

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, 1999

OR

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

For the transition period from _____ to _____

Commission File number 1-4982

PARKER-HANNIFIN CORPORATION

(Exact name of registrant as specified in its charter)

OHIO

34-0451060

(State or other jurisdiction
of incorporation)

(IRS Employer
Identification No.)

6035 Parkland Blvd., Cleveland, Ohio

44124-4141

(Address of principal executive offices)

(Zip Code)

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

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

Yes No
--- ---

Number of Common Shares outstanding at September 30, 1999 111,993,600

PART I - FINANCIAL INFORMATION

PARKER-HANNIFIN CORPORATION
 CONSOLIDATED STATEMENT OF INCOME
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
 (UNAUDITED)

	Three Months Ended September 30,	
	----- 1999 -----	----- 1998 -----
Net sales	\$ 1,242,293	\$ 1,218,724
Cost of sales	976,621	947,307
Gross profit	265,672	271,417
Selling, general and administrative expenses	138,148	134,158
Interest expense	14,543	16,075
Interest and other (income) expense, net	624	73
Income before income taxes	112,357	121,111
Income taxes	38,763	42,994
Net income	\$ 73,594 =====	\$ 78,117 =====
Earnings per share - basic	\$.67	\$.71
Earnings per share - diluted	\$.67	\$.71
Cash dividends per common share	\$ 17	\$.15

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
 CONSOLIDATED BALANCE SHEET
 (DOLLARS IN THOUSANDS)
 (UNAUDITED)

ASSETS -----	September 30, 1999 -----	June 30, 1999 -----
Current assets:		
Cash and cash equivalents	\$ 64,421	\$ 33,277
Accounts receivable, net	739,682	738,773
Inventories:		
Finished products	471,801	442,361
Work in process	321,221	347,376
Raw materials	127,821	125,393
	-----	-----
Prepaid expenses	920,843	915,130
Deferred income taxes	21,141	22,928
	65,907	64,576
	-----	-----
Total current assets	1,811,994	1,774,684
Plant and equipment	2,547,147	2,506,812
Less accumulated depreciation	1,340,135	1,305,943
	-----	-----
	1,207,012	1,200,869
Other assets	751,356	730,335
	-----	-----
Total assets	\$3,770,362	\$3,705,888
	=====	=====
LIABILITIES -----		
Current liabilities:		
Notes payable	\$ 59,462	\$ 60,609
Accounts payable, trade	288,521	313,173
Accrued liabilities	308,951	328,147
Accrued domestic and foreign taxes	84,159	52,584
	-----	-----
Total current liabilities	741,093	754,513
Long-term debt	717,599	724,757
Pensions and other postretirement benefits	280,101	276,637
Deferred income taxes	32,813	30,800
Other liabilities	68,582	65,319
	-----	-----
Total liabilities	1,840,188	1,852,026
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 112,042,491 shares at September 30 and 111,945,179 shares at June 30	56,021	55,973
Additional capital	133,041	132,227
Retained earnings	1,927,429	1,872,356
Unearned compensation related to guarantee of ESOP debt	(106,378)	(112,000)
Deferred compensation related to stock options	1,304	
Accumulated other comprehensive income	(79,112)	(92,858)
	-----	-----
	1,932,305	1,855,698
Less treasury shares, at cost: 48,891 shares at September 30 and 43,836 shares at June 30	(2,131)	(1,836)
	-----	-----
Total shareholders' equity	1,930,174	1,853,862
	-----	-----
Total liabilities and shareholders' equity	\$3,770,362	\$3,705,888
	=====	=====

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	Three Months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	1999	1998
Net income	\$ 73,594	\$ 78,117
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	43,368	42,924
Amortization	9,835	6,655
Deferred income taxes	(2,129)	(2,134)
Foreign currency transaction loss (gain)	2,846	(136)
(Gain) loss on sale of plant and equipment	(6,832)	628
Changes in assets and liabilities:		
Accounts receivable	5,081	13,839
Inventories	1,892	(38,297)
Prepaid expenses	2,175	5,106
Other assets	4,170	(7,147)
Accounts payable, trade	(26,411)	(66,285)
Accrued payrolls and other compensation	(33,047)	(52,315)
Accrued domestic and foreign taxes	30,836	32,374
Other accrued liabilities	7,574	(10,639)
Pensions and other postretirement benefits	1,669	6,886
Other liabilities	3,165	9,628
Net cash provided by operating activities	117,786	19,204
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (less acquired cash of \$2,609 in 1998)	(3,007)	(89,466)
Capital expenditures	(50,124)	(56,668)
Proceeds from sale of plant and equipment	17,825	931
Other	(29,805)	4,299
Net cash used in investing activities	(65,111)	(140,904)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments for) common share activity	1,871	(29,581)
(Payments for) proceeds from notes payable, net	(3,490)	79,383
Proceeds from long-term borrowings	4,177	206,028
Payments of long-term borrowings	(4,213)	(105,443)
Dividends	(18,521)	(16,429)
Net cash (used in) provided by financing activities	(20,176)	133,958
Effect of exchange rate changes on cash	(1,355)	1,455
Net increase in cash and cash equivalents	31,144	13,713
Cash and cash equivalents at beginning of year	33,277	30,488
Cash and cash equivalents at end of period	\$ 64,421	\$ 44,201

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
 BUSINESS SEGMENT INFORMATION BY INDUSTRY
 (DOLLARS IN THOUSANDS)
 (UNAUDITED)

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

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

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

Results by Business Segment:

	Three Months Ended September 30,	
	1999	1998
Net sales		
Industrial:		
North America	\$ 667,669	\$ 621,595
International	298,463	315,230
Aerospace	276,161	281,899
	-----	-----
Total	\$1,242,293	\$1,218,724
	=====	=====
Segment operating income		
Industrial:		
North America	\$ 93,683	\$ 82,155
International	11,212	26,822
Aerospace	35,048	43,839
	-----	-----
Total segment operating income	139,943	152,816
Corporate general and administrative expenses	14,113	12,295
	-----	-----
Income before interest expense and other	125,830	140,521
Interest expense	14,543	16,075
Other	(1,070)	3,335
	-----	-----
Income before income taxes	\$ 112,357	\$ 121,111
	=====	=====

PARKER-HANNIFIN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

1. Management representation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals except as discussed in Note 2) necessary to present fairly the financial position as of September 30, 1999, the results of operations for the three months ended September 30, 1999 and 1998 and cash flows for the three months then ended.

2. Charges related to business realignment

During the first quarter of fiscal 2000 the Company recorded a \$8,555 charge (\$5,560 after-tax or \$.05 per share) related to the costs of appropriately structuring its businesses to operate in their current economic environment. The charge primarily relates to severance costs attributable to approximately 260 employees principally associated with the Industrial International operations. Substantially all severance payments are expected to be made by the end of fiscal 2000.

A change in the future utilization of long-lived assets at certain locations triggered an impairment review of these long-lived assets during the first quarter of fiscal 2000. The Company evaluated the recoverability of the long-lived assets and determined that the estimated future undiscounted cash flows were below the carrying value of these assets. Accordingly, the Company recorded a non-cash impairment loss of \$4,875 (\$3,169 after-tax or \$.03 per share). The impairment loss was calculated as the difference between the carrying value and the estimated fair value of the assets. The Company estimated fair values based on current sales prices of similar assets. Of the pre-tax amount, \$3,499 relates to the Aerospace segment and \$1,376 relates to the Industrial segment.

The severance costs and impairment loss are presented in the Income statement in the following captions: \$2,552 in Cost of sales; \$2,476 in Selling, general and administrative expenses; and \$8,402 in Interest and other (income) expense, net.

Also recorded in the first quarter of fiscal 2000, was a gain of \$6,423 (\$4,175 after-tax or \$.04 per share) realized primarily on the sale of real property. The gain is reflected in the Income statement in the Interest and other (income) expense, net caption.

3. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three months ended September 30, 1999 and 1998.

	Three Months Ended September 30,	
	----- 1999	----- 1998
Numerator:		
-----	-----	-----
Net income applicable to common shares	\$73,594	\$ 78,117
Denominator:		

Basic - weighted average common shares	109,069,288	109,366,054
Increase in weighted average from dilutive effect of exercise of stock options	1,025,434	761,963
	-----	-----
Diluted - weighted average common shares, assuming exercise of stock options	110,094,722	110,128,017
	=====	=====
Basic earnings per share	\$.67	\$.71
Diluted earnings per share	\$.67	\$.71

4. Stock repurchase program

The Board of Directors has approved a program to repurchase the Company's common stock on the open market, at prevailing prices. The repurchase is primarily funded from operating cash flows and the shares are initially held as treasury stock. The Company did not purchase any shares of its common stock during the three-month period ended September 30, 1999.

5. Comprehensive income

The Company's only item of other comprehensive income is foreign currency translation adjustments recorded in shareholders' equity. Comprehensive income for the three months ended September 30, 1999 and 1998 is as follows:

	Three Months Ended September 30,	
	----- 1999	----- 1998
Net income	\$73,594	\$ 78,117
Foreign currency translation adjustments	13,746	25,199
	-----	-----
Comprehensive income	\$87,340	\$103,316
	=====	=====

PARKER-HANNIFIN CORPORATION

FORM 10-Q

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONSFOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999
AND COMPARABLE PERIOD ENDED SEPTEMBER 30, 1998

CONSOLIDATED STATEMENT OF INCOME

Net sales for the first quarter of fiscal 2000 increased 1.9 percent to \$1,242.3 million. Prior-year first quarter sales were \$1,218.7 million. Acquisitions within the past twelve months accounted for approximately two-thirds of the current-year increase. Higher volume in the North American Industrial operations also contributed to the increase.

Income from operations for the quarter decreased 7.1 percent to \$127.5 million. As a percent of sales, the current-quarter operating income decreased to 10.3 percent from 11.3 percent in the prior year. Cost of sales, as a percent of sales, increased to 78.6 percent from 77.7 percent. The declining margins reflect the weakness experienced in the International Industrial and Aerospace operations which resulted in lower volume as well as the effect of non-recurring charges (as discussed in more detail below) recorded in the first quarter of fiscal 2000. Selling, general and administrative expenses, as a percent of sales, were 11.1 percent compared to 11.0 percent in the prior year.

Interest expense for the current-year quarter decreased \$1.5 million due to lower average debt outstanding for the quarter.

Interest and other (income) expense, net for fiscal 2000 includes \$6.4 million in gains primarily from the sale of real property and \$8.4 million of asset impairment losses and other plant closure costs.

Net income for the quarter was \$73.6 million compared to \$78.1 million in the prior year and declined to 5.9 percent of sales compared to 6.4 percent in the prior-year quarter.

Backlog declined to \$1.63 billion at September 30, 1999 compared to \$1.70 billion in the prior year and was the same as the June 30, 1999 level.

RESULTS BY BUSINESS SEGMENT

INDUSTRIAL - Net sales of the Industrial Segment increased 3.1 percent to \$966.1 million compared to \$936.8 million in the prior year. Industrial North American sales increased 7.4 percent while Industrial International sales decreased 5.3 percent. Without the effect of acquisitions, North American sales would have increased 5.6 percent and International sales would have decreased 6.4 percent. Without the effect of currency rate fluctuations, International sales were relatively unchanged. The increase in Industrial North American sales was attributed to higher volume particularly in the semiconductor manufacturing, telecommunications and filtration markets. International Industrial sales were affected by the struggling industrial economy in Europe, although Asia Pacific sales were higher.

Operating income for the Industrial Segment decreased 3.7 percent to \$104.9 million. Industrial North America increased 14.0 percent and Industrial International decreased 58.2 percent. Included in the current year operating income for Industrial International was \$9.0 million in non-recurring charges. These charges were made as a result of actions the Company took to appropriately structure the European operations to operate in their current economic environment. Without the non-recurring charges, Industrial International operating income decreased 24.8 percent from the prior year. North American operating income, as a percent of sales, increased to 14.0 percent from 13.2 percent as margins benefited from the higher sales volume. Excluding the non-recurring charges, Industrial

International operating income, as a percent of sales, decreased to 6.8 percent from 8.5 percent primarily due to the underabsorption of overhead costs.

Industrial Segment backlog decreased 5.9 percent compared to a year ago, and increased 2.6 percent since June 30, 1999. For the remainder of the fiscal year, business conditions appear favorable for the North American operations and are expected to remain the same or improve slightly for the European operations.

AEROSPACE - Net sales of the Aerospace Segment decreased 2.0 percent to \$276.2 million compared to \$281.9 million in the prior year. Operating income decreased 20.1 percent to \$35.0 million compared to \$43.8 million in the prior year. Included in the current year operating income was \$4.4 million in non-recurring charges. These charges were a result of the actions the Company took to resize the business in response to a decline in OEM orders. Excluding the non-recurring charges, operating income, as a percent of sales, decreased to 14.3 percent from 15.6 percent primarily due to an unfavorable product mix and a lower level of commercial aviation business.

Backlog for the Aerospace Segment decreased 3.9 percent compared to a year ago and 1.2 percent since June 30, 1999. Backlog for OEM business has declined as new orders have not kept pace with current quarter shipments. The decline in backlog was partially offset by a steady rate of MRO orders. The Company anticipates reducing inventories for the balance of the year in anticipation of softer commercial aviation sales.

Corporate general and administrative expenses increased to \$14.1 million for fiscal 2000 compared to \$12.3 million in the prior year. The increase is primarily due to the increased expense associated with incentive compensation plans as a result of the Company's higher stock price.

Included in Other (in the Results by Business Segment) are gains primarily from the sale of real property as discussed in the Consolidated Statement of Income section.

BALANCE SHEET

Working capital increased to \$1,070.9 million at September 30, 1999 from \$1,020.2 million at June 30, 1999, with the ratio of current assets to current liabilities increasing to 2.45 to 1. The increase was primarily due to an increase in Cash and decreases in Accounts payable and Accrued liabilities, partially offset by an increase in Accrued domestic and foreign taxes.

Accounts receivable remained relatively flat since June 30, 1999 while Inventories increased slightly. Days sales outstanding increased to 49 days from 47 days during the quarter while months supply remained the same.

Other assets increased \$21.0 million since June 30, 1999, primarily due an increase in equity investments.

Accrued liabilities decreased \$19.2 million since June 30, 1999 primarily due to the payment of incentive compensation during the quarter.

The increase in Accrued domestic and foreign taxes to \$84.2 million at September 30, 1999 from \$52.6 million at June 30, 1999 is due to the timing of the quarterly income tax payments.

The debt to debt-equity ratio decreased to 28.7 percent at September 30, 1999 compared to 29.8 percent as of June 30, 1999 primarily due to a decrease in Long-term debt.

Due to the weakening of the dollar, foreign currency translation adjustments resulted in an increase in net assets of \$13.7 million during the first quarter of fiscal 2000. The translation adjustments primarily affected Accounts receivable, Inventories and Plant and equipment.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was \$117.8 million in fiscal 2000 compared to \$19.2 million for the three months ended September 30, 1998. The increase in net cash provided was primarily the result of the activity within the working capital items - Inventories, Accounts payable, Accrued payrolls and Other accrued liabilities - which used cash of \$50.0 million in fiscal 2000 compared to using cash of \$167.5 million in fiscal 1999. In addition, activity in Other assets provided cash in the current year compared to using cash in the prior year.

Net cash used in investing activities declined to \$65.1 million for fiscal 2000 compared to \$140.9 million for fiscal 1999 primarily due to a reduction in the amount spent on acquisitions and an increase in the proceeds received from the sale of plant and equipment. Included in Other is an increase in cash used for equity investments in fiscal 2000.

Financing activities used net cash of \$20.2 million in fiscal 2000 as opposed to providing cash of \$134.0 million for the three months ended September 30, 1998. The change resulted primarily from debt borrowings using cash of \$3.5 million in fiscal 2000 compared to providing cash of \$180.0 million in the prior year, partially offset by common stock activity providing cash of \$1.9 million in the current year versus using cash of \$29.6 million in the prior year.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company enters into forward exchange contracts and cross-currency swap agreements to reduce its exposure to fluctuations in related foreign currencies. These contracts are with major financial institutions and the risk of loss is considered remote. The Company does not hold or issue derivative financial instruments for trading purposes. In addition, the Company's foreign locations, in the ordinary course of business, enter into financial guarantees through financial institutions which enable customers to be reimbursed in the event of nonperformance by the Company. The total 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.

YEAR 2000 CONSIDERATIONS

The Company has been taking actions to assure that its computerized products and systems and all external interfaces are year 2000 compliant. These actions are part of a formal information technology initiative which the Company began several years ago. The cost for these actions is not material to the Company's results of operations. As of September 30, 1999, all internal standard application systems, including all information systems plus any equipment or embedded systems which may be impacted, are year 2000 compliant.

In addition, the Company contacted its key suppliers, customers, distributors and financial service providers regarding their year 2000 status. Follow-up inquiries and audits indicate that substantially all key third parties will be year 2000 compliant on a timely basis. The Company does not anticipate altering its purchasing or production levels as a result of any key third party's year 2000 noncompliance.

While management does not expect that the consequences of any unsuccessful modifications would significantly affect the financial position, liquidity, or results of operations of the Company, there can be no assurance that any unsuccessful modifications would not have an adverse impact on the Company.

FORWARD-LOOKING STATEMENTS

This Report on Form 10-Q and other written reports and oral statements made from time to time by the Company may contain "forward-looking statements", all of which are subject to risks and uncertainties. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to growth, operating margin performance or earnings per share or statements expressing general opinions about future operating results, are forward-looking statements.

These forward-looking statements rely on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside the Company's control, that could cause actual results to differ materially from such statements. Such factors include:

- - continuity of business relationships with and purchases by major customers, including among others, orders and delivery schedules for aircraft components,
- - ability of suppliers to provide materials as needed,
- - uncertainties surrounding timing, successful completion or integration of acquisitions,
- - competitive pressure on sales and pricing,
- - increases in material and other production costs which cannot be recovered in product pricing,
- - uncertainties surrounding the year 2000 issues,
- - difficulties in introducing new products and entering new markets, and
- - uncertainties surrounding the global economy and global market conditions, including among others, the potential devaluation of currencies.

Any forward-looking statements are based on known events and circumstances at the time. 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.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The Annual Meeting of the Shareholders of the Registrant was held on October 27, 1999.
- (b) Not applicable.
- (c)(i) The Shareholders elected four directors to the three-year class whose term of office will expire in 2002, as follows:

	Votes For -----	Votes Withheld -----
Paul C. Ely, Jr.	100,519,469.024	1,304,093.782
Peter W. Likins	99,600,567.072	2,222,995.734
Wolfgang R. Schmitt	100,355,660.623	1,467,902.183
Debra L. Starnes	100,523,094.605	1,300,468.201

- (ii) The Shareholders approved the appointment of PricewaterhouseCoopers LLP as auditors of the Corporation for the fiscal year ending June 30, 2000, as follows:

For	101,154,563.710
Against	224,863.277
Abstain	444,135.819

- (d) Not applicable

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

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

Exhibit 10(a) - Parker-Hannifin Corporation Pension Restoration Plan, as amended and restated effective January 1, 1997.

Exhibit 10(b) - Parker-Hannifin Corporation Deferred Compensation Plan for Directors, as amended and restated effective January 1, 1997.

Exhibit 27 - Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter for which this Report is filed.

SIGNATURE

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

PARKER-HANNIFIN CORPORATION
(Registrant)

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

Date: November 9, 1999

EXHIBIT INDEX

Exhibit No. -----	Description of Exhibit -----
10(a)	Parker-Hannifin Corporation Pension Restoration Plan, as amended and restated effective January 1, 1997.
10(b)	Parker-Hannifin Corporation Deferred Compensation Plan for Directors, as amended and restated effective January 1, 1997.
27	Financial Data Schedule

EXHIBIT 10(a)

PARKER-HANNIFIN CORPORATION

PENSION RESTORATION PLAN

PARKER-HANNIFIN CORPORATION

PENSION RESTORATION PLAN

Parker-Hannifin Corporation, an Ohio corporation (the "Company"), hereby establishes this Pension Restoration Plan (the "Plan"), 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 benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement.

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 BENEFICIARY shall mean the person or persons or entity designated as such under the Qualified Plan.

1.4 CHANGE IN CONTROL means the occurrence of one of the following events:

(i) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board of Directors of the Company (the "Board") (the "Company Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Company or any corporation or 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 (a "Subsidiary"); (B) an acquisition by any employee benefit plan sponsored or maintained by the Company or any Subsidiary; (C) an acquisition by any underwriter

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

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company or any Subsidiary that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of

directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Company Voting Securities from the Company, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

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

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

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

1.5 CODE shall mean the Internal Revenue Code of 1986, as amended, including any successor provisions.

1.6 EARLY RETIREMENT DATE shall mean the "Early Retirement Date" as defined in the Qualified Plan.

1.7 ELIGIBLE EXECUTIVE shall mean an employee of the Company or any of its subsidiaries who (i) participates in the Qualified Plan, (ii) is designated by the Administrator as eligible to participate in the Plan, and (iii) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

1.8 ERISA shall mean the Employee Retirement Income Security Act of 1974,

as amended.

1.9 NORMAL RETIREMENT DATE shall mean the "Normal Retirement Date" as defined in the Qualified Plan.

1.10 PARTICIPANT shall mean an Eligible Executive who has become a participant hereunder pursuant to Article 2.

1.11 QUALIFIED PLAN shall mean the Parker-Hannifin Corporation Retirement 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.

1.12 STATUTORY LIMIT shall mean any limit on compensation taken into account in calculating benefits under qualified retirement plans under Section 401(a)(17) of the Code or that directly or indirectly affects the amount of benefits payable from a Qualified Plan.

1.13 TERMINATION OF EMPLOYMENT shall mean the date of the cessation of the Participant's employment with the Company for any reason whatsoever, whether voluntary or involuntary, other than as a result of the Participant's death.

ARTICLE 2

PARTICIPATION

Eligible Executives shall become Participants in the Plan on the first day of the month following their appointment as Eligible Executives.

ARTICLE 3

RESTORATION BENEFITS

3.1 AMOUNT. Upon Termination of Employment on or after Normal or Early Retirement Date, or after the Participant has a nonforfeitable right to a deferred benefit under the Qualified Plan, the Participant shall be entitled to a retirement benefit as provided in paragraph 3.2 of this Plan. The retirement benefit shall equal the benefits that would be payable to the Participant under the Qualified Plan calculated as if the Statutory Limit did not apply to such benefits, less the benefits that are payable under the Qualified Plan taking the Statutory Limit into account.

3.2 FORM OF RETIREMENT BENEFITS. (a) Subject to (b) and (c) below, the

retirement benefit shall be paid in the same form and at the same time as the Participant's benefits under the Qualified Plan.

(b) Notwithstanding (a) above, the Administrator may, in its sole discretion, elect to pay the Actuarial Value of the benefit under this Plan in a single lump sum if (i) with respect to distributions made prior to January 1, 1997, the monthly benefit otherwise payable hereunder is less than \$50.00, or (ii) with respect to distributions made on or after January 1, 1997, either the monthly benefit otherwise payable hereunder is less than \$200.00 or the Actuarial Value of the benefit is less than \$15,000.

(c) Notwithstanding (a) above, a Participant who has retired at or after Normal or Early Retirement Date, or who reaches Normal or Early Retirement Date after a Termination of Employment may elect at any time thereafter to receive the remaining Actuarial Value of his benefit in a single lump sum, provided that his lump sum payment shall be reduced by 10%.

ARTICLE 4

SURVIVOR BENEFITS

4.1 SURVIVOR BENEFIT. If benefits are payable to the Participant's Beneficiary under the Qualified Plan following the Participant's death (whether the Participant's death occurs before or after Termination of Employment), the Company shall pay to the Participant's Beneficiary a survivor benefit equal to the benefits that would be payable to the Beneficiary under the Qualified Plan calculated as if the Statutory Limit did not apply to such benefits, less the survivor benefits that are payable under the Qualified Plan taking the Statutory Limit into account.

4.2 FORM OF SURVIVOR BENEFIT. The survivor benefit shall be paid in the same form and at the same time as the survivor benefits under the Qualified Plan; provided, however that the Administrator may, in its sole discretion, elect to pay the Actuarial Value of the survivor benefit under this Plan in a single lump sum, if the monthly benefit otherwise payable hereunder is less than \$50.00.

ARTICLE 5

CONDITIONS RELATED TO BENEFITS

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

5.2 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.

5.3 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 or estate under the Plan.

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

ARTICLE 6

ADMINISTRATION OF PLAN

The 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 interpret, construe and apply its provisions in accordance with its terms. The Administrator shall further establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. All decisions of the Administrator shall be final and binding. The individuals serving on the committee shall, except as prohibited by law, be indemnified and held harmless by the Company from any and all liabilities, costs, and expenses (including legal fees), to the extent not covered by liability insurance arising out

of any action taken by any member of the committee with respect to the Plan, unless such liability arises from the individual's own gross negligence or willful misconduct.

ARTICLE 7

CHANGE IN CONTROL

In the event there is a Change in Control, each Participant shall receive the Actuarial Value of his benefit earned hereunder to the date of the Change in Control. Such benefit shall be paid in monthly installments over thirty-six (36) months commencing within 3 months of the Change in Control; provided, however, that the Administrator may elect, in its sole discretion, to make payment in a single lump sum.

ARTICLE 8

AMENDMENT AND TERMINATION OF PLAN

8.1 AMENDMENT OF PLAN. 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.

8.2 TERMINATION OF PLAN. The Company may at any time terminate the Plan. If the Company terminates the Plan, the date of such termination shall be treated as the date of Termination of Employment for the purpose of calculating Plan benefits. The Company shall pay to the Participant the benefits the Participant is entitled to receive under the Plan in monthly installments over a thirty-six (36) month period; provided, however, that the Administrator may elect, in its sole discretion, to make payment in a single lump sum.

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

8.4 COMPANY ACTION. Except as provided in paragraph 8.5, the Company's power to amend or terminate the Plan shall be exercisable by the Company's Board of Directors or by the committee or individual authorized by the Company's Board of Directors to exercise such powers.

8.5 CONSTRUCTIVE RECEIPT TERMINATION. In the event the Administrator

determines that benefits under the Plan have been constructively received by Participants and must be recognized as income for federal income tax purposes, the Plan shall terminate and distributions shall be made to Participants in accordance with the provisions of paragraph 8.2 or as may be determined by the Administrator. The determination of the Administrator under this paragraph 8.5 shall be binding and conclusive.

ARTICLE 9

MISCELLANEOUS

9.1 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.

9.2 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.

9.3 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.

9.4 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.

9.5 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.

9.6 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.

9.7 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.

9.8 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.

9.9 APPLICABLE LAW. The Plan shall be governed and construed in accordance with the laws of the Ohio except where the laws of the Ohio are preempted by ERISA.

9.10 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 10

CLAIMS AND REVIEW PROCEDURES

10.1 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 (1) the specific reasons for such denial, (2) a specific reference to the provisions of the Plan on which the denial is based, (3) 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 (4) 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.

10.2 REVIEW PROCEDURE. If a Participant is determined by the Company not to be eligible for benefits, or if the Participant believes that he or she is entitled to greater or different benefits, the Participant shall have the opportunity to have such claim reviewed by the Company by filing a petition for review with the Company within sixty (60) days after receipt of the notice issued by the Company. Said petition shall state the specific reasons which the Participant believes entitle him or her to benefits or to greater or

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

EXHIBIT 10(b)

DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF PARKER-HANNIFIN CORPORATION

Parker-Hannifin Corporation has established the Deferred Compensation Plan for Directors of Parker-Hannifin Corporation to provide Directors with the opportunity to defer payment of their directors' fees in accordance with the provisions of this Plan. The Plan is hereby amended as of January 1, 1997.

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) 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 Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities eligible to vote for the election of the Board of Directors of the Corporation the "Board") (the "Corporation Voting Securities"); provided, however, that the event described in this paragraph shall not be deemed to be a Change in Control by virtue of any of the following situations: (A) an acquisition by the Corporation or any corporation or entity in which the Corporation 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 (a "Subsidiary"); (B) an acquisition by any employee benefit plan sponsored or maintained by the Corporation or any Subsidiary; (C) an acquisition by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) a Non-Control Transaction (as defined in paragraph (iii)); (E) as

pertains to 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 Corporation Voting Securities from the Corporation, if a majority of the Board approves a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control under this paragraph (i);

(ii) individuals who, at the beginning of any period of twenty-four (24) consecutive months, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority thereof; provided, that (A) any person becoming a director subsequent to the beginning of such twenty-four (24) month period, whose election, or nomination for election, by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors comprising the Incumbent Board who are then on the Board (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this paragraph (ii), considered as though such person were a member of the Incumbent Board; provided, however, that no individual initially elected or nominated as a director of the Corporation as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a member of the Incumbent Board;

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Corporation or any Subsidiary that requires the approval of the Corporation's stockholders, whether for such transaction or the issuance of securities in connection with the transaction or otherwise (a "Business Combination"), unless (A) immediately following such Business Combination: (1) more than 50% of the total voting power of the corporation resulting from such Business Combination (the "Surviving Corporation") or, if applicable, the ultimate parent corporation which directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Corporation Voting Securities that were outstanding immediately prior to the Business Combination (or, if applicable, shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Corporation Voting Securities among the holders thereof immediately prior to the Business Combination, (2) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (3) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent

Corporation, the Surviving Corporation), following the Business Combination, were members of the Incumbent Board at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (a "Non-Control Transaction") or (B) the Business Combination is effected by means of the acquisition of Corporation Voting Securities from the Corporation, and a majority of the Board approves a resolution providing expressly that such Business Combination does not constitute a Change in Control under this paragraph (iii); or

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

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

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

4. "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.

5. "DEFERRAL ACCOUNT" shall mean the bookkeeping account to which is credited Fees deferred by a Director and any earnings or losses credited thereto in accordance with the Plan.

6. "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.

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

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

9. "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.

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

11. "YEAR" shall mean a calendar year.

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 shall complete and deliver to the Secretary of the Corporation an Election Agreement, as prescribed by the Corporation, to be effective as of the first day of any calendar quarter beginning at least three (3) months after the date of the election. An election to defer Fees shall remain effective until cancelled by the Participant, provided that any such cancellation shall be effective only with respect to Fees earned after the September 30 following such election.

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 calendar quarter 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, and/or as if part or all of the Deferral Account balance were credited with interest at the prime rate, as elected by the Participant, less any separate account fees and less

any applicable administrative charges determined annually by the Administrator.

(c) The allocation of the Deferral Account shall be determined by the Participant among one or more of the available options 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 and/or the average prime rate as in effect for the preceding month, as applicable. Gains and losses will be compounded daily and will be credited to Participants' Deferral Accounts as of the first day of the calendar quarter following the quarter to which they relate. Notwithstanding the method of calculating the Crediting Rate, the Company shall be under no obligation to purchase any investments designated by a Participant.

4. PAYMENT OF DEFERRAL ACCOUNT. The amount of a Participant's Deferral Account shall be paid to the Participant in a lump sum or in a number of approximately equal quarterly installments (not to exceed 20), as designated by the Participant on the Election Agreement. The lump sum payment or the first quarterly installment, as the case may be, shall be made as of the first day of the calendar quarter following termination of the Participant's services as a director. An election as to form of payment may be changed by filing a new election with the Secretary of the Corporation; provided, however, that if the election is received less than thirteen months before the date payment is to be made or begin, the Participant's Deferral Account shall be reduced by ten percent (10%). If payment is made in quarterly installments, the Deferral Account shall continue to be credited with earnings in accordance with the appropriate Crediting Rate in accordance with Section 3. The number of years over which quarterly installments shall be paid will be reduced as needed to insure that each quarterly installment, when added to any payments under Section 3 of Article III, is at least \$3,000.

5. DEATH OF PARTICIPANT. In the event of the death of a Participant, the amount of the Participant's Deferral Account shall be paid to the Beneficiary or Beneficiaries designated in a writing in such form as shall be prescribed by the Corporation for such purpose, in accordance with the Participant's Election Agreement and Section 5 of this Article. 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 form on file with the Corporation at the time of the Participant's death which bears the latest date shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the amount of the Participant's Deferral Account shall be paid to the Participant's estate in a lump sum within ninety 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 Deferral Account have been paid to such Beneficiary or Beneficiaries according to the Participant's designation, the remaining applicable amount of the Deferral

Account shall be paid in a lump sum to the estate of the deceased Beneficiary or estates of the deceased Beneficiaries within ninety days after the appointment of an executor or administrator.

6. ACCELERATION. Notwithstanding the foregoing: (i) within 15 days following a Change in Control, the value of a Participant's Deferral Account as of the date of the Change in Control shall be paid to the Participant in a lump sum; and (ii) the Board of Directors of the Corporation may, in its sole discretion, accelerate payment of the amount of the Deferral Account of a Participant in the event of financial hardship of the Participant due to causes not within the control of the Participant.

7. 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 company), 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 Deferral Account, and shall not be entitled to any distribution of any deferred Fees.

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 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.

3. PAYMENT OF PARKER STOCK ACCOUNT. A Participant shall be entitled to receive payment of his or her Parker Stock Account in 20 quarterly installments beginning

as of the first day of the calendar quarter following the time the Participant ceases to be a Director. The amount of each quarterly payment shall be determined by dividing the value of the Parker Stock Account as of the date as of which payment is to be made by the number of remaining installments to be made. The balance in the Parker Stock Account shall continue to be credited with gains and losses at the Stock Rate described in Section 2 above. In lieu of quarterly payments, the Participant may elect to receive a single lump sum payment of the value of his or her Parker Stock Account as of the date he or she ceases to be a Director; provided, that if the election to receive a lump sum payment is received less than 13 months prior to the cessation of services, the value of the Parker Stock Account shall be reduced by 10%. The number of years over which quarterly installments shall be paid will be reduced as needed to insure that each such installment, when added to any installment payments under Section 4 of Article II, is at least \$3,000. A Participant may not elect to receive payment of his Parker Stock Account in a form different than the form elected for his Deferral Account.

4. DEATH OF A PARTICIPANT. In the event of the death of a Participant before his or her entire Parker Stock Account has been paid to him or her, his or her designated Beneficiary, determined in accordance with the rules set forth in paragraph 6 of Article 2, shall be entitled to receive a lump sum payment equal to the value of the Parker Stock Account as of the date of death.

5. ACCELERATION. Notwithstanding the foregoing: (i) within 15 business days following a Change in Control, the value of a Participant's Parker Stock Account as of the date of the Change in Control shall be paid to the Participant in a lump sum; and (ii) the Board may, in its sole discretion, accelerate payment of the amount of the Parker Stock Account of a Participant in the event of financial hardship of the Participant due to causes not within the control of the Participant.

6. 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 company), partner, employee or in any other capacity, engage in competition with the Corporation in the manufacture, sale or distribution of products or parts of a type manufactured, sold or distributed by the Corporation. 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 Parker Stock Account.

ARTICLE IV
ADMINISTRATION

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.

ARTICLE V
AMENDMENT AND TERMINATION

The Corporation reserves the right to amend or terminate 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.

ARTICLE VI
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.

ARTICLE VII
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.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PARKER-HANNIFIN CORPORATION'S REPORT ON FORM 10-Q FOR ITS QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	
JUN-30-2000	SEP-30-1999
	64,421
	0
	692,919
	9,102
	920,843
1,811,994	2,547,147
	1,340,135
	3,770,362
741,093	740,811
0	0
	56,021
	1,874,153
3,770,362	1,242,293
	976,621
1,242,293	976,621
	0
	148
14,543	112,357
	38,763
73,594	0
	0
	0
	73,594
	.67
	.67