annuity to any of the Actuarially Equivalent forms of annuity offered under the Consolidated Plan.
- (d) Transitional Rule. Notwithstanding any other elections under this Program and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Committee pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his or her supplemental retirement benefit under this Program, provided that:
- (1) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year;
 - (2) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year; and
 - (3) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any election(s) must be made by the date specified by the Committee consistent with guidance pursuant to Section 409A of the Code.
- (e) Payment Upon a Change in Control. 30 days after a Change in Control, in lieu of any other payments due with respect to benefits earned under the Program to the date of the Change in Control, each Participant and each Recipient shall receive a Change in Control Lump Sum Payment, as calculated under Section 4.03(b).

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

4.03 Determination of the Lump Sum Payment.

- (a) If the Participant is a Specified Employee immediately prior to Termination of Employment, the Lump Sum Payment referred to in Section 4.02(a) shall be equal to the sum of:
- (1) the aggregate monthly benefits the Participant would have received under the Single Life Annuity form of payment prior to the first day of the seventh month following the Participant's Termination of Employment if the Participant were not a Specified Employee; plus
 - (2) the excess of:
 - (i) the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's Termination of Employment), determined as of the first day of the seventh month following the Participant's Termination of Employment, of the monthly benefit determined under Section 3.03 or 3.04, as applicable, disregarding Section 3.03(d) and the monthly "add-on" benefit as set forth on Addendum XV of the Consolidated Plan (if applicable) included in Section 3.03(b), over
 - (ii) the sum of:
 - (A) the present value (as defined in the Consolidated Plan) of the "add-on" benefit set forth on Addendum XV of the Consolidated Plan if applicable) included in Section 3.03(b), plus

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

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

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

- (b) The Change in Control Lump Sum Payment referred to in Section 4.02(e) shall be equal to the amount determined under Section 4.03(a) using the following assumptions:
 - (1) present value is determined using the Specified Rate and Mortality Table;

- (2) for purposes of determining present value for a Participant who entered the Program before July 1, 2006, the Participant (or, if applicable, Recipient) lives the number of years equal to his or her Life Expectancy (calculated as of the date which includes any additional Service credited hereunder);
- (3) Actuarial Value shall be determined as provided under the PRP; and
- (4) with respect to any benefit to be deducted as an offset as described in Section 3.03(b) through (i), the Participant terminated employment with the Company on the date of the Change in Control and began to receive such benefits at the earliest date thereafter permitted under the applicable plan, agreement or statute.

4.04 Certain Matters Following a Lump Sum Payment.

- (a) A Participant who has received a Change in Control Lump Sum Payment pursuant to Section 4.02(e) shall thereafter:
 - (1) while in the employ of the Company, continue to accrue benefits under the Program; and
 - (2) be eligible for further benefits under Section 4.01 or 4.02. The amount of such benefit shall be determined by:
 - (i) calculating the benefit that would be payable to the Participant if there had been no previous Change in Control Lump Sum Payment;
 - (ii) determining the present lump sum value of such benefit, using the Specified Rate and the Mortality Table and, for a Participant who entered the Program before July 1, 2006, assuming the Participant lives the number of years equal to his or her Life Expectancy on the date of the Participant's Termination of Employment;
 - (iii) determining the present lump sum value of the Change in Control Lump Sum Payment, assuming the Change in Control Lump Sum Payment had earned interest at the average Specified Rate in effect from the time of payment of the Change in Control Lump Sum Payment until the date of Termination of Employment;
 - (iv) reducing the amount determined in (ii) by the amount determined in (iii); and
 - (v) if applicable, converting the amount determined in (iv) to an Actuarially Equivalent single life only form of payment.

5. Disability Benefits

5.01 Amount. If a Participant suffers a Disability, the Company shall pay the supplemental retirement benefit described in Section 3.02 to the Participant; provided, however, that the provisions of Article 4 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 5.

5.02 Form of Disability Benefits. A Participant's disability benefit pursuant to this Article 5 shall be paid in the form of a single life annuity; provided, however, that if the Participant is married to a person who has been the Participant's spouse for at least one year immediately prior to the date of the Participant's Disability, the Participant's disability benefit shall be paid in the form of a joint and 100% survivor annuity.

5.03 Time of Payment of Disability Benefits. Payment of a Participant's disability benefit shall commence as of the first of the month following the Participant's Disability.

6. Death Benefits

6.01 Eligibility. If a Participant dies after completing 120 calendar months of Service (without regard to the requirements of Section 2.04) but prior to the Participant's Termination of Employment, his or her Beneficiary shall be eligible for a benefit under this Article 6.

6.02 Benefit Amount.

- (a) The amount of the benefit payable under this Article 6 to a deceased Participant's Beneficiary shall be equal to the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's death) of the total monthly payments the Beneficiary would have received had the Participant retired on the day before his or her death after having effectively elected to receive payment in the form of a Joint and 100% Survivor Annuity under the Program, with his or her Beneficiary as Contingent Annuitant under such option; provided, that:
- (1) in lieu of the offset for the Participant's primary Social Security benefit under Section 3.03(g), the benefit to the Beneficiary shall be offset by 50% of the primary or survivor Social Security benefit to which the Beneficiary is entitled at the earliest date as of which such payments become payable; and
 - (2) in lieu of the offset for the Consolidated Plan benefit set forth in Section 3.03(b) (and/or any other retirement benefit under any defined benefit arrangement described in Sections 3.03(c), (d), or (h)), the benefit to the Beneficiary shall be offset by the Qualified Plan Death Benefit. For purposes of this Section 6.02(a), present value for the Beneficiary of a deceased Participant who entered the Program before July 1, 2006 shall be determined assuming that the Beneficiary lives the number of years equal to his or her Life Expectancy on the date of death of the Participant.

- (b) If the estate is the death beneficiary as a result of the Participant not having a Beneficiary, the Participant's estate shall receive a lump sum payment equal to the present value (using the Specified Rate and Mortality Table in effect on the first day of the month following the Participant's death) of the total monthly payments that would have been paid to the Participant assuming the Participant had not died but rather:
- (1) retired on the day before the date of his or her death (or the first day of the month following the time he would have reached age 55, if later);
 - (2) elected a 10-Year Certain Annuity; and
 - (3) received 120 monthly payments. For purposes of this Section 6.02(b), present value for the estate of a deceased Participant who entered the Program before July 1, 2006 shall be determined assuming that the Participant had lived the number of years equal to his or her Life Expectancy on the date of his or her death.
- (c) If the Participant dies before reaching the age that is ten years prior to the Participant's Normal Retirement Date, then the monthly payments used to determine the death benefit under Section 6.02(a) or Section 6.02(b), as applicable, shall be further reduced by .3030 for each month that the Participant's death preceded his or her Normal Retirement Date.

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

7. Non-Competition

7.01 Condition of Payment. Payment of supplemental retirement benefits under the Program shall be subject to the condition that the Participant or retiree-Recipient shall not have engaged in competition (as defined in Section 7.02) with the Company at any time prior to the date of such payment; provided, however, that this Section 7.01 shall not apply to a Participant following his or her Termination of Employment if such Termination of Employment occurs after the date of a Corporate Change Vesting Event that occurs at the time the Participant is actively employed by the Affiliated Group.

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

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

8. Beneficiary Designation

The Participant shall have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the 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 Committee during the Participant's lifetime on a form prescribed by the Committee.

The submission of a new Beneficiary designation shall cancel all prior Beneficiary designations. Any finalized divorce or marriage 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 Committee shall direct the distribution of such benefits to the estate of the last to die of the Participant and the Beneficiaries.

9. General Provisions

9.01 Claims Procedure. The 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 Program. 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 Program on which the denial is based;
- (c) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed; and
- (d) an explanation of the Program's claims review procedure and other appropriate information as to the steps to be taken if the Participant wishes to have the claim reviewed. If the 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.

9.02 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. The petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or different benefits. Within sixty (60) days after receipt by the 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 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 Program on which the decision is based. If the sixty-day period is not sufficient, the decision may be deferred for up to another sixty-day period at the election of the 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 Beneficiary.

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

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

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

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

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

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

9.08 Non-Alienation of Retirement Rights or Benefits. No right or benefit under the Program shall at any time be subject in any manner to alienation or encumbrances. If any person shall attempt to, or shall, alienate or in any way encumber his or her rights or benefits under the Program, or any part thereof, or if by reason of his or her bankruptcy or other event happening at

any time any such benefits would otherwise be received by anyone else or would not be enjoyed by him or her, his or her interest in all such benefits shall automatically terminate and the same, at the discretion of the Company, shall be held or applied to or for the benefit of such person, his or her spouse, children, or other dependents as the Company may select.

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

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

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

To the Participant: address of residence

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

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

- (a) reduce or terminate the benefit of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (b) terminate the participation of a Participant participating in the Program at the time of any such termination, amendment, or modification;
- (c) increase the eligibility requirements applicable to a Participant participating in the Program at the time of any such termination, amendment or modification;
- (d) terminate the Program, or reduce or terminate any benefit, or terminate the participation or any rights or benefits, after the occurrence of a Corporate Change Vesting Event, with respect to a Participant or Recipient who was a Participant or Recipient, or became a Participant or Recipient, at the time of the occurrence of such Corporate Change Vesting Event; or

- (e) permit an acceleration of time of payment of a Participant's benefit under the Program, other than:
 - (1) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code;
 - (2) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Program, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations;
 - (3) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure;
 - (4) due to a termination of the Program that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or
 - (5) as otherwise may be permitted under Section 409A of the Code.

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

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

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

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



TO: [Executive Name]
 PID: _____

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

The Human Resources and Compensation Committee of the Board of Directors ("Committee") of Parker-Hannifin Corporation ("Company") has awarded you the following stock options ("Options") with tandem stock appreciation rights ("SARs") under the Company's 2003 Stock Incentive Plan ("Plan"):

Grant Date:	XX/XX/XXXX
No. of Shares to Which Options/SARs Apply:	_____
Grant Price:	\$XX.XX
Expiration Date:	XX/XX/XXXX at 4:00 PM Eastern Time

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

The grant price ("Grant Price") is equal to the Fair Market Value of one share of common stock in the company ("Share") on the Grant Date, which is the reported closing price on the New York Stock Exchange-Composite Transactions on the Grant Date.

Each Option entitles you to purchase one Share at the Grant Price. Each SAR entitles you to receive the increase in value between the Grant Price and the Fair Market Value at exercise ("Appreciation") of one Share in accordance with the terms of the Plan and rules of the Committee in effect at the time of exercise. Upon exercise of a SAR, the Appreciation will be paid to you in Shares having an equal value. The calculation of Appreciation is described in more detail below. The Company may elect, in its sole discretion, to pay the Appreciation in cash in lieu of Shares.

Your Award will expire at the date and time indicated above as Expiration Date unless an earlier lapse date ("Lapse Date") applies due to a change in your employment status, as provided in this Award.

Calculation of SAR Appreciation.

Appreciation is calculated by subtracting the Grant Price from the Fair Market Value of the Shares at exercise and multiplying the result by the number of SARs exercised. Currently, the Fair Market Value at exercise is the prior day's closing price on the New York Stock Exchange – Composite Transactions. The number of Shares issued on exercise will be that number (rounded down to the nearest whole number) derived from dividing the Appreciation by the Fair Market Value at exercise per Share. No cash consideration will be paid for the fractional portion eliminated by rounding.

Vesting Schedule.

Except as provided below, while you are an active full-time employee, this Award will vest in one-third increments in accordance with the following schedule (“Vesting Schedule”):

[Vesting Schedule]

In the event of a Change in Control of the Company (as defined in the Plan), all of the Options/SARs granted in this Award will immediately vest and become exercisable.

If your continuous full-time employment is terminated prior to a scheduled vesting date as a result of your death, long-term disability, or retirement under the applicable retirement plan or Company policy, all unvested Options/SARs will continue to vest in accordance with the Vesting Schedule above.

Upon vesting, your Options/SARs are exercisable in accordance with the terms of this Award and the Plan only while you are a full-time employee of the Company or one of its subsidiaries at any time until the Expiration Date or Lapse Date, as the case may be. Vested Options/SARs may also be exercised upon termination of your continuous full-time employment in accordance with the specific status change rules set forth below.

Effect of Status Changes.

If your continuous full-time employment is terminated prior to a vesting date for any reason other than death, long-term disability, or retirement under the applicable retirement plan or Company policy, then all unvested Options/SARs as of the date of termination will lapse and cannot be exercised.

If your continuous full-time employment is terminated for any reason (including death, long-term disability, or retirement), then vested Options/SARs are exercisable any time before the applicable Lapse Date shown below.

Status Change – If your continuous full-time employment terminates due to:

(A) Long-Term Disability or Retirement

(B) Death

(C) Any Other Termination

Lapse Date – Then the Options/SARs under this Award will lapse on:

The Expiration Date.

The earlier of: (i) Two (2) years after your death or (ii) the Expiration Date.

The earlier of: (i) Three (3) months from the date of termination or (ii) the Expiration Date.

Exercise and Settlement Procedures.

To exercise all or any portion of your vested Options/SARs, you must follow the exercise procedures in effect at the time of exercise. The exercise price for Options may be paid in cash or in Shares. If paid in Shares, the number of Shares to be surrendered in payment of the exercise price shall be valued using the Fair Market Value at exercise.

Upon exercise of your Options/SARs, the Company will instruct its stock transfer agent to issue the net number of Shares you are entitled to receive. If any portion of the Award is exercised as SARs, the Company may, in its sole discretion, elect to settle the exercise in cash in lieu of Shares.

Automatic Self-Exercise Prior to Expiration.

Any vested Options/SARs under this Award that have a net Appreciation (after all applicable withholding taxes) but remain unexercised on the business day preceding the Expiration Date will automatically self-exercise on the Expiration Date to prevent forfeiture.

Compensation and Payment of Income Withholding Taxes.

If you are a U.S. citizen, you do not recognize taxable income upon receipt of this Award. In certain foreign countries, however, you may be taxed, and you should review the taxation with the local country Financial Service Manager. In the year in which you exercise Options or SARs, the difference between the Grant Price and the Fair Market Value at exercise of the Options or the Appreciation on the SARs will be reported as additional compensation and will be subject to applicable income and employment taxes. Parker will report the additional income on your W-2 and will observe all applicable tax withholding requirements at the time of exercise. For U.S. citizens, withholding may include federal, state and local income tax, FICA, Medicare, or other statutorily-required taxes ("Taxes"). All Taxes must be paid at the time of exercise by surrendering a portion of the Shares received in settlement except where transferred Options are exercised by a transferee, in which case the Taxes must be paid in cash by you. In the event the Company elects to settle the exercise in cash, the Taxes due upon exercise will be deducted from the cash settlement prior to payment.

Tax Withholding Calculation.

The Company will withhold for Taxes the number of Shares having an aggregate value based on the Fair Market Value at exercise at least equal to the amount required to be withheld by law. If the value of the withheld Shares exceeds the withholding tax amount due, the excess (which will be less than the value of one Share) will be credited to federal income tax withholding.

Reloadability.

If you exercise your Award as Options and tender shares to satisfy the Option cost, you will receive one (1) restorative or "reload" grant of SARs ("Reload SARs") effective on the exercise date

equivalent to the number of Shares surrendered to satisfy the Option cost. The Reload SARs will have a Grant Price equal to the Fair Market Value of the Shares on the exercise date as set forth by the Plan and the rules of the Committee. Currently, the Fair Market Value of the Reload SARs is the reported closing price of the Shares on the New York Stock Exchange - Composite Transactions on the exercise date. Except as otherwise set forth in this Award, no Reload SARs may be exercised (a) prior to the completion of one (1) year of continuous full-time employment following the exercise date; and (b) unless you have retained the Shares resulting from the Option exercise (less a sufficient number of Shares to satisfy withholding tax obligations) for a period of one (1) year from the exercise date. All other terms and conditions of the Reload SARs will be identical to those initially granted in this Award, including, without limitation, the original Expiration Date.

Transferability.

Your Options/SARs are not transferable or assignable during your life except to (a) your spouse, children or their lineal descendants (“Immediate Family Members”), (b) one or more trusts for the benefit of you and/or one or more of your Immediate Family Members; or (c) a partnership or limited liability company in which you or your Immediate Family Members are the only partners or members; provided, however, in each case that you (i) submit a completed Stock Option/SAR Assignment Form to the Stock Incentive Plan Administrator or comply with other procedures in effect at the time of the transfer and (ii) do not receive any consideration for the transfer. All transferred Options/SARs remain subject to the terms and conditions of this Award and the Plan (except that such transferred Options/SARs are not transferable by the transferee during life).

Detrimental Activity.

If you engage in any Detrimental Activity (as defined in the Plan), the Committee may at any time and in its sole discretion cancel and revoke all or any portion of your unexercised Options/SARs or require repayment to the Company of any compensation received (in the form of cash or Shares) from your exercise of any portion of the Options/SARs. The Plan defines Detrimental Activity as any activity that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Company or a subsidiary, including without limitation (i) rendering of services to an organization, or engaging in a business, that is, in the judgment of the Committee or its express delegate, in competition with the Company; (ii) disclosure to anyone outside of the Company, or the use for any purpose other than the Company’s business, of confidential information or material related to the Company, whether acquired during or after employment with the Company; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) violation of the Company’s Code of Ethics.

Consent to Use Data.

By acknowledging the terms of this Award, you hereby consent to the cross-border collection, use and disclosure by the Company and its subsidiaries of certain personal data required solely for the purpose of the administration and exercise of this Award. Disclosure of personal data shall be limited to your name, gender, address, telephone number, date of birth, date of hire, position, grade, supervisor, country of residence and country of employment. All personal data shall be treated as highly confidential and shall not be used for any purpose other than Stock Incentive Plan administration.

Notification of Change in Personal Data.

If your address or contact information changes while any portion of this Award remains unexercised, the Company must be notified in order to administer this grant. Notification of such changes should be provided to the Company as follows:

- **Domestic Participants** (employees who are on the U.S. or Canadian payroll system):
 - Active employees: Update your address and contact information directly through your Personal Profile section in the Employee Self-Service site.
 - Retired, terminated, or family member of deceased participant: Contact the Benefits Service Center at 1-800-992-5564.
- **International Participants** (employees who are not on U.S. or Canadian payroll system):
 - Active, retired, terminated, or family member of deceased participant: Contact your country Human Resources Manager.

Prospectus Notification.

A Memorandum describing the terms of the 2003 Stock Incentive Program which governs this Award (“Prospectus”) and the most recent Annual Report and Proxy Statement issued by Parker-Hannifin Corporation are available for your review on your Stock Incentives Web page. You have the right to receive a printed copy of the Prospectus upon request by either calling the Stock Incentive Plan Administrator at 216-896-2950 or by sending your written request to Parker’s Legal Department.

All Terms Subject to the Plan.

This Award and all rights under this Award are at all times subject to all other terms, conditions and provisions of the Plan (and any rules or procedures adopted under the Plan by the Committee). All capitalized terms shall have the meaning ascribed to such terms in the Plan. In the event of a conflict between the terms of the Plan and this Award, the terms of the Plan control.

By acknowledging the terms of this Award, you acknowledge that: (i) any Award of Options/SARs or other equity compensation is purely discretionary and is not compensation/salary for termination indemnity purposes; (ii) future awards of Options/SARs or other equity incentives may be discontinued at any time; and (iii) an Award of Options/SARs or other equity compensation in one year does not guarantee an Award in future years.

Your Action Items. Please take the following actions, as appropriate:

- **Acknowledge** your receipt of this Award and your agreement to its terms by clicking on the “Accept” button below. **Failure to acknowledge receipt of this Award and agree to its terms will jeopardize your ability to exercise the Options/SARs granted in this Award.**
- **Inform the Company of any change in address or contact information.** Refer, if necessary, to the section titled “[Notification of Change in Personal Data](#)” for instructions on how to provide notification to the Company.

Sincerely yours,

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

[Accept Button] [Back Button]



TO: [Executive Name]

August __, 2008

**NOTICE OF FY09
TARGET INCENTIVE BONUS AWARD
UNDER PERFORMANCE BONUS PLAN**

On August 13, 2008, the Human Resources and Compensation Committee of the Board of Directors (“Committee”) of Parker-Hannifin Corporation (“Company”) granted you a Target Incentive Bonus award (“Award”) under the Company’s Performance Bonus Plan (“Bonus Plan”). Payments made under the Plan will be qualified as “performance-based compensation” for purposes of Section 162(m) of the Internal Revenue Code of 1986 and Section 1.162-27 of the Treasury Regulations promulgated thereunder. Your Award is in the target amount of \$_____ (“Target Amount”), subject to the following terms and conditions:

1. Your payout under this Award (“Payout”) will be based upon the Company’s actual operating cash flow less capital expenditures (free cash flow) expressed as a percent of the Company’s sales (“FCF Margin”) for fiscal year 2009 (“Performance Period”). Discretionary pension contributions by the Company are not included in the calculation of the FCF Margin. You will receive a Payout of 100% of your Target Amount if the Company achieves an FCF Margin of 6.5% for the Performance Period. If the Company’s FCF Margin is above or below 6.5% for the Performance Period, your Payout will be a proportion of the Target Amount as set forth in the table below. The minimum threshold for any Payout under the Award is 4% FCF Margin during the Performance Period and the maximum is 9% FCF Margin.

FY09 FCF Margin:	<u>< 4.00%</u>	<u>4.00%</u>	<u>4.83%</u>	<u>5.67%</u>	<u>6.50%</u>	<u>7.13%</u>	<u>7.75%</u>	<u>8.38%</u>	<u>9.00%</u>
Payout %:	0%	25%	50%	75%	100%	125%	150%	175%	200%

2. The Payout earned under the Award will be paid at the end of the Performance Period.

3. If you retire (at or after age 60, or earlier with the consent of the Committee), die or become disabled during the Performance Period or otherwise have not served in an eligible position during the full Performance Period, you will be entitled to receive a portion of the Payout based on the number of full months served during the Performance Period. Termination of your employment for any other reason during the Performance Period will result in forfeiture of your Award.

4. Your Payout will be paid in cash, or you may elect to receive the Payout in the form of a credit to your Executive Deferral Plan (“EDP”) account in accordance with the terms of the EDP and rules established by the Committee or the Company, as the case may be.

5. Your Payout will be made following certification of the calculation of the FCF Margin by the Committee at the end of the Performance Period. The Committee may reduce your Payout in its sole discretion.

6. Your Award is subject to all terms, conditions and provisions of the Bonus Plan. In the event of any conflict between the terms of the Bonus Plan and the Award, the Bonus Plan will control.

Please acknowledge receipt of the Award, and indicate your agreement with the terms hereof, by signing and returning a copy to me as soon as possible.

Sincerely yours,

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

Receipt Acknowledged and Agreed:

[Executive Name]

Date: _____



TO: [Executive Name]

August __, 2008

**NOTICE OF 2009-10-11
LONG TERM INCENTIVE (LTI) AWARD
UNDER PERFORMANCE BONUS PLAN**

On August 13, 2008, the Human Resources and Compensation Committee of the Board of Directors (“Committee”) of Parker-Hannifin Corporation (“Company”) granted you a Long Term Incentive (“LTI”) award (“Award”) under the Company’s Performance Bonus Plan (the “Bonus Plan”). Payments made pursuant to the Plan qualify as “performance-based compensation” for purposes of Section 162(m) of the Internal Revenue Code of 1986 and Section 1.162-27 of the Treasury Regulations. Your Award is in the target amount of _____ (“Target Amount”) restricted shares of common stock of the Company (“Restricted Shares”), to be issued under, and subject to, the Parker-Hannifin Corporation 2003 Stock Incentive Plan (“SIP”), and the following terms and conditions:

1. Your payout under the Award (“Payout”) will be based on the Company’s performance in comparison to other companies in its peer group as listed on attached Exhibit A (“Peers”) for the performance measures indicated below (“Performance Measures”) during fiscal years 2009, 2010 and 2011 (“Performance Period”). The Target Amount will be weighted (“Weighted Target”) for each Performance Measure as follows:

<u>Performance Measure</u>	<u>Weight</u>
Compound Annual Revenue Growth	20%
Compound Annual Earnings Per Share (EPS) Growth	40%
Return on Capital (ROC)	40%

Compound Annual Revenue Growth, Compound Annual EPS Growth and ROC of the Company and the Peers are calculated by reference to sales and income from continuing operations. All Performance Measures shall be computed under, or reconciled to, US GAAP.

Your Payout will be made in the form of Restricted Shares of 100% of the Weighted Target for each Performance Measure if the Company ranks in the 50th percentile among the Peers in the applicable Performance Measure. Percentile rankings above or below the 50th percentile for the Performance Period among the Peers for any Performance Measure will result in a lesser or greater Payout for each Weighted Target in accordance with the following table:

<u>Percentile Ranking:</u>	<u>£35</u>	<u>42.5</u>	<u>50</u>	<u>62.5</u>	<u>75</u>
Payout %:	0	50	100	150	200

For each Performance Measure, the Company's ranking must be above the 35th percentile among the Peers for the Performance Period in order to receive any Payout for the applicable Weighted Target. The total Payout will be equal to the sum of the Payouts earned under each of the Performance Measures.

Peers which do not publish stand-alone financial results for the entire Performance Period as a result of going private, acquisition, or any similar transaction will be removed from the list of Peers. Peers which merge during the Performance Period will remain as Peers only if they are the surviving entity of the merger. Any Peer which has publicly announced the need to restate its financial statements for any portion of the Performance Period, but has not yet published such restatement, will be excluded from the Peer comparisons for any Performance Measure in which its result is better than the Company's result. Any Peer which has not published financial statements for the entire Performance Period due to the publicly announced need to restate its financial statements will be removed from the list of Peers.

2. Except as otherwise provided below, you will receive the Payout in the form of Restricted Shares within 30 days following certification of the calculation of the Performance Measures and the Payout by the Committee after the end of the Performance Period, but in no event later than two and a half months from the end of the Performance Period. In certain circumstances, the Committee may in its discretion reduce the Payout.

3. The Restricted Shares will be subject to the terms and conditions, if any, imposed by the Committee upon issuance at Payout.

4. If you retire (at or after age 60, or earlier with the consent of the Committee), die or become disabled during the Performance Period, you will be entitled to receive a portion of the Payout under this Award based on the number of full calendar quarters you worked in an eligible position during the Performance Period.

5. Termination of employment for any other reason during the Performance Period will result in forfeiture of your Award.

6. In the event of a "Change in Control" of the Company (as defined in the SIP), you will receive the Payout under the Award within fifteen (15) days following the date of the Change in Control equal to the greater of (a) the Target Amount of Restricted Shares; or (b) the number of Restricted Shares that would have been issued had the Company's percentile ranking among the Peers for each of the Performance Measures during the Performance Period through the end of the fiscal quarter immediately preceding the date of the Change in Control continued throughout the Performance Period at the same level.

7. Your Award is subject to all terms, conditions and provisions of the Bonus Plan, the SIP and this Award. In the event of any conflict between their respective terms, conditions and provisions the Bonus Plan shall control.

Please acknowledge receipt of this Award, and indicate your agreement with its terms, by signing below and returning a copy to me as soon as possible.

Sincerely yours,

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

Receipt Acknowledged and Agreed:

[Executive Name]

Date: _____

**EXHIBIT A
TO
2009-10-11 LONG TERM INCENTIVE (LTI) AWARD
UNDER PERFORMANCE BONUS PLAN**

PEERS

Caterpillar Inc.
Cooper Industries, Ltd.
Cummins Inc.
Danaher Corporation
Deere & Company
Dover Corporation
Eaton Corporation
Emerson Electric Co.
Flowserve Corporation
Goodrich Corporation
Honeywell International Inc.
Illinois Tool Works Inc.
Ingersoll-Rand Company Limited
ITT Industries, Inc.
Johnson Controls, Inc.
Pall Corporation
Rockwell Automation, Inc.
SPX Corporation
Textron Inc.



TO: [Executive Name]

August __, 2008

**NOTICE OF FY09
RETURN ON NET ASSETS ("RONA") BONUS AWARD
UNDER PERFORMANCE BONUS PLAN**

On August 13, 2008, the Human Resources and Compensation Committee of the Board of Directors ("Committee") of Parker-Hannifin Corporation ("Company") granted you a RONA Bonus Award for fiscal year 2009 ("FY09") under the Company's Performance Bonus Plan ("Plan"). RONA bonuses paid under the Plan are qualified as "performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986 and Section 1.162-27 of the Treasury Regulations.

Your RONA Bonus Award is in the amount of _____ RONA Shares and is subject to the terms of the Plan and the following terms and conditions:

1. Each RONA Share represents a percentage of your Base Pay earned during FY09 ("RONA %").

2. The RONA % is determined as follows:

a) **Earnings ÷ Average Assets = Return on Assets (ROA)**

b) *If ROA is ≤ 35%: **ROA x 0.1786 = RONA%***

—or—

*if ROA is > 35%: **6.25% + ((ROA - 35%) x 0.08928) = RONA%***

where:

Earnings = the Company's Segment Operating Income for FY09;

Average Assets = the average of the Company's RONA Assets at the beginning of FY09 and at the end of each of the fiscal quarters of FY09; and

RONA Assets = inventory + accounts receivable + prepaid expenses + property, plant and equipment (net) + goodwill + intangibles – trade accounts payable.

3. Your RONA Bonus Payout for FY09 under this award is calculated as follows:

(Base Pay for FY09 x RONA %) x # RONA Shares = FY09 RONA Bonus payout

4. Your RONA Bonus earned under this Award will be paid after the end of FY09.

5. If your employment with the Company is terminated for any reason other than retirement (at or after age 60, or earlier with the consent of the Committee), death or long-term disability during FY09, you will forfeit your RONA Bonus Award.

6. Your RONA Bonus Payout will be paid in cash, or you may elect to receive the Payout in the form of a credit to your Executive Deferral Plan ("EDP") account in accordance with the terms of the EDP and rules established by the Committee or the Company, as the case may be.

7. Your RONA Bonus Payout will be made following certification of the calculation of the RONA% and Payout by the Committee at the end of the Performance Period. The Committee may reduce the RONA Bonus Payout in its sole discretion.

8. In the event of any conflict between the terms of the Plan and your Award, the Plan will control.

Please acknowledge receipt of your Award, and indicate your agreement with its terms, by signing and returning a copy to me as soon as possible.

Sincerely yours,

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

Receipt Acknowledged and Agreed:

[Executive Name]

Date: _____

PARKER-HANNIFIN CORPORATION**SUMMARY OF RONA BONUS AWARDS IN LIEU OF
CERTAIN EXECUTIVE PERQUISITES**

Effective January 1, 2008, the Human Resources and Compensation Committee (the "Committee") of the Board of Directors of Parker-Hannifin Corporation (the "Corporation") eliminated certain executive perquisites, replacing them with a performance based form of compensation designed to approximate the value of the eliminated perquisites. The perquisites that were eliminated are: 1) reimbursement or payment for home security system or services, 2) annual allowance for financial planning, tax preparation and estate planning, 3) tax gross-ups on the value of permitted spousal travel which is included in the recipient's taxable income 4) reimbursement of monthly dues or assessments associated with private social club membership, 5) tax gross-ups on amounts reimbursed for initiation fee for private club membership which is included in the recipient's taxable income, and 6) reimbursement of fees or dues related to membership at health and fitness clubs. These eliminated perquisites were replaced by a separate form of RONA Bonus opportunity that is distinct from the Corporation's general RONA Bonus program. It is referred to as Converted RONA Bonuses.

Converted RONA Bonuses are paid in four installments after the end of each fiscal quarter, in October, January, April and August. The first three installments are based on actual year-to-date financial results, reduced by an amount equal to 25% of the projected year-end RONA results. The fourth/final installment in August is an amount equal to the remaining Converted RONA Bonus earned based on the Corporation's actual year-end results, as certified by the Controller and approved by the Committee. All Converted RONA Bonuses are paid in cash and are not subject to elective deferral.

Converted RONA Bonus awards are a performance based bonus opportunity with payout equaling a percentage of the mid-point of the recipient's base salary range, depending on the Corporation's return on average net assets for all divisions, compared with the established incentive benchmarks. Converted RONA Bonuses are calculated as follows:

- Return on Net Assets = earnings (segment operating income for the fiscal year) divided by average assets (average of inventory, accounts receivable, prepaid expenses, property, plant and equipment, goodwill and intangibles, less trade accounts payable and contract reserves).
- The incentive is expressed in terms of a multiple for purposes of determining the percentage of mid-point earned as a bonus for each Converted RONA Bonus Share, calculated as follows:
 - (a) For that portion of return on net assets which is less than or equal to 35%, the incentive is .1786% for every 1% of return;
 - (b) For that portion of return on net assets in excess of 35%, the incentive is .08928% for every 1% of the excess.
- The amount of the Converted RONA Bonus payment is calculated by multiplying the recipient's number of Converted RONA Shares by the multiple, and multiplying that total by the midpoint of the recipient's base salary range by comparable position within a group of comparison companies selected by the Committee's independent consultant.

Converted RONA Bonuses are different than general RONA Bonuses in that the amount of any Converted RONA Bonus is not included in the benefit calculations under any benefit or retirement plan sponsored by the Corporation, including the: Executive Long-Term Disability Plan, Consolidated Pension Plan, Pension Restoration Plan, Supplemental Executive Retirement Benefits Program and Change in Control Severance Agreements. In addition, Converted RONA Bonuses are not eligible for deferral under the Corporation's Retirement Savings Plan, Savings Restoration Plan or Executive Deferral Plan.

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
SAVINGS RESTORATION PLAN

Adopted: 07/21/2008

Effective: 07/21/2008

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), established this Savings Restoration Plan (the "Plan"), originally effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by restoring some of the deferral opportunities and employer-provided benefits that are lost under The Parker Retirement Savings Plan due to legislative limits. The Plan was amended during December 2005 to provide for certain transitional rules and is hereby amended and restated as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act ("the Act") with respect to the terms and conditions applicable to amounts that are deferred under the Savings Restoration Plan after December 31, 2004 and subject to Section 409A of the Code. Except as otherwise specifically provided in Sections 4.1(i), 6.2(iii) and 8.4 of this Plan, all benefits deferred and vested under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code, including the portion of a Participant's Excess RIA Account that was vested under the terms of the Plan in effect on December 31, 2004 and earnings thereon, (the "Grandfathered Amounts") shall continue to be subject solely to the terms of the separate Plan as in effect on December 31, 2004. The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

ARTICLE 1 DEFINITIONS

- 1.1. Account shall mean the notional account established for record-keeping purposes for a Participant pursuant to Article 5. The term Account shall include the Restoration Account and/or the Excess RIA Account, as applicable.
- 1.2. Adjusted Matching Percentage shall mean the sum of 100% of the first 3% of a Participant's Total Deferral Percentage, plus 50% of the next 2% of the Participant's Total Deferral Percentage. The maximum Adjusted Matching Percentage for any Plan Year shall be 4%.
- 1.3. Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 13.
- 1.4. Affiliated Group shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of

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

- 1.5. Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3.
- 1.6. Annualized Base Salary shall mean a Participant’s annualized base salary, determined by the Administrator as of November 1 of the calendar year immediately preceding the Plan Year for which the Matching Limit is being determined.
- 1.7. Applicable Dollar Amount shall mean the “applicable dollar amount” determined under Section 402(g)(1)(B) of the Code for the Plan Year for which the Matching Limit is being determined.
- 1.8. Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14.
- 1.9. Change in Control means the occurrence of one of the following events:
 - (a) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.9(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company’s acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

- (b) A change in effective control of the Company, which occurs on either of the following dates:
- (i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.9(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.
 - (ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.
- (c) a change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to: (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (iii) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1.9(c)(iii) of this Plan.

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

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

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

1.11. Compensation shall mean:

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

- (b) For Plan Years beginning on and after January 1, 2007, Compensation shall mean a Participant's base salary before reductions for deferrals under the Plan, or the Executive Deferral Plan, or the Savings Plan, or the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.
- 1.12. Crediting Rate shall mean: (a) the amount described in Section 1.12.1 to the extent the Account balance represents either Annual Deferrals under Article 3 or earnings previously credited on such deferrals under Section 5.2(d), or Excess RIA Contributions under Section 4.1(b) or earnings previously credited on such Excess RIA Contributions under Section 5.2(d); or (b) the amount described in Section 1.12.2 to the extent the Restoration Account balance represents either Matching Credits under Section 4.1(a) or interest previously credited on such Matching Credits under Section 5.2(d).
- 1.12.1 Crediting Rate for Annual Deferrals and Excess RIA Contributions shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Annual Deferrals under Article 3 and the Excess RIA Account Balance attributable to Excess RIA Contributions under Section 4.1(b) had been invested in one or more of the investment portfolios designated as available by the Administrator, less separate account fees and less applicable administrative charges determined annually by the Administrator.
- A Participant may elect to allocate his or her Restoration Account and Excess RIA Account among the available portfolios. The gains or losses shall be credited based upon the daily unit values for the portfolio(s) selected by the Participant. The rules and procedures for allocating the Restoration Account and Excess RIA Account balance among the portfolios shall be determined by the Administrator. The Participant's allocation is solely for the purpose of calculating the Crediting Rate. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by the Participant.
- 1.12.2 Crediting Rate for Matching Credits shall mean any notional gains or losses equal to those generated as if the Restoration Account balance attributable to Matching Credits under Section 4.1(a) had been invested in the Common Stock of the Company, including reinvestment of dividends. The rules and procedures for determining the value of the Common Stock of the Company shall be determined by the Administrator. The rules and procedures for re-allocating the Restoration Account balance attributable to the Matching Credits among the other portfolios offered under the Plan shall be determined by the Administrator.
- 1.13. Disability shall mean the condition whereby a Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and

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

- 1.14. Disability Benefit shall mean the benefit payable pursuant to Article 9.
- 1.15. Early Retirement Date shall mean age 55 with ten or more years of employment with the Company.
- 1.16. Eligible Executive shall mean a key employee of the Company or any of its subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan; and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.
- 1.17. Eligible RIA Executive shall mean an employee of the Company or any of its subsidiaries who is entitled to receive an allocation to the Retirement Income Account portion of the Savings Plan, and (a) who receives compensation, as such term is used to determine contributions under the Savings Plan, in excess of the amount specified in Section 401(a)(17) of the Code, or (b) whose benefits payable from the Savings Plan are directly or indirectly limited pursuant to Section 415(c) of the Code.
- 1.18. ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.19. Estimated Bonuses shall mean:
- (a) For each Plan Year beginning before January 1, 2007, the sum of a Participant's RONA and Target Incentive bonuses payable during the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year.
 - (b) For each Plan Year beginning on and after January 1, 2007, the sum of a Participant's RONA and Target Incentive bonuses payable in August of the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year.
- 1.20. Excess RIA Account shall mean the Account established pursuant to Section 5.1(b) of this Plan.
- 1.21. Excess RIA Contribution shall mean the difference between the amount actually contributed to a Participant's Retirement Income Account under the Savings Plan with respect to a Plan Year and the amount that would have been contributed for such Plan Year but for the application of the Statutory Limits, as adjusted for cost of living increases.

- 1.22. Executive Deferral Plan shall mean the Parker-Hannifin Corporation Amended and Restated Executive Deferral Plan as it currently exists and as it may subsequently be amended.
- 1.23. Matching Credit shall mean the Company's credit to the Participant's Restoration Account under Section 4.1(a).
- 1.24. Matching Limit shall mean, for any Plan Year, the excess of: (a) the lesser of: (i) \$17,000 or (ii) the product of the Adjusted Matching Percentage times the sum of the Participant's Projected Gross Compensation, over (b) the product of 4% times the lesser of: (i) the Statutory Limit under Section 401(a)(17) of the Code on compensation that may be taken into account under the Savings Plan for the Plan Year, or (ii) the excess of a Participant's Projected Gross Compensation over the Participant's Projected SRP Deferral and Projected EDP Deferral.
- 1.25. Matching Percentage shall mean, for any Plan Year, the percentage determined by dividing a Participant's Matching Limit by the Participant's Projected SRP Deferral.
- 1.26. Normal Retirement Date shall mean the date on which a Participant attains age 65.
- 1.27. Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2 or an Eligible RIA Executive entitled to receive an Excess RIA Contribution.
- 1.28. Participation Agreement shall mean the Eligible Executive's or Eligible RIA Executive's written or electronic election to participate in the Plan and/or to select distribution options in accordance with Article 6.
- 1.29. Plan Year shall mean the calendar year.
- 1.30. Projected EDP Deferral shall mean the amount that would be deferred by a Participant under Section 3.1(a) of the Executive Deferral Plan for the Plan Year for which the Matching Limit is being determined, if the terms "Salary" and "Bonuses" used therein referred to the Participant's Annualized Base Salary and Estimated Bonuses, respectively.
- 1.31. Projected Gross Compensation shall mean the sum of a Participant's RONA and target incentive bonuses payable during the Plan Year for which the Matching Limit is being determined, estimated in good faith by the Administrator as of November 1 of the immediately preceding calendar year, plus the Participant's Annualized Base Salary.
- 1.32. Projected Savings Plan Deferral shall mean the lesser of (a) the Applicable Dollar Amount, or (b) 75% of the excess of a Participant's Projected Gross Compensation over the Participant's Projected SRP Deferral and Projected EDP Deferral.

1.33. Projected SRP Deferral shall mean:

(a) For the Plan Year beginning January 1, 2005:

- (i) For a Participant who is not eligible to participate in the Executive Deferral Plan for such Plan Year, the lesser of: (A) \$25,000 or (B) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.
- (ii) For a Participant who is eligible to participate in the Executive Deferral Plan for such Plan Year, the lesser of: (A) \$7,600 or (B) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

(b) For the Plan Year beginning January 1, 2006, the lesser of: (i) \$25,000 or (ii) the product of the sum of the Participant's Annualized Base Salary and Estimated Bonuses times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

(c) For each Plan Year beginning on and after January 1, 2007, the lesser of: (i) \$25,000 or (ii) the product of the Participant's Annualized Base Salary times the percentage of Compensation specified in the Participant's Annual Deferral under Section 3.1 for the Plan Year for which the Matching Limit is being determined.

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

1.35. Restoration Account shall mean the Account established pursuant to Section 5.1(a).

1.36. Retirement shall mean a Separation from Service from the Affiliated Group that follows Normal or Early Retirement Date.

1.37. Retirement Benefit shall mean the benefit payable pursuant to Article 6.

1.38. Savings Plan shall mean the Parker Retirement Savings Plan, as it currently exists and as it may subsequently be amended.

1.39. Separation from Service shall have the meaning set out in Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee or as an independent contractor) over the immediately preceding 36-month period (or the full period of services performed for the Affiliated Group if the Participant has been

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

- 1.40. Specified Employee shall mean a person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- 1.41. Statutory Limits shall mean any limit on compensation taken into account in calculating benefits under the Savings Plan under Section 401(a)(17) of the Code or that directly or indirectly affects the amount of benefits payable from the Savings Plan pursuant to Section 415(c) of the Code or any other applicable Section of the Code.
- 1.42. Subsidiary shall mean any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- 1.43. Survivor Benefit shall mean the benefit payable pursuant to Article 8.
- 1.44. Termination Benefit shall mean the benefit payable pursuant to Article 7.
- 1.45. Termination of Employment shall mean Separation from Service from the Affiliated Group, other than Separation from Service due to Retirement, Disability or death.
- 1.46. Total Deferral Percentage shall mean the percentage determined by dividing the sum of a Participant's Projected SRP Deferral and Projected Savings Plan Deferral by the Participant's Projected Gross Compensation.
- 1.47. Unforeseeable Emergency shall mean a severe financial hardship arising from: (a) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of when a Participant has incurred an Unforeseeable Emergency shall be made by the Administrator, in its sole discretion, pursuant to and subject to the conditions of Section 409A of the Code and Regulations thereunder.
- 1.48. Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Articles 6, 7, 8, 9 or 15, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2 PARTICIPATION

2.1. Participant Deferral or Automatic Participation.

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

- 2.2. Continuation of Participation. An individual who has become a Participant in this Plan pursuant to Section 2.1 shall continue as a Participant in the Plan even though such individual ceases to be an Eligible Executive and/or an Eligible RIA Executive; provided that any such Participant shall not be eligible to:
- (a) make an Annual Deferral for a Plan Year unless the Participant is an Eligible Executive for such Plan Year, or
 - (b) receive an allocation of an Excess RIA Contribution for a Plan Year if the Participant is not an Eligible RIA Participant for such Plan Year.

ARTICLE 3 EXECUTIVE DEFERRALS

- 3.1. Deferral Election. A Participant may elect on the Participation Agreement to make an Annual Deferral to defer a specified percentage of Compensation relating to services performed during a Plan Year. Except as may be otherwise permitted under Section 409A of the Code, an election to make Annual Deferrals with respect to Compensation relating to services performed during a Plan Year must be made prior to the beginning of such Plan Year. An election to make Annual Deferrals for a Plan Year shall be irrevocable, except as otherwise permitted by the Regulations, including Section 1.409A-3(j)(4) (viii) of the Regulations, where cancellation of a deferral election is required by Section 401(k) of the Code upon the Participant's taking a hardship withdrawal from the Savings Plan.

3.2. Amount of Annual Deferral. The Annual Deferral shall be determined as follows:

- (a) For the Plan Year beginning January 1, 2005:
 - (i) For a Participant who is not eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 15% of Compensation (maximum Annual Deferral of \$25,000).
 - (ii) For a Participant who is eligible to participate in the Executive Deferral Plan, any whole percentage between 1 and 5% of Compensation (maximum Annual Deferral of \$7,600).
- (b) For the Plan Year beginning January 1, 2006, any whole percentage between 1 and 15% of Compensation (maximum Annual Deferral of \$25,000).
- (c) For any Plan Year beginning January 1, 2007 or later, any whole percentage between 1 and 20% of Compensation (maximum Annual Deferral of \$25,000).

3.3. Vesting. The Participant's right to his or her Annual Deferrals and gains or losses thereon, shall be 100% vested at all times.

ARTICLE 4 COMPANY CREDITS

4.1. Amount.

- (a) Matching Credit. The Company's Matching Credit in each Plan Year shall equal the product of the Participant's Annual Deferral for such Plan Year times the Matching Percentage for the Plan Year; provided, however, that in no event shall the Matching Credit credited to a Participant's Account in any Plan Year exceed the Matching Limit for such Plan Year. The Matching Percentage and Matching Limit for a Participant for any Plan Year shall be determined in good faith by the Administrator as of December 31 of the immediately preceding calendar year.
- (b) Excess RIA Contributions. Effective April 1, 2004, in the Plan Year following any Plan Year in which an Eligible RIA Participant has an Excess RIA Contribution with respect to the Savings Plan, the Eligible RIA Participant shall receive an allocation of an amount equal to such Excess RIA Contribution.

4.2. Vesting.

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

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

ARTICLE 5 ACCOUNTS

- 5.1. Accounts. Solely for record keeping purposes, the Company shall maintain an Account for each Participant, which Account shall consist of one or more sub-accounts, as follows:
 - (a) A Restoration Account to which shall be credited all Annual Deferrals made by a Participant and Matching Credits, as well as all gains or losses with respect thereto.
 - (b) An Excess RIA Account to which shall be credited the amount of the Participant's Excess RIA Contributions, as well as all gains and losses with respect thereto.
- 5.2. The Timing of Credits.
 - (a) Annual Deferrals made under Article 3 shall be credited to the Restoration Account on the same day the deferrals would otherwise have been paid to the Participant but for the deferral election;
 - (b) Matching Credits under Article 4 shall be credited to the Restoration Account as of the day the corresponding Annual Deferrals are credited to the Restoration Account;
 - (c) Excess RIA Contributions shall be credited to the Participant's Excess RIA Account as of February 1 (or the next business day thereafter) of the year in which the Participant's Excess RIA Contribution with respect to a Plan Year is determined; and
 - (d) Gains or losses shall be credited to the Participant's Account as of the close of business on each Valuation Date, based on the Crediting Rate in effect for the day under Section 1.12.
- 5.3. Terminations. Following a Participant's Termination of Employment, Retirement or death, gains or losses shall continue to be credited to the Participant's Account through the final Valuation Date.
- 5.4. Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Account maintained for such Participant.

ARTICLE 6 RETIREMENT BENEFITS

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

- 6.2. Form of Retirement Benefits. Except as otherwise provided pursuant to an election under Section 6.4(c), the Retirement Benefit shall be paid monthly over a period of fifteen (15) years; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:
- (a) a single lump sum payment in cash;
 - (b) monthly installments over 5, 10 or 15 years; or
 - (c) an annual lump sum amount equal to a specified whole number percentage (1-8%) of the account balance as of the Valuation Date preceding each such annual payment, plus monthly installments of the remaining balance of the Account over 5, 10 or 15 years. Annual lump sum payments pursuant to this Section 6.2(c), with respect to all Retirement Benefits under this Plan, including Grandfathered Amounts, shall be paid as follows:
 - (i) the first lump sum payment shall be made on the first day of the second month after the Participant's Retirement, and (ii) the remaining lump sum payments shall be made on January 1 of each succeeding year in the applicable 5, 10 or 15 year period.
- 6.3. Time of Payment. Except as otherwise provided pursuant to an election under Section 6.4(c), payment of a Participant's Account shall be made or shall begin as of the first day of the second month after the Participant's Retirement or on the first day of the month following the first, second, third, fourth or fifth anniversary of the Participant's Retirement, as elected by the Participant in accordance with the terms of Section 6.4. Notwithstanding the foregoing, payment to any Specified Employee will be made or will commence on the first day of the seventh month following the Participant's Retirement and shall include any payments that would have been made between the Participant's Retirement and the actual date of commencement of payment if the Participant had not been a Specified Employee.
- 6.4. Elections.
- (a) Initial Election. A Participant shall elect the time and form of payment of his or her Account payable on Retirement on his or her initial Participation Agreement, in accordance with such rules as the Administrator shall reasonably apply.
 - (b) One-Time Change by Participant. To the extent permitted by Section 409A of the Code, a Participant may make a one-time election to delay payment or change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that: (i) any such election shall not be effective for at least 12 months following the date made; and (ii) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 6.3 on account of a Participant's status as a Specified Employee).

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

6.5. Small Benefit Exception.

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

ARTICLE 7 TERMINATION BENEFITS

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

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

ARTICLE 8 SURVIVOR BENEFITS

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

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

ARTICLE 9 DISABILITY BENEFITS

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

ARTICLE 10 CHANGE IN CONTROL

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

ARTICLE 11 WITHDRAWALS

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

Plan Year in which a distribution based on Unforeseeable Emergency was made has elapsed, or such longer period as may be required by the Code. If, after December 31, 2007, a distribution is made from Grandfathered Amounts due to a "Financial Hardship" (as defined in the separate Plan applicable to Grandfathered Amounts), no cessation of deferrals shall be required with respect to Non-Grandfathered Amounts pursuant to this Article 11. Distributions to a Participant in the event of an Unforeseeable Emergency pursuant to this Article 11 shall be made as follows: (a) first, from Grandfathered Amounts under the Plan, to the extent thereof; (b) second, from other amounts under the Plan, to the extent thereof; (c) third, from Grandfathered Amounts under the Executive Deferral Plan, to the extent thereof; and (d) fourth, from other amounts under the Executive Deferral Plan, to the extent thereof.

ARTICLE 12 CONDITIONS RELATED TO BENEFITS

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

ARTICLE 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, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on 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 estate of the last to die of the Participant and the Beneficiaries.

ARTICLE 15 AMENDMENT AND TERMINATION OF PLAN

15.1. Amendment of Plan.

- (a) The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment: (i) shall not decrease the balance of the Participant's Account at the time of such amendment; and (ii) shall not retroactively decrease the applicable Crediting Rate of the Plan prior to the time of such amendment.
- (b) In addition, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than: (i) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code; (ii) in accordance with Sections 6.5 and 8.5 with respect to small cashouts; (iii) as necessary to pay Federal Insurance Contribution ("FICA") taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Plan, subject

to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations; (iv) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure; (v) due to a termination of the Plan pursuant to Section 15.2 that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or (vi) as otherwise may be permitted under Section 409A of the Code.

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

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

ARTICLE 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 under this Plan shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.
- 16.5. Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.
- 16.6. Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.7. Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.
- 16.8. Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by a Participant shall not operate or be construed as a waiver of any subsequent breach by such Participant.
- 16.9. Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Ohio except where the laws of the State of Ohio are preempted by ERISA or the Code.
- 16.10. Notice. Any notice or filing required or permitted to be given to the Company 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: (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.

- 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 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 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.
- 17.3. Payment. Any benefits paid in accordance with the procedures provided in this Article 17 shall be made consistent with the rules of Section 409A of the Code.

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
PENSION RESTORATION PLAN

Adopted: 07/21/2008

Effective: 07/21/2008

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

ARTICLE 1 DEFINITIONS

- 1.1. Actuarial Value shall mean the actuarial present value of the benefits calculated by an actuary selected by the Administrator and using the actuarial assumptions employed under the Qualified Plan.
- 1.2. Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 6 of the Plan.
- 1.3. Affiliated Group shall mean The Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.
- 1.4. Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 10 of the Plan.

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

- (a) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.5(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.
- (i) A change in effective control of the Company, which occurs on either of the following dates:
 - (A) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.5(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.

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

Notwithstanding Sections 1.5(a), 1.5(b)(i) and 1.5(c) above, the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by securities of the Company eligible to vote for the election of the Board (the "Company Voting Securities") that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving

Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Company's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

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

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

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

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

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

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

1.10. Eligible Executive shall mean an employee of the Company or any of its subsidiaries who:

- (a) participates in the Qualified Plan;
- (b) is designated by the Administrator as eligible to participate in the Plan;

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

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

ARTICLE 2 PARTICIPATION

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

- (a) the date the Eligible Executive's retirement benefits under the Qualified Plan first become limited by any Statutory Limit;
- (b) the date the Eligible Executive first elects to defer compensation under the SRP or EDP; or
- (c) the date of a Change in Control of the Company.

ARTICLE 3 RESTORATION BENEFITS

3.1. Amount.

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

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

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

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

3.3. Form of Retirement Benefits.

- (a) Termination of Employment Before Early Retirement Date. Upon Termination of Employment before his Early Retirement Date, a Participant's retirement benefit shall be paid in the form of a single lump sum payment.
- (b) Termination of Employment On or After Early Retirement Date. Except as otherwise provided pursuant to Sections 3.3(b)(i) to 3.3(b)(vi), upon Termination of Employment on or after his Early Retirement Date, a Participant's retirement benefit shall be paid in the form of a single life annuity.
- (c) Initial Payment Elections by Participants. To the extent permitted by Section 409A of the Code and Section 1.409A-2(a)(5) of the Regulations, within 30 days following the date an Eligible Executive becomes a Participant, the Participant may elect for retirement benefits under this Plan to be paid in the form of: (A) a single lump sum payment equal to the Actuarial Value of the Participant's retirement benefits under this Plan, or (B) a single life annuity. In the event that the vesting requirement of Section 3.2 is accelerated for any Participant on account of death, Disability or a Change of Control, any election made by such Participant under this Section 3.3(b)(i) will be disregarded.
 - (i) Changes Between Actuarially Equivalent Forms of Annuity. A Participant may elect at any time prior to Termination of Employment to convert his retirement benefit from a single life annuity to any of the actuarially equivalent forms of annuity offered under the Qualified Plan.
 - (ii) Changes by SERP Participants. To the extent required by Section 409A of the Code, if any SERP Participant elects under the SERP to receive payment of his SERP benefit in a form different from that previously in effect for such Participant's retirement benefit under this Plan, the Company shall change the form of payment of such SERP Participant's retirement benefit under this Plan to the form of payment elected by such SERP Participant under the SERP. Any change in the form of payment of a Participant's retirement benefit pursuant to this Section 3.3(b)(iii) shall cause the payment of such Participant's retirement benefit under this Plan to be delayed for five years from the date payment would otherwise commence or be made (taking into account any delay in payment or commencement of payment under Section 3.4 on account of a Participant's status as a Specified Employee).

- (iii) Transitional Rule. Notwithstanding any other elections made hereunder and only to the extent permitted by the Company and transitional rules issued under Section 409A of the Code, through such date as specified by the Company pursuant to transitional guidance issued under Section 409A of the Code, a Participant may make one or more elections as to time and form of payment of his retirement benefit under this Plan, provided that: (A) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year, (B) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year, and (C) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Company consistent with guidance pursuant to Section 409A of the Code.
- (iv) One-Time Change by Participants. In addition to any election permitted by Sections 3.3(b)(i) through (iv), to the extent permitted by Section 409A of the Code, a Participant may make a one-time election to change the form of payment at any time up to 12 months before the first scheduled payment; provided, however, that: (A) any such election shall not be effective for at least 12 months following the date made; and (B) to the extent required by Section 409A of the Code, as a result of any such change, payment or commencement of payment shall be delayed for 5 years from the date the first payment was scheduled to have been paid (taking into account any delay in payment or commencement of payment under Section 3.4 of the Plan on account of a Participant's status as a Specified Employee).
- (v) Small Benefit Exception.
- (A) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing provisions of this Section 3.3(b), with respect to a Participant's retirement benefit under the Plan that would otherwise be paid as an annuity prior to January 1, 2008, if the Actuarial Value of the benefit payable to the Participant under the Plan as of the date payment is scheduled to commence is less than fifteen thousand dollars (\$15,000), the Company shall pay such benefit in a single lump sum; provided, however, that payment of a retirement benefit to any Specified Employee pursuant to this Section 3.3(b)(vi)(A) will be made on the first day of the seventh month following the Participant's Termination of Employment.

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

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

3.5. Special Rule Applicable to Specified Employees. If a Specified Employee dies after Termination of Employment but prior to commencement of benefits, the Specified Employee's Beneficiary shall receive a payment as of the first of the month following the Specified Employee's date of death equal to the aggregate of the monthly payments that would have been made to the Specified Employee in accordance with Section 3.4 but substituting the Specified Employee's date of death for the actual date of commencement of payment; provided however that if the Specified Employee's retirement benefit is payable in the form of a lump sum, such amount shall be calculated as of the Specified Employee's Termination of Employment and paid on the first of the month following the Specified Employee's date of death. Any additional amounts payable to the Specified Employee's Beneficiary shall be determined in accordance with the form of payment applicable to the Specified Employee as of the Specified Employee's Termination of Employment.

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

ARTICLE 4 DISABILITY BENEFITS

- 4.1. Amount. If a Participant suffers a Disability, the Company shall pay the Retirement Benefit described in Article 3 to the Participant; provided, however, that the provisions of Article 3 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of benefits pursuant to this Article 4.
- 4.2. Form of Disability Benefits. A participant's disability benefit pursuant to this Article 4 shall be paid in the form of a single life annuity.
- 4.3. Time of Payment of Disability Benefits. Payment of a Participant's disability benefit shall commence as of the first of the month following the Participant's Disability.
- 4.4. Small Benefit Exception.
- (a) Benefits Payable Prior to January 1, 2008. Notwithstanding the foregoing provisions of this Article 4, with respect to a Participant's disability benefit under the Plan that would otherwise be paid as an annuity prior to January 1, 2008, if the Actuarial Value of the benefit payable to the Participant under the Plan as of the date payment is scheduled to commence is less than fifteen thousand dollars (\$15,000), the Company shall pay such benefit in a single lump sum.
- (b) Benefits Payable After December 31, 2007. Notwithstanding the foregoing provisions of this Article 4, effective December 31, 2007 with respect to a Participant's disability benefit under the Plan that would otherwise be paid as an annuity after December 31, 2007, if the aggregate of the Actuarial Value of all remaining benefits payable to the Participant under the Plan and the present value of all other remaining benefits under the SERP and any other nonqualified deferred compensation arrangement that is aggregated with the Plan and the SERP under Section 1.409A-1(c) of the Regulations as of the date payment is scheduled to commence is not greater than the applicable dollar amount in effect on such date under Section 402(g)(1)(B) of the Code, the Company shall pay the retirement benefit under the Plan in a single lump sum.

ARTICLE 5 SURVIVOR BENEFITS

- 5.1. Amount. If a Participant dies prior to Termination of Employment and a benefit is payable to the Participant's Surviving Spouse under the Qualified Plan, the Participant's Surviving Spouse shall be eligible for a survivor benefit under this Article 5. The survivor benefit payable to a Participant's Surviving Spouse under this Article 5 shall equal the Actuarial Value of the excess of the total monthly survivor benefit that would be payable under the Qualified Plan calculated as if no Statutory Limit applies to such benefit and the Participant had not elected to defer any compensation under the SRP or the EDP, over the total monthly survivor benefit that is actually payable under the Qualified Plan. For this purpose, Actuarial Value shall be determined based on the age of the Surviving Spouse.
- 5.2. Form of Survivor Benefits. The survivor benefit payable under this Article 5 shall be paid to the Participant's Surviving Spouse in the form of a single lump sum payment.
- 5.3. Time of Payment of Survivor Benefits. Payment of the survivor benefit shall be made as of the first of the month following the date of the Participant's death, and the provisions of Article 3 regarding payment to a Specified Employee and the 5-year delay of payments following certain elections shall be disregarded for purposes of the payment of survivor benefits pursuant to this Article 5.

ARTICLE 6 CONDITIONS RELATED TO BENEFITS

- 6.1. Non-assignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.
- 6.2. No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.
- 6.3. Protective Provisions. The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. In the event of a Participant's suicide during the first two (2) years of participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary under the Plan.

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

ARTICLE 7 ADMINISTRATION OF PLAN

The Company shall administer the Plan, provided, however, that the Company may elect by action of its Board of Directors 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, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on 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 8 CHANGE IN CONTROL

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

ARTICLE 9 AMENDMENT AND TERMINATION OF PLAN

9.1. Amendment of Plan.

- (a) The Company may at any time amend the Plan in whole or in part, provided, however, that such amendment shall not decrease the value of benefits accrued under the Plan prior to the time of such amendment.
- (b) In addition, no amendment shall permit an acceleration of time of payment of a Participant's benefit under the Plan, other than:
 - (i) as necessary to comply with a certificate of divestiture, as defined in Section 1043(b)(2) of the Code;
 - (ii) in accordance with Section 3.2(e) with respect to small cashouts;

- (iii) as necessary to pay Federal Insurance Contribution (“FICA”) taxes and any resulting federal, state, local or foreign income taxes attributable to amounts deferred under the Plan, subject to the limitations of Section 1.409A-3(j)(4)(vi) of the Regulations;
 - (iv) in the event the arrangement fails to meet the requirements of Section 409A of the Code with respect to one or more Participants, and then only in such amount as is included in income of such Participant(s) as a result of such failure;
 - (v) due to a termination of the Plan pursuant to Section 9.2 of the Plan that meets the requirements of Section 1.409A-3(j)(4)(ix) of the Regulations; or
 - (vi) as otherwise may be permitted under Section 409A of the Code.
- 9.2. Termination of Plan. The Company may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code.
- 9.3. Company Action. Except as provided in Section 9.4, the Company’s power to amend or terminate the Plan shall be exercisable by the Company’s Board of Directors or by the committee or individual authorized by the Company’s Board of Directors to exercise such powers.
- 9.4. Distribution on Income Inclusion Under Section 409A. In the event the Administrator determines that benefits under the Plan fail to meet the requirements of Section 409A of the Code and must be recognized as income for federal income tax purposes, distribution of the amount required to be included in income shall be made to affected Participants to the extent permitted by Section 409A of the Code.

ARTICLE 10 BENEFICIARY DESIGNATION

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

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

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

ARTICLE 11 MISCELLANEOUS

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

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

ARTICLE 12 CLAIMS AND REVIEW PROCEDURES

12.1. 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.

12.2. 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 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 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 Beneficiary.

PARKER-HANNIFIN CORPORATION
AMENDED AND RESTATED
EXECUTIVE DEFERRAL PLAN

Adopted: 07/21/2008

Effective: 07/21/2008

Parker-Hannifin Corporation, an Ohio corporation, (the "Company"), established this Executive Deferral Plan (the "Plan"), originally effective October 1, 1994, for the purpose of attracting high quality executives and promoting in its executives increased efficiency and an interest in the successful operation of the Company by offering a deferral opportunity to accumulate capital on favorable economic terms. The Plan was amended during December 2005 to provide for certain transitional rules and is hereby amended and restated as of July 21, 2008 and such other dates as specified herein to reflect the requirements of the American Jobs Creation Act ("the Act") with respect to the terms and conditions applicable to amounts that are deferred and vested under the Plan after December 31, 2004 and subject to Section 409A of the Code. Except as otherwise specifically provided in Sections 6.2(iii) and 8.4, all benefits deferred under the Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code, (the "Grandfathered Amounts") shall continue to be subject solely to the terms of the separate Plan as in effect on December 31, 2004. The Plan will be administered in a manner consistent with the Act and Section 409A of the Code and any Regulations or other guidance thereunder and any provision in the Plan that is inconsistent with Section 409A of the Code shall be void and without effect. Notwithstanding anything else in the Plan to the contrary, nothing herein shall be read to preclude the Plan from using any transition rules permitted under the Act, provided that no action will be permitted with respect to the Grandfathered Amounts that will subject such amounts to Section 409A of the Code.

ARTICLE 1 DEFINITIONS

- 1.1. Account shall mean the sum of the Annual Deferral Account, all LTI Deferral Accounts (vested and unvested), and all Discretionary Company Credit Accounts, if any.
- 1.2. Administrator shall mean the Company or, if applicable, the committee appointed by the Board of Directors of the Company to administer the Plan pursuant to Article 13.
- 1.3. Affiliated Group shall mean the Company and all entities with which the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Section 1563(a)(1), (2), and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code.

- 1.4. Annual Deferral shall mean the amount of Compensation which the Participant elects to defer for a Plan Year pursuant to Articles 2 and 3.
- 1.5. Annual Deferral Account shall mean the notional account established with respect to a Participant's Annual Deferrals for recordkeeping purposes pursuant to Article 5.
- 1.6. Beneficiary shall mean the person or persons or entity designated as such in accordance with Article 14.
- 1.7. Board shall mean the Board of Directors of the Company.
- 1.8. Bonuses shall mean:
- (a) For amounts that are due and payable before January 1, 2007, amounts payable in cash to the Participant by the Company in the form of annual and other regular periodic bonuses, before reductions for deferrals under this Plan, the Savings Plan or the Savings Restoration Plan. "Annual and other regular periodic bonuses" shall include amounts payable under the Company's Return on Net Assets (RONA) Plan and the Target Incentive Program, but shall exclude any payments under any long-term incentive program, any volume incentive or similar bonus program, and any other extraordinary bonus or incentive program.
 - (b) For Plan Years beginning on and after January 1, 2007, amounts payable to the Participant by the Company in August of each such Plan Year under the Company's RONA Plan (except to the extent determined by the Committee to be extraordinary) and Target Incentive Program.
- 1.9. Business Combination shall mean a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise.
- 1.10. Change in Control shall mean the occurrence of one of the following events:
- (a) A change in ownership of the Company, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Company or a change in the effective control of the Company (within the meaning of Section 1.10(b) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50%

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

- (b) A change in effective control of the Company, which occurs on either of the following dates:
- (i) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Company possessing 30% or more of the total voting power of the Company. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of total voting power of the stock of the Company, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Company or a change in ownership of the Company (within the meaning of Section 1.10(a) of this Plan). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Company as a result of the acquisition by the Company of stock of the Company which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Company (if not for the operation of this sentence), and after the Company's acquisition such person becomes the beneficial owner of additional stock of the Company that increases the percentage of outstanding shares of stock of the Company owned by such person, a Change in Control shall then occur.
 - (ii) The date that a majority of the Company's board of directors is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of the board prior to the date of such appointment or election.
- (c) A change in the ownership of a substantial portion of the Company's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such

assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Company's assets if such transfer is to (A) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock, (B) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (C) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Company, or (D) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 1.10(c)(iii) of this Plan.

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

Notwithstanding the foregoing, an acquisition of stock of the Company described in Section 1.10(a) or 1.10(b)(i) above shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Company or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Company from the Company.

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

1.12. Company Voting Securities shall mean securities of the Company eligible to vote for the election of the Board.

1.13. Compensation shall mean the sum of the Participant's Salary and anticipated Bonuses for a Plan Year before reductions for deferrals under this Plan, the Savings Plan, the Savings Restoration Plan, the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation. Compensation shall not include any amounts payable on account of Termination of Employment, whether paid periodically or in a lump sum.

1.14. Corporate Change Vesting Event shall mean any of the following events have occurred:

- (a) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Exchange Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding Company Voting Securities; provided, however, that the event described in this paragraph shall not be deemed to be a Corporate Change Vesting Event by virtue of any of the following situations: (i) an acquisition by the Company or any Subsidiary; (ii) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (iii) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (iv) a Non-Control Transaction (as defined in paragraph (c)); (v) as pertains to a Participant, any acquisition by the Participant or any group of persons (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act) including the Participant (or any entity in which the Participant or a group of persons including the Participant, directly or indirectly, holds a majority of the voting power of such entity’s outstanding voting interests); or (vi) the acquisition of Company Voting Securities from the Company, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Corporate Change Vesting Event under this paragraph (a);
- (b) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority thereof; provided, that any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company’s shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (b), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;
- (c) the consummation of a Business Combination, unless: (i) immediately following such Business Combination: (A) more than 50% of the total voting power of the Surviving Corporation resulting from such Business Combination or, if applicable, the Parent Corporation of such Surviving Corporation, is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or,

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

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

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

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

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

- 1.16. Disability shall mean the condition whereby a Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under any accident and health plan covering employees of the Company. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.
- 1.17. Discretionary Company Credit shall mean the amount, if any, which the Company credits to a Participant's Account in accordance with Article 4.
- 1.18. Discretionary Company Credit Account shall mean the one or more notional accounts established with respect to a Participant's Discretionary Company Credits, if any, for recordkeeping purposes pursuant to Article 5.
- 1.19. 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 Human Resources and Compensation Committee of the Board.
- 1.20. Eligible Executive shall mean a key employee of the Company or any of its Subsidiaries who: (a) is designated by the Administrator as eligible to participate in the Plan; and (b) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.
- 1.21. ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and regulations or other guidance issued thereunder.
- 1.22. LTI Deferral shall mean the amount of any LTI Payment which the Participant elects to defer with respect to a Plan Year pursuant to Articles 2 and 3.

- 1.23. LTI Deferral Account shall mean the one or more notional accounts established with respect to a Participant's LTI Deferrals for recordkeeping purposes pursuant to Article 5.
- 1.24. 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.
- 1.25. Normal Retirement Date shall mean the date on which a Participant attains age 65.
- 1.26. Parent Corporation shall mean the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of a Surviving Corporation.
- 1.27. Participant shall mean an Eligible Executive who has elected to participate and has completed a Participation Agreement pursuant to Article 2.
- 1.28. Participation Agreement shall mean the Participant's written election to participate in the Plan.
- 1.29. Performance Period shall have the meaning provided by the applicable long-term incentive program of the Company.
- 1.30. Plan Year shall mean the calendar year.
- 1.31. Retirement shall mean a termination of employment following Normal or Early Retirement Date.
- 1.32. Salary shall mean the Participant's annual basic rate of pay from the Company (excluding Bonuses, commissions and other non-regular forms of compensation) before reductions for deferrals under this Plan, the Savings Plan, the Savings Restoration Plan, the Parker-Hannifin Corporation Cafeteria Plan, or the Group Insurance Plan for Hourly and Salaried Employees of Parker-Hannifin Corporation.
- 1.33. Savings Plan shall mean The Parker Retirement Savings Plan as it currently exists and as it may subsequently be amended.
- 1.34. Savings Restoration Plan shall mean the Parker-Hannifin Corporation Amended and Restated Savings Restoration Plan as it currently exists and as it may subsequently be amended.
- 1.35. Separation from Service shall have the meaning set out in Section 1.409A-1(h) of the Regulations; provided, that in applying Section 1.409A-1(h)(ii) of the Regulations, a separation from service shall be deemed to occur if the Company and the Participant reasonably anticipate that the level of bona fide services the Participant will perform for the Affiliated Group after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by the Participant for the Affiliated Group (whether as an employee

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

- 1.36. Specified Employee shall mean a person designated from time to time as such by the Administrator pursuant to Section 409A(a)(2)(B)(i) of the Code and the Company's policy for determining specified employees.
- 1.37. Subsidiary shall mean any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity.
- 1.38. Surviving Corporation shall mean the corporation resulting from a Business Combination.
- 1.39. Termination of Employment shall mean Separation from Service from the Affiliated Group, other than Separation from Service due to Retirement, Disability or death.
- 1.40. Unforeseeable Emergency shall mean a severe financial hardship arising from (a) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of when a Participant has incurred an Unforeseeable Emergency shall be made by the Administrator in its sole discretion, pursuant to and subject to the conditions of Section 409A of the Code and Regulations thereunder.
- 1.41. Valuation Date shall mean each day on which the New York Stock Exchange is open, except that for purposes of determining the value of a distribution under Article 6, 7, 8, 9 or 15, it shall mean the 24th day of each month (or the most recent business day preceding such date) immediately preceding the month in which a distribution is to be made.

ARTICLE 2 PARTICIPATION

2.1. Participation Agreement/Deferrals.

- (a) An Eligible Executive shall become a Participant in the Plan on the first day of the Plan Year following appointment as an Eligible Executive and submission to the Administrator of an Annual Participation Agreement. To be effective, the Eligible Executive must submit the Annual Participation Agreement to the Administrator prior

to the beginning of the Plan Year and during the enrollment period designated by the Administrator. In the Annual Participation Agreement, and subject to the restrictions in Article 3, the Eligible Executive shall designate the Annual Deferral for the covered Plan Year.

- (b) With respect to those Participants who are eligible for an LTI Payment pursuant to a long-term incentive award from the Company for a performance cycle beginning before July 1, 2008, the Administrator shall provide for an enrollment period and LTI Participation Agreements each year under which the Participant may designate any LTI Deferrals for a specified Plan Year. To be effective, the Participant must submit the LTI Participation Agreement during the enrollment period designated by the Administrator pursuant to Section 6.4(c) of this Plan. Except as otherwise determined by the Administrator, no LTI Deferrals shall be allowed with respect to any long-term incentive award period beginning on or after July 1, 2008.

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

ARTICLE 3 EXECUTIVE DEFERRALS

3.1. Deferral Commitment.

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

3.2. Minimum Annual Election.

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

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

3.3. Maximum Deferral Commitment.

(a) Maximum Annual Deferral.

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

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

3.4. Vesting. Subject to Section 12.3:

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

ARTICLE 4 DISCRETIONARY COMPANY CREDITS

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

ARTICLE 5 ACCOUNTS

- 5.1. Accounts. Solely for recordkeeping purposes, the Company shall maintain for each Participant one Annual Deferral Account for all Annual Deferrals, a separate LTI Deferral Account with respect to each LTI Deferral made by the Participant, and a separate Discretionary Company Credit Account with respect to each Discretionary Company Credit, if any, made by the Company with respect to the Participant.
- 5.2. Timing of Credits—Pre-Termination. Each Plan Year, the Company shall credit to the Annual Deferral Account a Participant's Annual Deferrals as of the time the deferrals would otherwise have been paid to the Participant but for the Annual Deferral election, the Company shall credit to a separate LTI Deferral Account a Participant's LTI Deferral as of the time the deferrals would otherwise have been paid to the Participant but for the LTI Deferral election, and the Company shall credit to a separate Discretionary Company Credit Account a Participant's Discretionary Company Credit, if any, as of the time stated in the notice of award with respect to any such Discretionary Company Credit. Gains or losses shall be credited to the Participant's Account as of the close of business on each Valuation Date, based on the Crediting Rate(s) in effect for the day under Section 1.15.
- 5.3. Terminations. Following a Participant's Termination of Employment, Retirement or death, gains or losses shall continue to be credited to the Participant's Account through the final Valuation Date.
- 5.4. Statement of Accounts. The Administrator shall provide periodically to each Participant a statement setting forth the balance of the Annual Deferral Account and each LTI Deferral Account maintained for such Participant.

ARTICLE 6 RETIREMENT BENEFITS

- 6.1. Amount. Upon Retirement, the Company shall pay to the Participant the value of his or her Account at the time and in the manner selected by the Participant pursuant to the rules set forth in this Article 6.
- 6.2. Form of Retirement Benefits. The Retirement Benefit shall be paid monthly over a period of fifteen (15) years; provided, however, that the Participant may elect in accordance with the terms of Section 6.4 to have payment made in one of the following options:
 - (a) a single lump sum payment in cash;

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

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

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

6.4. Elections.

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

more elections as to time and form of payment of his or her Account under this Plan, provided that: (i) any such election(s) made during 2006 shall be available only for amounts that are payable after the 2006 calendar year and cannot accelerate any payment into the 2006 calendar year, (ii) any such election(s) made during 2007 shall be available only for amounts that are payable after the 2007 calendar year and cannot accelerate any payment into the 2007 calendar year; and (iii) any such election(s) made during 2008 shall be available only for amounts that are payable after the 2008 calendar year and cannot accelerate any payment into the 2008 calendar year. Any such election(s) must be made by the date specified by the Company consistent with guidance pursuant to Section 409A of the Code.

6.5. Small Benefit Exception.

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

ARTICLE 7 TERMINATION BENEFITS

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

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

ARTICLE 8 SURVIVOR BENEFITS

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

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

ARTICLE 9 DISABILITY

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

ARTICLE 10 CHANGE IN CONTROL

- 10.1. Distribution. If a Change in Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Participant's Account within thirty (30) days after the Change of Control. In the event either: (a) such a distribution is made on a Change in Control; or (b) the Participant's employment is terminated prior to a Change in Control and the Participant reasonably demonstrates that such termination was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (such a termination of employment an "Anticipatory Termination") and the Participant receives a lump sum payment of the Participant's Account in connection with such Anticipatory Termination, the Participant shall receive an additional adjustment payment within thirty (30) days after the Change in Control calculated in accordance with the formula set forth in Exhibit A hereto.
- 10.2. Gross-Up Payment. In addition to any other amounts payable under this Plan, in the event it shall be determined that any payment, distribution or acceleration of vesting of any benefit under this Plan would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision, or any interest or penalties are incurred by the Participant with respect to such excise tax, then the Participant shall be entitled to receive an additional "gross-up payment" calculated as set forth in the change in control severance agreement in effect between the Company and the Participant as of the date of the Change in Control; provided, however, that if the Participant does not have a change in control severance agreement, the payment under this Section shall be determined in accordance with the calculation set forth in the most recent change in control severance agreement entered into by the Company and any executive of the Company; provided, further, that there shall be no duplication of such additional payment under this Plan and any change in control severance agreement. Any "gross-up payment" pursuant to this Section 10.2 shall be made no later than December 31 of the calendar year next following the calendar year in which the Section 4999 excise tax is remitted.

ARTICLE 11 WITHDRAWALS UPON AN UNFORESEEABLE EMERGENCY

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

ARTICLE 12 CONDITIONS RELATED TO BENEFITS

- 12.1. Non-assignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or in any manner whatsoever. These benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law.
- 12.2. No Right to Company Assets. The benefits paid under the Plan shall be paid from the general funds of the Company, and the Participants and any Beneficiaries shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations under this Plan.

- 12.3. **Protective Provisions.** The Participant shall cooperate with the Company by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits under this Plan, taking such physical examinations as the Administrator may deem necessary and taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan. If the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits shall be payable to the Participant or the Participant's Beneficiary or estate under the Plan beyond the sum of the Participant's Annual Deferrals, LTI Deferrals, and Discretionary Company Credits, if any.
- 12.4. **Withholding.** The Participant or the Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, the Company may provide, at its discretion, for such withholding and tax payments as may be required.

ARTICLE 13 ADMINISTRATION OF PLAN

The 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, provided that such authority shall be exercised consistent with the requirements of Section 409A of the Code. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on 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 estate of the last to die of the Participant and the Beneficiaries.

ARTICLE 15 AMENDMENT AND TERMINATION OF PLAN

15.1. Amendment of Plan.

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

- 15.2. Termination of Plan. The Company may terminate the Plan only as permitted by Section 1.409A-3(j)(4)(ix) of the Regulations (Plan Terminations and Liquidations), or as otherwise may be permitted by future Regulations or other guidance under Section 409A of the Code. Notwithstanding the foregoing, the Company may at any time determine to cease all future deferrals and contributions to the Plan. In such event, Participants' Accounts shall continue to be held and administered in accordance with the terms of this Plan; provided, however that the Company shall determine, in its sole discretion, whether to continue to credit Participants' Accounts with earnings at the otherwise applicable Crediting Rates or instead to credit Participants' Accounts, as of January 1 of the year that

all future deferrals and contributions to the Plan are ceased, with a reasonable rate of interest, not less than the prime rate as published in the Wall Street Journal, in either case continuing until distribution of Participants' Accounts in accordance with the terms of the Plan.

- 15.3. Company Action. Except as provided in Section 15.4, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.
- 15.4. Distribution on Income Inclusion Under Section 409A. In the event the Administrator determines that amounts deferred under the Plan fail to meet the requirements of Section 409A of the Code and must be recognized as income for federal income tax purposes, distribution of the amount required to be included in income shall be made to affected Participants to the extent permitted by Section 409A of the Code.

ARTICLE 16 MISCELLANEOUS

- 16.1. Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.
- 16.2. ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for "a select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.
- 16.3. Trust. The Company shall be responsible for the payment of all benefits under the Plan. 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 under this Plan shall be construed as a contract of employment or as giving any Participant any right to continued employment with the Company.
- 16.5. Gender, Singular and Plural. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.
- 16.6. Captions. The captions of the articles and sections of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

- 16.7. Validity. If any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.
- 16.8. Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.
- 16.9. Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Ohio except where the laws of the State of Ohio are preempted by ERISA.
- 16.10. Notice. Any notice or filing required or permitted to be given to the Company 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: (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.
- 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 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 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 10.1 (the "Make Whole Amount") is to offset the Participant's inability to defer until the Participant's Normal Retirement Date or later the payment of taxes on the amounts deferred and the earnings and interest that would have otherwise accrued between the date of the Change in Control and Participant's Normal Retirement Date or such later date on which the Participant elected to commence receipt of his or her Account (the "Commencement Date", provided that with regard to any Participant whose Termination of Employment occurs prior to the date of the Change in Control, the "Commencement Date" shall mean the date of the next scheduled payment, if any, of the Participant's Account balance following the date of the Change in Control) under the Plan.

The Make Whole Amount shall be calculated as follows:

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



TO: [Director Name]

October _____, 2008

NOTICE OF ISSUANCE OF RESTRICTED STOCK

On August 13, 2008, the Human Resources and Compensation Committee of the Board of Directors ("Committee") of Parker-Hannifin Corporation ("Company") granted to you _____ restricted shares of Parker-Hannifin Corporation Common Stock ("Shares") pursuant to the 2004 Non-Employee Directors' Stock Incentive Plan ("Plan") and subject to the following terms and conditions:

1. Shares will be issued as of October 1, 2008.
2. Ownership of the Shares vest (i.e., become unrestricted) on September 30, 2011.
3. The Shares cannot be sold or otherwise transferred or assigned until they vest.
4. Except as otherwise provided in this Notice, in the event you cease to be Director of the Company for any reason prior to September 30, 2011, including, without limitation, your retirement, death, disability, voluntary or involuntary removal from the Board of Directors or a "change in control" of the Company, a pro rata portion of your unvested Shares will vest immediately, based upon the ratio of the number of months you actually served as a Director to the total number of months in the vesting period, and all remaining unvested Shares will be forfeited.
5. Certificates representing the Shares will not be issued during the vesting period. Rather, the Shares will be issued in an uncertificated book entry format at the transfer agent.
6. Shares will earn non-refundable dividends during the vesting period, payable directly to you.
7. Upon vesting, the value of the Shares will become taxable income to you. In the event the Company is liable to remit withholding taxes on your behalf, you will be obligated to immediately reimburse the Company for all withholding taxes payable by the Company at such time. At your election, you may surrender a portion of the Shares to satisfy such withholding taxes.

8. If you engage in any Detrimental Activity (as defined in the Plan), the Committee may at any time revoke this award by either canceling the Shares (whether unvested or vested) or, if vested Shares have been disposed of, by requiring repayment to the Company in cash of the fair market value (as defined in the Plan) of the liquidated shares as of the date the Committee revokes the award. The Company may set off any repayment in cancelled Shares or in cash against any amounts that may be owed by the Company to you, whether as director fees, deferred compensation, or in the form of any other benefit for any other reason. Detrimental Activity, as defined in the Plan, means activity that is determined in individual cases, by the Committee or its express delegate, to be detrimental to the interests of the Company or a subsidiary, including, without limitation, (i) rendering services to an organization, or engaging in a business, that is, in the judgment of the Committee or its express delegate, in competition with the Company; (ii) disclosing to anyone outside of the Company, or using for any purpose other than the Company's business, confidential information or material related to the Company, whether acquired by you during or after your service as a Director of the Company; (iii) fraud, embezzlement, theft-in-office or other illegal activity; or (iv) violation of the Company's Code of Ethics.
9. By acknowledging of the terms and conditions of this award, you hereby consent to the cross-border collection, use and disclosure by the Company of certain personal data required solely for the purpose of the administration and exercise of this grant. Disclosure of personal data shall be limited to your name, gender, address, telephone number, date of birth, position, and country of residence. All personal data shall be treated as highly confidential and shall not be used for any purpose other than Plan administration.
10. To the extent not otherwise specified above, the issuance of the Shares is subject to the terms and conditions of the Plan.

Please confirm your receipt of this Notice and indicate your acknowledgment and agreement to the terms specified herein by signing and returning a copy of this Notice to Tom Piraino.

Sincerely yours,

Donald E. Washkewicz
Chairman of the Board,
Chief Executive Officer and President

Acknowledged and Agreed:

[Director Name]

Date: _____

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

Adopted: 07/21/2008

Effective: 07/21/2008

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

ARTICLE I
DEFINITIONS

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

1. "Account" shall mean the aggregate of a Participant's Deferral Account and his or her Parker Stock Account, if any.

2. "Beneficiary" shall mean the person designated by a Participant in accordance with the Plan to receive payment of the remaining balance of a Participant's Account in the event of the death of the Participant prior to receipt of the entire amount credited to the Participant's Account.

3. "Change in Control" shall mean the occurrence of one of the following events

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

the stock of the Corporation. Notwithstanding the foregoing, if any one person or group is considered to own more than 50% of the total voting power of the stock of the Corporation, the acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the Corporation or a change in the effective control of the Corporation (within the meaning of Section 3(ii) of this Article). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 50% of the total voting power of the stock of the Corporation as a result of the acquisition by the Corporation of stock of the Corporation which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Corporation (if not for the operation of this sentence), and after the Corporation's acquisition such person becomes the beneficial owner of additional stock of the Corporation that increases the percentage of outstanding shares of stock of the Corporation owned by such person, a Change in Control shall then occur.

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

(a) The date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the Corporation possessing 30% or more of the total voting power of the Corporation. Notwithstanding the foregoing, if any one person or group is considered to own 30% or more of the total voting power of the stock of the Corporation, the acquisition of additional stock by the same person or group is not considered to cause a change in the effective control of the Corporation or a change in ownership of the Corporation (within the meaning of Section 3(i) of this Article). Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires ownership of more than 30% of the total voting power of the stock of the Corporation as a result of the acquisition by the Corporation of stock of the Corporation which, by reducing the number of shares outstanding, increases the percentage of shares beneficially owned by such person; provided, that if a Change in Control would occur as a result of such an acquisition by the Corporation (if not for the operation of this sentence), and after the Corporation's acquisition such person becomes the beneficial owner of additional stock of the Corporation that increases the percentage of outstanding shares of stock of the Corporation owned by such person, a Change in Control shall then occur.

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

(iii) A change in the ownership of a substantial portion of the Corporation's assets, which occurs on the date that any one person or more than one person acting as a group (within the meaning of the Regulations under Section 409A of the Code) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such

person or group) assets that have a total gross fair market value equal to or more than 65% of the total gross fair market value of all the assets of the Corporation immediately before such acquisition or acquisitions. The gross fair market value of assets shall be determined without regard to liabilities associated with such assets. Notwithstanding the foregoing, a transfer of assets shall not result in a change in ownership of a substantial portion of the Corporation's assets if such transfer is to (a) a shareholder of the Corporation (immediately before the asset transfer) in exchange for or with respect to its stock, (b) an entity 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Corporation, (c) a person or group (within the meaning of the Regulations under Section 409A of the Code) that owns, directly or indirectly, 50% or more of the total value or voting power of the stock of the Corporation, or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly by a person or group described in Section 3(iii)(c) of this Article.

Notwithstanding Sections 3(i), 3(ii)(a) and 3(iii) of this Article, the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Corporation or any Subsidiary that requires the approval of the Corporation's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), shall not be deemed a Change in Control if, immediately following such Business Combination: (a) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by securities of the Corporation eligible to vote for the election of the Board (the "Corporation Voting Securities") that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Corporation Voting Securities among the holders thereof immediately prior to the Business Combination, (b) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (c) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Corporation's Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, an acquisition of stock of the Corporation described in Section 3(i) or 3(ii)(a) of this Article shall not be deemed to be a Change in Control by virtue of any of the following situations: (a) an acquisition by the Corporation or any Subsidiary; (b) an acquisition by any employee benefit plan sponsored or maintained by the Corporation or any Subsidiary; (c) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; or (d) the acquisition of stock of the Corporation from the Corporation.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II
ELECTION TO DEFER

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

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

3. Deferral Account; Earnings

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

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

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

ARTICLE III
PARKER STOCK ACCOUNTS

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

2. Earnings on Parker Stock Account.

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

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

(i) The Crediting Rate shall mean any notional gains or losses equal to those that would have been generated if part or all of the Participant's Parker Stock Account had been invested in one or more of the investment portfolios designated as available by the Corporation, less any separate account fees and less any applicable administrative charges determined annually by the Corporation.

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

ARTICLE IV DISTRIBUTIONS

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

(a) a single lump sum payment in cash;

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

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

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

2. Payment Elections.

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

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

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

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

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

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

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

ARTICLE V ADMINISTRATION

1. General. The Corporation shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Corporation shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to determine all questions relating to eligibility for and the amount in the Account and all questions pertaining to

claims for benefits and procedures for claim review; to resolve all other questions arising under the Plan, including any questions of construction; and to take such further action as the Corporation shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties. The Corporation shall provide a procedure for handling claims of Participants or their Beneficiaries under this Plan. Such procedure shall provide adequate written notice within a reasonable period of time with respect to the denial of any such claim as well as a reasonable opportunity upon a Participant's request for a full and fair review by the Corporation of any such denial.

2. Amendment and Termination.

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

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

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

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

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

ARTICLE VI
MISCELLANEOUS

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

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

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

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

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

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

PARKER-HANNIFIN CORPORATION

SUMMARY OF THE COMPENSATION OF THE NON-EMPLOYEE MEMBERS
OF THE BOARD OF DIRECTORS*Adopted August 14, 2008, effective October 1, 2008*

Annual retainer for Audit Committee Chair:	\$ 112,500
Annual retainer for Human Resources and Compensation Committee Chair:	\$ 107,500
Annual retainer for each of the chairs of the Corporate Governance and Nominating Committee and the Finance Committee:	\$ 105,500
Annual retainer for non-chair committee members:	\$ 97,500

Meeting fees of \$1,500 for attending any Board or Committee meeting during any fiscal year in excess of the number of regularly scheduled Board or Committee meetings by more than two.

Annual restricted stock grant

PARKER-HANNIFIN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In thousands)

	Three months Ended September 30,		Fiscal Year Ended June 30,				
	2008	2007	2008	2007	2006	2005	2004
<u>EARNINGS</u>							
Income from continuing operations before income taxes	\$356,729	\$317,742	\$1,326,524	\$1,159,282	\$ 899,958	\$738,271	\$472,956
Adjustments:							
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	27,496	21,809	96,572	80,053	71,100	62,482	67,183
Amortization of deferred loan costs	583	395	1,793	1,511	1,888	1,457	2,293
Portion of rents representative of interest factor	8,845	7,250	35,378	29,000	25,609	21,507	21,213
Minority interests in consolidated subsidiaries	1,658	1,392	8,048	7,181	1,532	1,856	2,479
Loss (income) of equity investees	(182)	(71)	2,596	1,059	(161)	(1,935)	(176)
Amortization of previously capitalized interest	65	72	278	282	304	280	291
Income as adjusted	<u>\$395,194</u>	<u>\$348,589</u>	<u>\$1,471,189</u>	<u>\$1,278,368</u>	<u>\$1,000,230</u>	<u>\$823,918</u>	<u>\$566,239</u>
<u>FIXED CHARGES</u>							
Interest on indebtedness, exclusive of interest capitalized in accordance with FASB #34 and interest on ESOP loan guarantee	\$ 27,496	\$ 21,809	\$ 96,572	\$ 80,053	\$ 71,100	\$ 62,482	\$ 67,183
Capitalized interest				436	178		
Amortization of deferred loan costs	583	395	1,793	1,511	1,888	1,457	2,293
Portion of rents representative of interest factor	8,845	7,250	35,378	29,000	25,609	21,507	21,213
Fixed charges	<u>\$ 36,924</u>	<u>\$ 29,454</u>	<u>\$ 133,743</u>	<u>\$ 111,000</u>	<u>\$ 98,775</u>	<u>\$ 85,446</u>	<u>\$ 90,689</u>
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	10.70x	11.84x	11.00x	11.52x	10.13x	9.64x	6.24x

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

Date: November 6, 2008

/s/ Donald E. Washkewicz

Donald E. Washkewicz
Chief Executive Officer

CERTIFICATIONS

I, Timothy K. Pistell, certify that:

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

Date: November 6, 2008

/s/ Timothy K. Pistell

Timothy K. Pistell

Executive Vice President – Finance and
Administration and Chief Financial Officer

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the "Company") for the quarterly period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

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

Dated: November 6, 2008

/s/ Donald E. Washkewicz

Name: Donald E. Washkewicz

Title: Chief Executive Officer

/s/ Timothy K. Pistell

Name: Timothy K. Pistell

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