

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 December 31, 2000

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 December 31, 2000 116,579,057

PART I - FINANCIAL INFORMATION

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
Net sales	\$ 1,460,076	\$ 1,239,207	\$ 2,937,442	\$ 2,481,500
Cost of sales	1,144,821	971,298	2,296,085	1,947,919
Gross profit	315,255	267,909	641,357	533,581
Selling, general and administrative expenses	169,596	140,157	332,037	278,305
Interest expense	25,607	14,028	46,775	28,571
Interest and other (income), net	(1,364)	(724)	(52,741)	(100)
Income before income taxes	121,416	114,448	315,286	226,805
Income taxes	43,102	39,485	111,926	78,248
Net income	\$ 78,314	\$ 74,963	\$ 203,360	\$ 148,557
Earnings per share - Basic	\$.68	\$.69	\$ 1.78	\$ 1.36
Earnings per share - Diluted	\$.68	\$.68	\$ 1.77	\$ 1.35
Cash dividends per common share	\$.17	\$.17	\$.34	\$.34

See accompanying notes to consolidated financial statements.

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

	December 31, 2000	June 30, 2000
ASSETS		

Current assets:		
Cash and cash equivalents	\$ 71,529	\$ 68,460
Accounts receivable, net	870,510	840,040
Inventories:		
Finished products	553,577	483,017
Work in process	350,277	344,804
Raw materials	161,459	146,375
	-----	-----
	1,065,313	974,196
Prepaid expenses	36,455	32,706
Deferred income taxes	83,296	73,711
Net assets held for sale	239,356	164,000
	-----	-----
Total current assets	2,366,459	2,153,113
Plant and equipment	2,934,170	2,714,250
Less accumulated depreciation	1,437,238	1,373,335
	-----	-----
	1,496,932	1,340,915
Excess cost of investments over net assets acquired	847,117	570,740
Other assets	597,863	581,531
	-----	-----
Total assets	\$ 5,308,371	\$ 4,646,299
	=====	=====
LIABILITIES		

Current liabilities:		
Notes payable	\$ 540,368	\$ 335,298
Accounts payable, trade	378,778	372,666
Accrued liabilities	403,053	394,131
Accrued domestic and foreign taxes	55,945	84,208
	-----	-----
Total current liabilities	1,378,144	1,186,303
Long-term debt	981,953	701,762
Pensions and other postretirement benefits	307,226	299,741
Deferred income taxes	104,144	77,939
Other liabilities	79,759	71,096
	-----	-----
Total liabilities	2,851,226	2,336,841
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 116,679,057 shares at December 31 and 116,602,195 shares at June 30	58,340	58,301
Additional capital	327,247	328,938
Retained earnings	2,330,253	2,165,625
Unearned compensation related to guarantee of ESOP debt	(102,942)	(110,818)
Deferred compensation related to stock options	2,347	1,304
Accumulated other comprehensive (loss)	(154,168)	(125,458)
	-----	-----
	2,461,077	2,317,892
Less treasury shares, at cost: 100,000 shares at December 31 and 214,487 shares at June 30	(3,932)	(8,434)
	-----	-----
Total shareholders' equity	2,457,145	2,309,458
	-----	-----
Total liabilities and shareholders' equity	\$ 5,308,371	\$ 4,646,299
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 203,360	\$ 148,557
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	102,695	88,019
Amortization	30,859	18,943
Deferred income taxes	17,560	(3,019)
Foreign currency transaction loss	2,497	3,443
(Gain) on sale of plant and equipment	(58,338)	(6,955)
Changes in assets and liabilities:		
Accounts receivable, net	25,243	44,321
Inventories	(51,803)	657
Prepaid expenses	6,808	3,904
Net assets held for sale	9,284	-
Other assets	(15,701)	2,541
Accounts payable, trade	(20,600)	(59,077)
Accrued payrolls and other compensation	(54,660)	(34,371)
Accrued domestic and foreign taxes	(20,083)	(12,640)
Other accrued liabilities	(18,153)	4,978
Pensions and other postretirement benefits	8,921	4,245
Other liabilities	6,827	9,706
Net cash provided by operating activities	174,716	213,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (less cash acquired of \$8,255 in 2000 and \$2,609 in 1999)	(485,235)	(5,711)
Capital expenditures	(169,573)	(114,114)
Proceeds from sale of plant and equipment	68,813	20,203
Other	31,959	(30,100)
Net cash used in investing activities	(554,036)	(129,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from common share activity	3,892	3,649
Proceeds from (payments of) notes payable, net	205,824	(523)
Proceeds from long-term borrowings	271,942	3,692
Payments of long-term borrowings	(59,219)	(8,867)
Dividends	(38,731)	(37,081)
Net cash provided by (used in) financing activities	383,708	(39,130)
Effect of exchange rate changes on cash	(1,319)	(3,324)
Net increase in cash and cash equivalents	3,069	41,076
Cash and cash equivalents at beginning of year	68,460	33,277
Cash and cash equivalents at end of period	\$ 71,529	\$ 74,353

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 December 31,		Six Months Ended December 31,	
	----- 2000	1999 -----	----- 2000	1999 -----
Net sales				
Industrial:				
North America	\$ 829,357	\$ 658,542	\$ 1,705,607	\$ 1,326,211
International	336,294	303,918	667,022	602,381
Aerospace	294,425	276,747	564,813	552,908
	-----	-----	-----	-----
Total	\$ 1,460,076	\$ 1,239,207	\$ 2,937,442	\$ 2,481,500
	=====	=====	=====	=====
Segment operating income				
Industrial:				
North America	\$ 101,612	\$ 87,200	\$ 218,803	\$ 180,883
International	21,441	21,787	47,318	32,999
Aerospace	51,097	36,939	95,373	71,987
	-----	-----	-----	-----
Total segment operating income	174,150	145,926	361,494	285,869
Corporate general and administrative expenses	20,346	14,087	37,730	28,200
	-----	-----	-----	-----
Income before interest expense and other	153,804	131,839	323,764	257,669
Interest expense	25,607	14,028	46,775	28,571
Other	6,781	3,363	(38,297)	2,293
	-----	-----	-----	-----
Income before income taxes	\$ 121,416	\$ 114,448	\$ 315,286	\$ 226,805
	=====	=====	=====	=====

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 necessary to present fairly the financial position as of December 31, 2000, the results of operations for the three and six months ended December 31, 2000 and 1999 and cash flows for the six months then ended.

2. Gain on sale of real property

In fiscal 2001 the Company recorded a \$55.5 million gain (\$34.7 million after-tax or \$.30 per share) realized on the sale of real property. The gain is reflected in the Consolidated Income Statement in the Interest and other (income), 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 and six months ended December 31, 2000 and 1999.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
Numerator:				
Net income applicable to common shares	\$ 78,314	\$ 74,963	\$ 203,360	\$ 148,557
Denominator:				
Basic - weighted average common shares	114,007,029	109,188,711	113,968,357	109,129,000
Increase in weighted average from dilutive effect of exercise of stock options	824,110	1,017,243	728,203	1,021,338
Diluted - weighted average common shares, assuming exercise of stock options	114,831,139	110,205,954	114,696,560	110,150,338
Basic earnings per share	\$.68	\$.69	\$ 1.78	\$ 1.36
Diluted earnings per share	\$.68	\$.68	\$ 1.77	\$ 1.35

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 and six-month periods ended December 31, 2000.

5. Comprehensive income

The Company's items of other comprehensive income (loss) are foreign currency translation adjustments and unrealized gains on marketable securities. Comprehensive income for the three and six months ended December 31, 2000 and 1999 is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
Net income	\$ 78,314	\$ 74,963	\$ 203,360	\$ 148,557
Foreign currency translation adjustments	260	(20,753)	(44,527)	(7,007)
Unrealized gain on marketable securities (net of taxes of \$210 and \$9,531)	348	-	15,817	-
Comprehensive income	\$ 78,922	\$ 54,210	\$ 174,650	\$ 141,550

6. Acquisitions

On July 21, 2000 the Company completed the acquisition of Wynn's International, Inc. (Wynn's). Wynn's is a leading manufacturer of precision-engineered sealing media for the automotive, heavy-duty truck and aerospace markets with annualized calendar year 2000 sales of \$573 million.

On September 29, 2000 the Company acquired the pneumatics business of Invensys plc, with annual sales of \$50 million, which specializes in the design and production of equipment and controls for automated processes.

Total purchase price for these businesses was approximately \$458 million in cash and assumed debt of \$44 million. Both acquisitions are being accounted for by the purchase method.

7. Net assets held for sale

Net assets held for sale represents the estimated net cash proceeds and estimated net earnings during the holding period (including incremental interest expense on debt incurred in the acquisition) of the metal forming and building systems businesses, which were acquired as part of Commercial Intertech in fiscal 2000, and the specialty chemical and warranty businesses of Wynn's.

During the second quarter of fiscal 2001, approximately \$5.8 million of income from operations was excluded from the Consolidated Income Statement and included in the carrying value of Net assets held for sale. During the first six months of fiscal 2001, approximately \$16.4 million of income from operations and \$3.8 million of interest expense were excluded from the Consolidated Income Statement and included in the carrying value of Net assets held for sale.

8. Financial instruments

Effective July 1, 2000 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." Due to the immaterial amount of derivative and hedging activity within the Company, the effect of adopting SFAS 133 on the Company's results of operations and financial position was immaterial.

9. Debt

During the second quarter of fiscal 2001, the Company issued EUR 300 million of five-year Euro Notes in the European debt capital market. The Notes bear interest of 6.25 percent, payable annually, and mature in a balloon payment on November 21, 2005. The proceeds from the Note issuance were used to retire the principal and interest due on the bridge loan created to help finance the Wynn's acquisition.

10. Subsequent event

In January 2001, the Company initiated proceedings for the redemption of its outstanding \$100 million, 9.75 percent debentures due 2002-2021, with the redemption date expected to occur during the third quarter of fiscal 2001. The Company expects to incur an after-tax extraordinary loss for this transaction, including an early-redemption premium and the write-off of deferred issuance costs, of approximately \$3,400 or \$.03 per share.

PARKER-HANNIFIN CORPORATION

FORM 10-Q
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2000
AND COMPARABLE PERIODS ENDED DECEMBER 31, 1999

CONSOLIDATED STATEMENT OF INCOME

Net sales increased 17.8 percent for the second quarter of fiscal 2001 and 18.4 percent for the six-month period ended December 31, 2000. Without acquisitions, Net sales would have remained flat for both the current-year quarter and the first half of fiscal 2001.

Income from operations was \$145.7 million for the current-year second quarter and \$309.3 million for the first half of fiscal 2001, an increase over the prior periods of 14.0 percent and 21.2 percent, respectively. Included in the prior-year first six months income from operations was \$5.0 million in business realignment charges. As a percent of sales, Income from operations declined to 10.0 percent from 10.3 percent for the quarter and excluding the business realignment charges, remained constant at 10.5 percent for the first six months. Cost of sales as a percent of sales remained constant at 78.4 percent for the quarter and excluding the business realignment charges, declined to 78.2 percent from 78.4 percent for the first six months. The increased margins for the first half of fiscal 2001 are primarily the result of improved operating performance in the Aerospace operations, partially offset by the lower margins in the Industrial businesses, which were negatively impacted by recent acquisitions. Excluding business realignment charges, Selling, general and administrative expenses, as a percent of sales, increased to 11.6 percent of sales from 11.3 percent for the quarter and to 11.3 percent from 11.1 percent for the first six months, primarily due to goodwill amortization related to recent acquisitions.

Interest expense increased \$11.6 million for the quarter ended December 31, 2000 and \$18.2 million for the six-month period ended December 31, 2000 due to higher average debt outstanding in both the current-year quarter and first six months as a result of increased borrowings to complete acquisitions.

Interest and other (income), net for the first six months of fiscal 2001 includes a \$55.5 million gain realized on the sale of real property and \$5.4 million of certain asset writedowns. Interest and other (income), net for the first six months of fiscal 2000 included \$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.

The effective tax rate increased to 35.5 percent for the first six months of fiscal 2001, compared to 34.5 percent in the prior-year first six months. The increase in the rate is due to the non-deductibility of goodwill recognized as a result of the Company's recent acquisitions.

Net income increased 4.5 percent for the quarter, and 36.9 percent for the first six months, as compared to the prior year. As a percent of sales, Net income decreased to 5.4 percent from 6.0 percent for the quarter and increased to 6.9 percent from 6.0 percent for the first six months.

Backlog was \$2.03 billion at December 31, 2000 compared to \$1.65 billion in the prior year and \$1.80 billion at June 30, 2000. Current fiscal year acquisitions accounted for two-fifths of the increase in backlog since June 30, 2000, with the balance coming from strong order rates in the Aerospace and Industrial International operations.

In January 2001, the Company initiated proceedings for the redemption of its outstanding \$100 million, 9.75 percent debentures due 2002-2021, with the redemption date expected to occur during the third quarter of fiscal 2001. The Company expects to incur an after-tax extraordinary loss for this transaction, including an early-redemption premium and the write-off of deferred issuance costs, of approximately \$3,400 or \$.03 per share.

RESULTS BY BUSINESS SEGMENT

INDUSTRIAL - The Industrial Segment operations had the following percentage changes in Net sales in the current year when compared to the equivalent prior-year period:

	Period ending December 31,	
	Three Months	Six Months
Industrial North America	25.9%	28.6%
Industrial International	10.7%	10.7%
Total Industrial	21.1%	23.0%

Without the effect of currency-rate changes, International sales would have increased 24.3 percent for the quarter and 23.8 percent for the six months.

Without the effect of acquisitions completed within the past 12 months, the percentage changes in Net sales would have been:

	Period ending December 31,	
	Three Months	Six Months
Industrial North America	(1.4)%	1.6%
Industrial International	1.0 %	1.0%
Total Industrial	(0.7)%	1.4%

Excluding the effect of acquisitions, the decrease in Industrial North American sales for the quarter is attributable to lower volume in the heavy-duty truck, automotive and refrigeration markets partially offset by growth in the semiconductor, filtration and telecommunications markets. The increase in Industrial North American sales for the first six months of fiscal 2001 is attributable to higher volume, particularly in the semiconductor manufacturing and telecommunications markets, partially offset by lower volume in the heavy-duty truck market. The increase in Industrial International sales for the current-year quarter and first six months is attributed to higher volume in the Asia Pacific region and Latin America, partially offset by lower volume in Europe.

Operating income for the Industrial segment increased 12.9 percent for the quarter and 24.4 percent for the first six months of fiscal 2001. Industrial North American operating income increased 16.5 percent for the quarter and 21.0 percent for the first six months. Industrial North American operating income, as a percent of sales, declined to 12.3 percent from 13.2 percent for the quarter and to 12.8 percent from 13.6 percent for the first six months. The decrease in margins for the current-year quarter and first six months was primarily due to recent acquisitions, not yet fully integrated, contributing lower margins. Lower volume also contributed to the margin decline in the current-year quarter.

Industrial International operating income declined 1.6 percent for the quarter and increased 43.4 percent for the first six months of fiscal 2001. Included in the Industrial International operating income for the prior year six-month period was \$9.0 million in business realignment charges. Without the business realignment charges, Industrial International operating income increased 12.8 percent for the current year first six months compared to the prior year six months. Industrial International operating income, as a percent of sales, decreased to 6.4 percent from 7.2 percent for the quarter and increased to 7.1 percent from 7.0 percent for the six months, excluding the business realignment charges. The decrease in margins for the current quarter is primarily due to lower volume in Europe partially offset by higher volume and improved margins in the Asia Pacific region and Latin America. Excluding the business realignment charges, the increase in margins for the first six months is primarily due to the higher volume in the Asia Pacific region and Latin America, as well as improved margins in Europe. Margins for both the current-year quarter and first six months were negatively impacted by recent acquisitions which are not yet fully integrated.

Total Industrial Segment backlog increased 44.3 percent compared to December 31, 1999 and 16.7 percent since June 30, 2000, primarily due to recent acquisitions, with the remaining increase coming from strong order rates in the Industrial International operations.

For the remainder of the fiscal year, business conditions are expected to be favorable in a number of markets including semiconductor manufacturing and telecommunications but the rate of growth in these markets is expected to moderate. However, the decline in order rates experienced in the first half in the heavy-duty truck and automotive markets are expected to continue for the balance of the fiscal year. Profit improvement teams have been established to study the logistics system and recommend improvements to enhance operating margins in Europe. The Company expects to record charges during the second half of the current fiscal year based upon the recommendations of the review teams, but these charges are not expected to exceed the one-time gain realized in the current-year first quarter on the sale of real property.

AEROSPACE - Net sales of the Aerospace Segment increased 6.4 percent for the current-year quarter and 2.2 percent for the first six months of fiscal 2001 as a result of an increase in the level of both the OEM and aftermarket businesses. Operating income for the Aerospace Segment increased 38.3 percent for the quarter and 32.5 percent for the six-month period. Included in the Aerospace operating income for the prior year six-month period was \$4.4 million in business realignment charges. Excluding the business realignment charges, operating income, as a percent of sales, increased to 17.4 percent from 13.3 percent for the quarter and to 16.9 percent from 13.8 percent for the six-month period due to higher volume as well as a higher mix of aftermarket business.

Backlog for the Aerospace Segment increased 11.4 percent compared to December 31, 1999 and 10.7 percent since June 30, 2000. Backlog increased primarily due to an increase in the level of OEM business, as well as strong aftermarket orders. For the remainder of the fiscal year, the recent increase in the level of order rates for the OEM business is expected to continue, while the level of order rates in the aftermarket business is expected to moderate. A change to heavier OEM volume in future product mix could result in lower margins.

Corporate general and administrative expenses increased to \$20.3 million from \$14.1 million for the quarter and increased to \$37.7 million from \$28.2 million for the six months. As a percent of sales, corporate general and administrative expenses increased to 1.4 percent from 1.1 percent for the quarter and to 1.3 percent from 1.1 percent for the six months. The increase in both the current-year quarter and first six months are the result of higher expenses associated with non-qualified benefit plans.

Other (in the Results by Business Segment) increased \$3.4 million for the current-year quarter as a result of currency transaction losses and decreased \$40.6 million for the first six months of fiscal 2001 primarily as a result of a \$55.5 million gain realized on the sale of real property, partially offset by \$7.7 million of certain asset writedowns. In the prior-year first six months, Other included \$6.4 million in gains primarily from the sale of real property.

BALANCE SHEET

Working capital increased to \$988.3 million at December 31, 2000 from \$966.8 million at June 30, 2000 with the ratio of current assets to current liabilities decreasing to 1.7 to 1. The increase in working capital was primarily due to an increase in Accounts receivable, Inventories, and Net assets held for sale and a decrease in Accrued domestic and foreign taxes, partially offset by an increase in Notes payable.

Accounts receivable increased to \$870.5 million at December 31, 2000 from \$840.0 million at June 30, 2000, primarily due to an account receivable recognized on the sale of real property. Days sales outstanding have increased to 52 days at December 31, 2000 from 45 days at June 30, 2000, primarily

due to recent acquisitions. Inventories increased \$91.1 million since June 30, 2000 primarily due to acquisitions, with months supply increasing slightly.

Plant and equipment, net of accumulated depreciation, increased \$156.0 million since June 30, 2000, primarily as a result of acquisitions.

The increase in Excess cost of investments over net assets acquired since June 30, 2000 reflects the goodwill recognized as a result of current-year acquisitions.

The debt to debt-equity ratio increased to 38.3 percent at December 31, 2000 compared to 31.0 percent as of June 30, 2000, primarily due to increased borrowings to fund acquisitions.

Due to the strength of the dollar, foreign currency translation adjustments resulted in a decrease in net assets of \$44.5 million during the first half of fiscal 2001. The translation adjustments primarily affected Accounts receivable, Inventories and Plant and equipment.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was \$174.7 million for the six months ended December 31, 2000, as compared to \$213.3 million for the same six months of 1999. The decrease in net cash provided was primarily the result of activity within the working capital items - Inventories, Accounts payable, trade, Accrued payrolls and other compensation and Other accrued liabilities - which used cash of \$145.2 million in fiscal 2001 compared to using cash of \$87.8 million in fiscal 2000. In addition, cash provided by operating activities excluded a (Gain) on sale of plant and equipment of \$58.3 million in fiscal 2001 compared to \$6.9 million in fiscal 2000. These uses of cash were partially offset by an increase in Net income of \$54.8 million and Deferred income taxes, which increased \$17.6 million in fiscal 2001 as opposed to decreasing \$3.0 million in fiscal 2000.

Net cash used in investing activities increased to \$554.0 million for the first half of fiscal 2001 compared to \$129.7 million for the first half of fiscal 2000 primarily due to an increase of \$479.5 million in the amount spent on acquisitions and an increase in capital expenditures of \$55.5 million, partially offset by an increase of \$48.6 million in proceeds received from the sale of plant and equipment. Included in Other is an increase in cash provided for long-term receivables in fiscal 2001, and an increase in cash used for equity investments in fiscal 2000.

Financing activities provided cash of \$383.7 million for the six months ended December 31, 2000 compared to using cash of \$39.1 million for the same period of the prior year. The change resulted primarily from net debt borrowings providing cash of \$418.5 million in fiscal 2001 compared to using cash of \$5.7 million in the prior year. The increase in net debt borrowings in fiscal 2001 was primarily to fund acquisitions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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 the Company expects or anticipates will occur in the future, including statements relating to growth, operating margin performance, earnings per share or statements expressing general opinions about future operating results or the markets in which the Company does business, 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,
- . 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,
- . difficulties in introducing new products and entering new markets, and
- . uncertainties surrounding the global economy and global market conditions, interest rate levels and 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 2. Changes in Securities and Use of Proceeds.

On October 25, 2000, the Registrant issued an aggregate of 5,464 shares of Common Stock, \$.50 par value, valued at \$35.6875 per share to certain of its non-employee directors pursuant to the Registrant's Non-Employee Directors Stock Plan in lieu of a portion of their annual retainer. These transactions were exempt from the registration provisions of the Securities Act of 1933, as amended, pursuant to Section 4(2) of such Act for transactions not involving a public offering based on the fact that the shares were sold to accredited investors.

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) - Exchange Agreement entered into as of October 12, 2000 between the Registrant and Thomas A. Piraino, Jr. including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement among the Registrant, Thomas A. Piraino, Jr., and the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000 (the "Trust") and the Collateral Assignment between the Trust and the Registrant.

(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: February 13, 2001

EXHIBIT INDEX

Exhibit No. -----	Description of Exhibit -----
10(a)	Exchange Agreement entered into as of October 12, 2000 between the Registrant and Thomas A. Piraino, Jr. including an Executive Estate Protection Plan comprised of the Executive Estate Protection Agreement among the Registrant, Thomas A. Piraino, Jr., and the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000 (the "Trust") and the Collateral Assignment between the Trust and the Registrant.

EXCHANGE AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into as of October 12, 2000 between Parker-Hannifin Corporation (the "Employer") and Thomas A. Piraino, Jr. (the "Participant").

Recitals

- A. The Employer has offered the Participant certain benefits under an Executive Estate Protection Plan in exchange for a portion of the Participant's future compensation.
- B. The Participant desires to surrender a portion of his future compensation in order to participate in the Executive Estate Protection Plan.

Agreement

NOW THEREFORE, it is mutually agreed that:

- 1. Reduction in Future Compensation.
 - a. Surrender. In consideration of the Employer's agreement to be bound by the terms of the Executive Estate Protection Plan Document (defined below), the Participant agrees to the irrevocable surrender of future incentive pay as described in Exhibit A attached hereto and incorporated herein by reference (the "Surrendered Compensation") beginning on October 15, 2000 and ending on September 30, 2007 (the "Surrender Term"). The Participant acknowledges that he shall have no further rights or claims of any sort whatsoever to the Surrendered Compensation.
 - b. Shortfall. In the event the Participant's incentive pay on any Surrender Date (as defined in Exhibit A), net of any amount which cannot be deferred under the Employer's Executive Deferral Plan, is less than the Surrendered Compensation scheduled for such Surrender Date, the Corporation shall be entitled to reduce any cash compensation (including base pay and incentive compensation) or non-qualified plan benefits payable to the Participant or his representatives, heirs or beneficiaries (including without limitation benefits payable under the Employer's Supplemental Executive Retirement Program, Savings Restoration Plan or Executive Deferral Plan) by an amount equal to any such shortfall plus interest on such shortfall between the scheduled Surrender Date and the actual date of surrender in the amount of 4.52% per annum.
 - c. Termination of Employment. In the event the employment of the Participant is terminated prior to the end of the Surrender Term for any reason other than Termination for Cause or the death of the Participant (but only if the Participant is the Decedent), the Corporation shall be entitled to reduce any cash compensation or other non-qualified benefits payable to the Participant, or his representatives, heirs or beneficiaries (including without limitation benefits payable under the Employer's Supplemental Executive Retirement Program, Savings Restoration Plan or Executive Deferral Plan) by an amount equal to the sum of the Surrendered Compensation remaining in the Surrender Term (the "Mandatory Benefit Reduction"); provided,

however, to the extent any Mandatory Benefit Reduction is imposed by the Employer on any payment earlier than the corresponding Surrendered Compensation would have been surrendered by the Participant, the amount of the Mandatory Benefit Reduction shall be reduced to the present value of such Surrendered Compensation calculated by using a 4.52% discount rate.

2. Executive Estate Protection. The Employer has provided the Participant with -----
an Executive Estate Protection Plan, comprised of that certain Executive Estate Protection Plan Agreement attached hereto on Exhibit B by and between the Employer, the Participant and the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000, and the "as sold" illustration of an Executive Estate Protection Plan Insurance Policy as issued by John Hancock Life Insurance Company, dated October 5, 2000 (together, the "Executive Estate Protection Plan Document"). By his signature below, the Participant acknowledges that he has received a copy of the Executive Estate Protection Plan Document. The parties to this Agreement agree to and shall be bound by, and have the benefit of, each and every provision of the Executive Estate Protection Plan Document as set forth in the Executive Estate Protection Plan Agreement. This Agreement and the Executive Estate Protection Plan Document, collectively, shall be considered one complete contract between the parties.
3. Effect on Executive Deferral Plan. The Participant hereby agrees that the -----
amount of any Surrendered Compensation hereunder shall reduce the maximum amount which the Participant is entitled to elect to defer under the Employer's Executive Deferral Plan.
4. Effect on Bonus and Other Benefits. The Employer hereby agrees that the -----
amount of any Surrendered Compensation hereunder shall be included in Participant's incentive pay for the purpose of determining the Participant's benefits under the Employer's Supplemental Executive Retirement Program. The Participant hereby agrees that the amount of any Surrendered Compensation hereunder shall not be included in incentive pay for the purpose of determining allowable deferrals under the Employer's Retirement Savings Plan, Savings Restoration Plan and Executive Deferral Plan nor for the purpose of determining benefits payable under the Employer's Retirement Plan.
5. Acknowledgment. The Participant hereby acknowledges that he has read and -----
understands this Agreement and the Executive Estate Protection Plan Document.
6. Successors and Assigns. This Agreement shall inure to the benefit of, and -----
be binding upon, the Employer and its successors and assigns, and the Participant and his assignees, devisees and heirs.
7. Governing Law. This Agreement shall be governed by and construed under the -----
laws of the State of Ohio, as in effect at the time of the execution of this Agreement.
8. Defined Terms. Initially capitalized terms used but not defined herein -----
shall have the meaning ascribed to them in the Executive Estate Protection Plan Document.

IN WITNESS WHEREOF, the Participant has signed and the Employer has accepted this Agreement as of the date first written above.

/s/Thomas A. Piraino, Jr.
Thomas A. Piraino, Jr.

PARKER-HANNIFIN CORPORATION

By: /s/Duane E. Collins
Duane E. Collins
Chairman and Chief Executive Officer

EXHIBIT A

Surrender Dates -----	Executive Compensation -----	RONA -----
Each of October 2000-01-02-03-04-05-06		\$ 3,350
Each of January 2001-02-03-04-05-06-07		\$ 3,350
Each of March 2001-02-03-04-05-06-07	\$ 7,380	
Each of April 2001-02-03-04-05-06-07		\$ 3,350
Each of June 2001-02-03-04-05-06-07	\$ 7,380	
Each of August 2001-02-03-04-05-06-07	\$ 7,380	\$ 7,810
	=====	=====
Sub-Totals:	\$22,140	\$17,860
TOTAL SURRENDERED COMPENSATION/YR. = \$40,000		

EXECUTIVE ESTATE PROTECTION AGREEMENT

This Executive Estate Protection Agreement ("Agreement") is made as of October 12, 2000, among Parker-Hannifin Corporation, an Ohio corporation, (the "Corporation"), Thomas A. Piraino, Jr. (the "Participant") and the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000 (the "Owner").

RECITALS

- A. The Participant desires to insure his life and his wife's life for the benefit and protection of the Participant's family or other beneficiary under the Policy (as defined below);
- B. The Corporation desires to help the Participant provide life insurance for the benefit and protection of his family or beneficiary by providing funds from time to time to pay the premiums due on the Policy in accordance with this Agreement; and
- C. The Owner desires to assign certain rights and interests in the Policy to the Corporation, to the extent provided herein, as security for repayment of certain funds provided by the Corporation for the acquisition and/or maintenance of the Policy.

AGREEMENT

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

- 1. Definitions. For purposes of this Agreement, unless otherwise clearly

apparent from the context, the following phrases or terms shall have the following indicated meanings:

- (a) "Aggregate Premiums Paid" shall mean, at any time, an amount equal to the cumulative premiums paid by the Corporation on the Policy.
- (b) "Cash Surrender Value" shall mean an amount that equals, at any specified time, the cash surrender value as determined under the terms of the Policy.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (d) "Collateral Assignment" shall mean an assignment made by the Owner in favor of the Corporation in a form attached to this Agreement as Exhibit 1.
- (e) "Collateral Interest" shall mean the Corporation's interest in the Policy, which shall equal, at any time, the lesser of Aggregate Premiums Paid or Cash Surrender Value, and which shall be repaid to the Corporation in accordance
- (f) "Corporation's Death Benefit" shall mean the portion of the Policy's death benefit equal to Aggregate Premiums Paid plus an amount equal to the cumulative premiums paid by the Owner on the policy pursuant to Section 3(b) hereof.

- (g) "Decedent" shall mean the second to die of the Participant and his wife.
- (h) "Designated Beneficiary" shall mean the beneficiary designated under the Policy.
- (i) "Economic Income" shall mean an amount equal to the value of the "economic benefit" derived by the Participant from the Policy's life insurance protection, as determined for Federal income tax purposes under the Code. Economic Income shall include any increase in economic benefit attributable to the death of the first to die under the Policy.
- (j) "Insurer(s)" shall mean John Hancock Life Insurance Company.
- (k) "Investment Elections" shall mean any elections which the Owner has under the Policy to invest the Cash Surrender Value.
- (l) "Owner" shall mean the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000.
- (m) "Owner's Death Benefit" shall mean the portion of the Policy's death benefit, if any, that exceeds the Corporation's Death Benefit. The ultimate amount of death benefit payable under the Policy is dependent upon the financial performance of the Policy.
- (n) "Participant" shall mean Thomas A. Piraino, Jr.
- (o) "Policy" shall mean the following joint life policy on the life of the Participant and his wife that is issued by the Insurer:

Insurer	Policy Number	Type of Policy
John Hancock Life Insurance Company	20052957	Estate Protection Life Insurance

- (p) "Split Dollar Maturity Date" shall mean the date on which the first of any of the following events occurs:
 - (i) the fifteenth (15th) anniversary of the issuance of the Policy;
 - (ii) the death of the Decedent; or
 - (iii) Termination for Cause.
- (q) "Termination for Cause" shall mean termination of the Participant's employment by the Corporation as a result of activity by the Participant detrimental to the interest of the Corporation, including without limitation:
 - (i) the rendering of services for an organization, or engaging in a business, that is in competition with the Corporation;

(ii) the disclosure to anyone outside of the Corporation, or the use for any purpose other than the Corporation's business, of confidential information or material related to the Corporation;

(iii) fraud, embezzlement, theft-in-office or other illegal activity;
or

(iv) violation of the Corporation's Code of Ethics.

2. Acquisition of Policy; Ownership of Insurance. The parties to this

Agreement shall cooperate in applying for and obtaining the Policy. The Policy shall be issued to the Owner as the sole and exclusive owner of the Policy, subject to the rights and interests granted to the Corporation as provided in this Agreement and the Collateral Assignment. Concurrent with the signing of this Agreement, the Owner will collaterally assign the Policy to the Corporation, in the form of the Collateral Assignment, as security for the payment of the Collateral Interest, which assignment shall not be altered or changed without the mutual consent of the Corporation and the Owner.

3. Premium Payments on Policy.

(a) Payments and Reimbursements. Prior to the occurrence of the Split

Dollar Maturity Date, the Corporation shall pay to the Insurer, on or before each applicable premium due date, all applicable premiums for the Policy, less the amount payable by the Owner as described in subsection (b) below. The Corporation shall promptly notify Owner in writing of the amount and date of such premium payments. In the event that the Corporation fails to make any such payment, the Owner or the Participant may make (but is not required to make) any such payment, and the Corporation shall immediately reimburse the Owner or the Participant, as the case may be, for any amount so paid.

(b) Premium Payment by Owner. Prior to the occurrence of the Split Dollar

Maturity Date, Owner shall pay to the Insurer, on or before each applicable premium due date, a premium payment equal to the Economic Income for such calendar year, as mutually determined by the Corporation and the Participant.

(c) Premium Reimbursement. At least sixty (60) days prior to each

applicable premium due date, the Corporation shall make a payment to the Participant equal to the premium payable by the Owner pursuant to subsection (b) above.

(d) Tax Reimbursement. On or before March 15 following each calendar year

until the Split Dollar Maturity Date, the Corporation shall reimburse the Participant for the Participant's state, local and federal income tax liability attributable to (i) the Participant's Economic Income for such calendar year, if any; (ii) the payment by the Corporation to the Participant pursuant to subsection (c) above; and (iii) payments made pursuant to this subsection (d). The tax rates used by the Corporation in calculating the reimbursement under this Section 3(d) shall be the appropriate federal, state and local income tax rates in effect for the Participant at the time of payment, as determined by the Corporation.

4. Corporation's Rights. The Corporation's rights and interests in and to the

Policy shall be specifically limited to (i) the right to be paid its Collateral Interest and the Corporation's Death Benefit, if any, in accordance with Section 6 below, and (ii) the rights specified in the Collateral Assignment.

5. Owner's Rights. Subject to the terms of this Agreement and the Collateral

Assignment, the Owner of the Policy shall be entitled to exercise all rights in the Policy; provided, however, that while the Collateral Assignment is in effect, the following rights may be exercised only with the consent of the Corporation, which consent may be withheld at the sole discretion of the Corporation:

- (a) To borrow against or pledge the Policy;
- (b) To surrender or cancel the Policy;
- (c) To take a distribution or withdrawal from the Policy; or
- (d) To make Investment Elections.

In particular, subject to the terms and conditions of the Policy, and the provisions of Section 6 below, the Owner may assign its rights under this Agreement and the Collateral Agreement, including but not limited to an assignment to an insurance trust of which the Participant is a settlor. In the event of an assignment of its rights, the Owner shall promptly notify the Corporation of the name and address of the new Owner or assignee, including the name and address of any trustee.

6. Collateral Interest. On the Split Dollar Maturity Date, the Collateral

Interest (or, if applicable under Section 6(a) below, the Corporation's Death Benefit) shall be paid or repaid to the Corporation in the following manner:

- (a) Notwithstanding any provision of this Agreement or the Policy that may be construed to the contrary, if the Split Dollar Maturity Date occurs due to the death of the Decedent, (i) the Corporation shall be entitled to that portion of the Policy's death proceeds that equals the Corporation's Death Benefit, if any, and (ii) the Owner or the Designated Beneficiary, as the case may be, shall be entitled to the Owner's Death Benefit; provided, however, if the Split Dollar Maturity Date occurs due to the suicide of the Decedent, and the proceeds from the Policy are limited by either a suicide or contestability provision under the Policy, the Corporation shall be entitled to that portion of the higher of the Policy's Cash Surrender Value or death proceeds that does not exceed the Aggregate Premiums Paid. In either event, promptly following the Decedent's death, the Corporation and the Owner or the Designated Beneficiary shall take all steps necessary to collect the death proceeds of the Policy by submitting the proper claims forms to the Insurer. The Corporation shall notify the Insurer of the amount of the Owner's Death Benefit (except when the Policy's proceeds are limited because of the Decedent's death by suicide) and the Corporation's Death Benefit. Such amounts shall be paid, respectively, by the Insurer to the Owner or to the Designated Beneficiary, as the case may be, and the Corporation.
- (b) If the Split Dollar Maturity Date is other than the date of the Decedent's death, the Corporation's Collateral Interest in the Policy shall be paid to the Corporation in one of the following ways, as elected by the Owner in writing within thirty (30)

days after the date the Corporation first notifies the Participant and Owner in writing of the occurrence of the Split Dollar Maturity Date:

- (i) By the Owner authorizing the Insurer to make a loan against the Policy in an amount equal to the Corporation's Collateral Interest and to pay the proceeds to the Corporation, in which case the Owner shall be considered the borrower for all purposes under the loan;
 - (ii) By the Owner authorizing the Insurer to withdraw from the Cash Surrender Value of the Policy an amount equal to the Corporation's Collateral Interest and to pay the proceeds to the Corporation; or
 - (iii) By the Owner paying to the Corporation, from the Owner's separate funds, an amount equal to the Corporation's Collateral Interest.
- (c) If the Owner fails to timely exercise any of the options under Section 6(b) above, the Corporation shall be entitled to instruct the Insurer to pay to the Corporation from the Cash Surrender Value of the Policy an amount equal to the Corporation's Collateral Interest.
 - (d) The Corporation agrees to keep records of its premium payments and to furnish the Owner and the Insurer with a statement of its Collateral Interest whenever either party requires such statement.
 - (e) Upon and after the Corporation's Collateral Interest in the Policy has been repaid pursuant to Section 6(b) above, the Corporation shall execute and file with the Insurer an appropriate release of the Corporation's interest in the Policy and shall have no further interest in the Policy. Further, the Participant and/or Owner hereby acknowledge, understand and agree that, upon the release of the Corporation's Collateral Interest, the Corporation shall continue not to have any responsibility for the future performance of the Policy and shall have no obligation to make any additional premium payments.
 - (f) Upon payment to the Corporation of its Collateral Interest or the Corporation's Death Benefit in accordance with this Section 6, this Agreement shall terminate and no party shall have any further rights or obligations under the Agreement with respect to any other party provided that the Corporation has complied with all provisions of this Agreement.

7. Insurer.

- (a) The Insurer is not a party to this Agreement, shall in no way be bound by or charged with notice of its terms, and is expressly authorized to act only in accordance with the terms of the Policy. The Insurer shall be fully discharged from any and all liability under the Policy upon payment or other performance of its obligations in accordance with the terms of the Policy.
- (b) The signature(s) required for the Insurer to recognize the exercise of a right under the Policy shall be specified in the Collateral Assignment.

8. Claims Procedure.

The following claims procedure shall be followed in handling any benefit claim under this Agreement:

- (a) The Owner, Participant, or the Designated Beneficiary, as the case may be, (the "Claimant"), shall file a claim for benefits by notifying the Corporation in writing. If the claim is wholly or partially denied, the Corporation shall provide a written notice within ninety (90) days (unless special circumstances require an extension of time for processing the claim, in which case an extension not to exceed ninety (90) days shall be allowed) specifying the reasons for the denial, the provisions of this Agreement on which the denial is based, and additional material or information, if any, that is necessary for the Claimant to receive benefits. Such written notice shall also indicate the steps to be taken by the Claimant if a review of the denial is desired.
- (b) If a claim is denied, and a review is desired, the Claimant shall notify the Corporation in writing within sixty (60) days after receipt of written notice of a denial of a claim. In requesting a review, the Claimant may submit any written issues and comments the Claimant feels are appropriate. The Corporation shall then review the claim and provide a written decision within sixty (60) days of receipt of a request for a review (unless special circumstances require an extension of time for processing the claim, in which case an extension not to exceed ninety (90) days shall be allowed). This decision shall state the specific reasons for the decision and shall include references to specific provisions of this Agreement, if any, upon which the decision is based.
- (c) If no event shall the Corporation's liability under this Agreement exceed the amount of proceeds from the Policy.

9. Amendment of Agreement. This Agreement shall not be modified or amended

except by a writing signed by all the parties hereto.

10. Binding Agreement. This Agreement shall be binding upon the heirs,

administrators, executors, successors and assigns of each party to this Agreement.

11. State Law. This Agreement shall be subject to and construed under the

internal laws of the State of Ohio, without regard to its conflicts of laws principles.

12. Validity. In case any provision of this Agreement shall be illegal or

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

13. Not a Contract of Employment. The terms and conditions of this Agreement

shall not be deemed to constitute a contract of employment between the Corporation and the Participant. Nothing in this Agreement shall be deemed to give the Participant the right to be retained in the service of the Corporation or to interfere with the right of the Corporation to discipline or discharge the Participant at any time.

14. Notice. Any notice or filing required or permitted to be given under this

Agreement to the Owner, Participant or the Corporation shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

To the Owner: Thomas A. Piraino, Jr. and Barbara C. McWilliams
Irrevocable Trust dated September 1, 2000
c/o William Kobylyanec, Trustee Entrust, Inc.
24400 Highpoint Road
Suite 2
Beachwood, OH 44122

To the Participant: Thomas A. Piraino, Jr.
2357 Delamere Road
Cleveland Heights, OH 44106

To the Corporation: Parker-Hannifin Corporation
6035 Parkland Boulevard
Cleveland, OH 44124
Attn: Vice President, Human Resources

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

15. Creditworthiness of Insurer; Tax Consequences. The Participant and Owner

assume all risk of the creditworthiness of the Insurer and acknowledge that the Corporation makes no representation or guarantee of the creditworthiness of any Insurer. The Participant and Owner acknowledge responsibility for all federal, state and local income, estate or gift tax consequences imposed on the Participant and Owner as a result of this Agreement and further acknowledge that the Corporation has not made any representations or guarantees of present or future tax consequences.

16. Entire Agreement. This Agreement constitutes the entire agreement between

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

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

PARKER-HANNIFIN CORPORATION

By: /s/ Duane E. Collins
Duane E. Collins
Chairman and Chief Executive Officer

/s/ Thomas A. Piraino, Jr.
Thomas A. Piraino, Jr.

THOMAS A. PIRAINO, JR. AND
BARBARA C. MCWILLIAMS
IRREVOCABLE TRUST DATED
SEPTEMBER 1, 2000

By: /s/William Kobylyanec
William Kobylyanec, Trustee

EXHIBIT 1

COLLATERAL ASSIGNMENT

This Collateral Assignment (this "Assignment") is made and entered into as of October 12, 2000, by and between the Thomas A. Piraino, Jr. and Barbara C. McWilliams Irrevocable Trust dated September 1, 2000 (the "Owner"), as the owner of a life insurance policy, No. 20052957 (the "Policy"), issued by John Hancock Life Insurance Company (the "Insurer"), on the lives of Thomas A. Piraino, Jr. (the "Participant") and Barbara C. McWilliams, Participant's wife (the "Wife"), and Parker-Hannifin Corporation, an Ohio corporation (the "Corporation").

RECITALS

- A. The Corporation desires to help the Owner provide life insurance for the benefit and protection of the Participant's family or beneficiary by providing funds from time to time to pay the premiums due on the Policy as more specifically provided in the Executive Estate Protection Agreement entered into between the Participant, the Owner and the Corporation as of the date hereof (the "Agreement"); and
- B. In consideration of the Corporation agreeing to provide such funds in accordance with the terms and conditions of the Agreement, the Owner agrees to grant to the Corporation, as a security interest in the Policy, a collateral security interest for the payment of the Corporation's Collateral Interest (as defined in the Agreement).

AGREEMENT

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

- 1. Assignment. The Owner hereby assigns, transfers and sets over to the Corporation, and its successors and assigns, those certain rights and interests described in the Agreement that are to be assigned to the Corporation in accordance with the Agreement. Furthermore, this Assignment is made, and the Policy is to be held as collateral security for, any and all liabilities of the Owner to the Corporation, either now existing, or that may hereafter arise, pursuant to the terms of the Agreement.
- 2. Signatures.
 - (a) To facilitate the operation of this Assignment, the parties agree that the Insurer is hereby notified that the following rights under the Policy may be exercised while the Assignment is in effect without the signature or consent of any other party:
 - (i) The Owner may sign a request to change the beneficiary under the Policy without the signature or consent of the Corporation.

(ii) The Corporation may sign an instruction to the Insurer to pay an amount equal to the Corporation's Collateral Interest from the Policy's Cash Surrender Value to the Corporation without the Participant's or the Owner's signature or consent; provided that the Corporation simultaneously delivers to the Insurer a notarized statement that the Corporation is exercising its rights in accordance with Section 6(c) of the Agreement.

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

3. Policy Proceeds. Any amount payable from the Policy during the

Participant's or the Wife's lives or at the Decedent's (as defined in the Agreement) death shall first be paid to the Corporation to the extent of its Collateral Interest or the Corporation's Death Benefit (as defined in the Agreement), respectively. Any balance will be paid to the Owner during the Participant's or the Wife's lifetime or to the Designated Beneficiary (as defined in the Agreement) upon or after the Decedent's death. A settlement option may be elected by the recipient of the proceeds. For purposes of this Section, the amount of the Collateral Interest or Corporation's Death Benefit shall be determined for purposes of the Insurer by a written statement delivered to the Insurer and signed by the Corporation.
4. Endorsement. The Corporation shall hold the Policy while this Assignment is

operative and, upon request, forward the Policy to the Insurer, without unreasonable delay, for endorsement of any designation or change of beneficiary, any election of optional mode of settlement, or the exercise of any other right reserved by the Owner in this Assignment.
5. Insurer. The Insurer is hereby authorized to recognize the Corporation's

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

Collateral Interest in accordance with the terms and conditions of this Assignment and the Agreement, the Corporation shall release to the Owner, if the Owner retains the Policy in accordance with the Agreement, the Policy and all specific rights included in this Assignment.
7. Amendment of Assignment. This Assignment shall not be modified, amended or

terminated, except by a writing signed by all the parties hereto.
8. No Restriction on Assignment . This Assignment does not limit the rights of

the Owner to assign the rights it has retained under the Policy which rights may be assigned in accordance with Section 5 of the Agreement.

9. Binding Agreement. This Assignment shall be binding upon the heirs,

 administrators, executors and permitted successors and assigns of each
 party to this Assignment.
10. State Law. This Assignment shall be subject to and be construed under the

 internal laws of the State of Ohio, without regard to its conflicts of law
 principles.
11. Validity. In case any provision of this Assignment shall be illegal or

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

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

THOMAS A. PIRAINO, JR. AND
 BARBARA C. MCWILLIAMS
 IRREVOCABLE TRUST DATED
 SEPTEMBER 1, 2000

PARKER-HANNIFIN CORPORATION

By: /s/ William Kobyljanec
 William Kobyljanec, Trustee

By: /s/ Duane E. Collins
 Duane E. Collins
 Chairman and Chief Executive
 Officer

Filed with the Insurer:

 Insurer

Date: _____

The John Hancock Variable Life Insurance Company without assuming any
 responsibility for the validity or the sufficiency of this instrument, has on
 this date, filed a duplicate thereof at it's Home Office.

Date 10/26/00
 JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By /s/ Peter Scavongelli
 State Compliance Officer