

PARKER HANNIFIN CORP
Form 424B2
September 17, 2007
Table of Contents

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Registration No. 333-143226

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount	Proposed Maximum	Amount of
	to be	Aggregate	Registration
Securities to be Registered	Registered	Offering Price	Fee
Medium Term Notes, Series A	\$775,000,000	\$775,000,000	\$23,792.50

Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus May 24, 2007)

\$775,000,000

PARKER-HANNIFIN CORPORATION

Medium-Term Notes, Series A

Due Nine Months or More from Date of Issue

We may offer from time to time our medium-term notes, series A. Each time we issue notes, we will attach a pricing supplement to this prospectus supplement. We will provide the specific terms of any notes offered in a pricing supplement, which terms will include:

Maturity. The notes will mature nine months or more from the date they are issued.

Interest Rate. The interest rate on each note will be either a fixed rate, which may be zero in the case of certain original issue discount notes, an amortizing fixed rate or a floating rate. Floating rate interest may be based on one or more of the following rates:

- CD Rate
- Commercial Paper Rate
- Federal Funds Rate
- LIBOR
- Prime Rate
- Treasury Rate
- CMT Rate

Any other rate specified in the applicable pricing supplement.

Interest Payment Date. Interest on each fixed rate note, amortizing fixed rate note or floating rate note will be payable on each interest payment date set forth in this prospectus supplement and in the applicable pricing supplement.

Redemption. Redemption provisions applicable to the notes will be specified in the applicable pricing supplement.

Currency. The notes may be denominated in U.S. dollars or in a foreign or composite currency.

Denomination. The notes will be issued in fully registered form in denominations of \$1,000, increasing in integral multiples of \$1,000 or other specified denominations for foreign or composite currencies.

Each note will be in book entry form through The Depository Trust Company or certificated form.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We may offer the notes on a continuous basis through the agents listed below, who have agreed to use reasonable efforts to sell the notes. We may also sell the notes to the agents as principal for resale at terms agreed to by us. If we sell all of the notes, we expect to receive proceeds of between \$774,031,250 and \$769,187,500 after paying the agents' discounts and commissions of between \$968,750 and \$5,812,500. However, the agents' discounts and commissions may exceed these amounts with respect to sales of notes with stated maturities of 30 years or more.

MORGAN STANLEY

CITI

GOLDMAN, SACHS & CO.

ABN AMRO INCORPORATED

BANC OF AMERICA SECURITIES LLC

KEYBANC CAPITAL MARKETS INC.

September 17, 2007

Table of Contents**TABLE OF CONTENTS**

	Page
Prospectus Supplement	
<u>About This Prospectus Supplement; Pricing Supplements</u>	S-1
<u>Important Currency Exchange Information</u>	S-1
<u>Description of Notes</u>	S-1
<u>Foreign Currency Risks</u>	S-19
<u>Material U.S. Federal Income Tax Considerations</u>	S-20
<u>Plan of Distribution</u>	S-30
<u>Validity of the Notes</u>	S-31
Prospectus	
<u>About This Prospectus</u>	1
<u>Parker-Hannifin Corporation</u>	1
<u>Risk Factors</u>	2
<u>Disclosure about Forward-Looking Statements</u>	2
<u>Where You Can Find More Information</u>	2
<u>Information We Incorporate by Reference</u>	3
<u>Use of Proceeds</u>	4
<u>Ratio of Earnings to Fixed Charges</u>	4
<u>Description of Debt Securities</u>	4
<u>Description of Capital Stock</u>	18
<u>Description of Depositary Shares</u>	24
<u>Description of Warrants</u>	26
<u>Description of Stock Purchase Contracts and Stock Purchase Units</u>	27
<u>Plan of Distribution</u>	28
<u>Legal Matters</u>	30
<u>Experts</u>	30

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement and the date of the accompanying prospectus, regardless of the time of delivery of this prospectus supplement or any sale of the medium-term notes, series A.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT; PRICING SUPPLEMENTS

We may use this prospectus supplement, together with the accompanying prospectus and an attached pricing supplement, to offer our medium-term notes, series A, from time to time. The total initial offering price of notes that may be offered by this prospectus supplement is \$775,000,000.

This prospectus supplement sets forth the terms of the medium-term notes, series A, that we may offer. It supplements the description of the debt securities contained in the accompanying prospectus. If any particular term of our medium-term notes, series A, described in this prospectus supplement is inconsistent with any general terms described in the accompanying prospectus, the particular term described in this prospectus supplement will control. Capitalized terms used but not defined in this prospectus supplement have the meanings set forth in the accompanying prospectus or the indenture under which the notes are issued. References in this prospectus supplement to notes are only to the medium-term notes, series A, we may issue under this prospectus supplement and not to any other notes we may issue under the accompanying prospectus.

Each time we issue notes, we will attach a pricing supplement to this prospectus supplement. The pricing supplement will contain the specific description of the notes being offered and the terms of the offering. The pricing supplement may also add, update or change information in this prospectus supplement or the accompanying prospectus. If any information in the pricing supplement is inconsistent with this prospectus supplement, the information in the pricing supplement will control.

You should read and consider all information contained in this prospectus supplement and the accompanying prospectus and pricing supplement in making your investment decision. You should also read and consider the information in the documents we have referred you to in *Where You Can Find More Information* on page 2 of the accompanying prospectus.

IMPORTANT CURRENCY EXCHANGE INFORMATION

Purchasers are required to pay for the notes in U.S. dollars, and payments of principal, premium, if any, and interest on the notes will also be made in U.S. dollars, unless the applicable pricing supplement provides that purchasers are instead required to pay for the notes in a specified currency, and/or that payments of principal, premium, if any, and interest on the notes will be made in a specified currency. Currently, there are limited facilities in the United States for the conversion of U.S. dollars into foreign or composite currencies and vice versa. In addition, most banks do not currently offer non-U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, unless otherwise specified in a pricing supplement or unless alternative arrangements are made, payment of principal, premium, if any, and interest on notes in a specified currency other than U.S. dollars will be made to an account at a bank outside the United States. See *Description of Notes* and *Foreign Currency Risks*.

If the applicable pricing supplement provides for payments of principal of and interest on a non-U.S. dollar denominated note to be made in U.S. dollars or for payments of principal of and interest on a U.S. dollar denominated note to be made in a specified currency other than U.S. dollars, the conversion of the specified currency into U.S. dollars or U.S. dollars into the specified currency, as the case may be, will be handled by the exchange rate agent identified in the pricing supplement. Any agent may act, from time to time, as exchange rate agent. The costs of conversion will be borne by the holder of a note through deductions from the payments.

DESCRIPTION OF NOTES

The following description of the material terms of the notes offered by this prospectus supplement is in addition to, and if inconsistent replaces, the description and general terms of the notes set forth under *Description of Debt Securities* in the accompanying prospectus. The terms and conditions set forth in this section will apply to each note unless otherwise specified in the applicable pricing supplement and in that note.

Table of Contents

General

We will issue the notes under an Indenture, dated as of May 3, 1996, between us and Wells Fargo Bank, N.A. (as successor to National City Bank), as trustee. We may also issue other debt securities, in addition to the medium-term notes, series A, under the Indenture. The notes will rank equal to all of our other unsecured and unsubordinated indebtedness. The notes may be issued from time to time in an aggregate principal amount of up to \$775,000,000 or the equivalent thereof in one or more foreign or composite currencies. The Indenture allows us to reopen a series of securities, including the notes, and issue additional securities of that series without the consent of the holders of the series.

For the purpose of this prospectus supplement:

the principal amount of any original issue discount note (as defined below) means the issue price (as defined below) of that note; and

the principal amount of any note issued in a foreign or composite currency means the U.S. dollar equivalent on the date of issue of the issue price of that note.

The notes will mature on any day nine months or more from the date of issue, as set forth in the applicable pricing supplement. Except as may be provided in the applicable pricing supplement, the notes will be issued only in fully registered form in denominations of \$1,000 each.

We may, from time to time, without the consent of the then existing holders of a series of notes, reopen the series of notes and issue additional notes with the same term (except the issue price and issue date, but including maturity and interest payment terms) as notes issued on an earlier date. After the additional notes are issued, they will be fungible with the previously issued notes to the extent set forth in the applicable pricing supplement.

The notes will be offered on a continuing basis, and each note will be issued initially as either a global note or a definitive note. Except as set forth in the accompanying prospectus under **Description of Debt Securities Global Securities**, global notes will not be issuable as definitive notes. The laws of some states may require that certain purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair your ability to own, transfer or pledge beneficial interests in global securities. See **Book-Entry System** below.

We will maintain an agency in New York, New York for the presentation of notes for payment of principal and interest, registration of notes for transfer and exchange of the notes. However, global notes will be exchangeable only in the manner and to the extent set forth in the accompanying prospectus under **Description of Debt Securities Global Securities**. On the date of this prospectus supplement, the paying agent for the payment, transfer and exchange of the notes is Wells Fargo Bank, N.A. acting through its corporate trust office at 625 Marquette Avenue; N9311-110, Minneapolis, MN 55479.

The applicable pricing supplement will specify:

the issue price of each note to be sold pursuant to that pricing supplement (unless the note is to be sold at 100% of its principal amount);

the interest rate or interest rate formula;

maturity;

currency;

principal amount; and

any other terms on which each note will be issued.

S-2

Table of Contents

Certain Definitions

Unless otherwise provided in the applicable pricing supplement, the following terms will have the meanings set forth below:

Authorized denominations means:

with respect to notes denominated in U.S. dollars, U.S. \$1,000 or integral multiples of U.S. \$1,000 above that; and

with respect to notes denominated in foreign or composite currencies, the equivalent of \$1,000 (rounded to an integral multiple of 1,000 units of the specified currency), or integral multiples of 1,000 units above that of the specified currency, as determined by reference to the market exchange rate (as defined below) for the specific currency on the business day (as defined below) immediately preceding the date of issuance.

Business day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law or executive order to close in New York City, and

with respect to LIBOR notes, is also a London banking day (as defined below);

with respect to notes denominated in a specified currency other than U.S. dollars, euros or Australian dollars, in the principal financial center of the country of the specified currency;

with respect to notes denominated in euros, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor system is open for business; and

with respect to notes denominated in Australian dollars, in Sydney.

Depository means The Depository Trust Company.

Index currency means the currency specified in the applicable pricing supplement as the currency for which LIBOR shall be calculated. If no currency is specified in the applicable pricing supplement, the index currency will be U.S. dollars.

Interest payment date, with respect to any note, means the date on which, under the terms of the note, regularly scheduled interest is payable.

Issue price means the first price at which each note is sold to the public pursuant to a pricing supplement.

London banking day means any day on which dealings in deposits in the index currency are transacted in the London interbank market.

Market exchange rate means the noon dollar buying rate in New York City for cable transfers of a specified currency published by the Federal Reserve Bank of New York.

Original issue discount note means any note that provides for an amount less than the principal amount to be due and payable upon a declaration of acceleration of the maturity pursuant to the Indenture.

Record date, with respect to any interest payment date, means the date 15 calendar days prior to that interest payment date, whether or not that date is a business day.

Interest and Principal Payments

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We will pay interest to the person in whose name the note is registered at the close of business on the applicable record date. However, we will pay the interest payable upon maturity, redemption or repayment,

S-3

Table of Contents

whether or not the date of maturity, redemption or repayment is an interest payment date, to the person to whom principal is payable.

We will pay the initial interest payment on a note on the first interest payment date falling after the date the note is issued. However, unless otherwise specified in the applicable pricing supplement, we will make payments of interest or, in the case of an amortizing note, principal and interest, on a note issued less than 15 calendar days before an interest payment date on the next succeeding interest payment date to the holder of record on the record date with respect to that succeeding interest payment date.

We will make U.S. dollar denominated payments of interest, other than interest payable at maturity or on the date of redemption or repayment if we redeem or repay a note before maturity, by check mailed to the address of the person entitled to the interest payment as shown on the note register. We will make U.S. dollar denominated payments of principal, premium, if any, and interest upon maturity, redemption or repayment in immediately available funds against presentation and surrender of the note. Notwithstanding the foregoing:

the depository, as holder of global notes, will be entitled to receive payments of interest by wire transfer of immediately available funds; and

a holder of U.S. \$10,000,000 (or the equivalent) or more in aggregate principal amount of definitive notes having the same interest payment date will be entitled to receive payments of interest by wire transfer of immediately available funds upon written request to the paying agent, provided the request is received not later than 15 calendar days prior to the applicable interest payment date.

Unless otherwise specified in the applicable pricing supplement, a beneficial owner of global notes denominated in a specified currency electing to receive payments of principal or any premium or interest in a currency other than U.S. dollars must notify the participant through which its interest is held on or before the applicable record date, in the case of a payment of interest, and the 16th day prior to maturity, in the case of principal or premium, of a beneficial owner's election to receive all or a portion of the payment in a specified currency. The participant must notify the depository of the election on or before the third business day after the applicable record date. The depository will notify the paying agent of the election on or before the fifth business day after such record date. If complete instructions are received by the participant and forwarded by the participant to the depository, and by the depository to the paying agent, on or before those dates, the beneficial owner will receive payments in the specified currency by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States. Otherwise, the beneficial owner will receive payments in U.S. dollars.

Certain notes we may issue, including original issue discount notes, may be considered to be issued with original issue discount, which must be included in income for U.S. federal income tax purposes under a constant yield method. See **Material U.S. Federal Income Tax Considerations Tax Consequences to Holders Original Issue Discount Notes** below. Unless otherwise specified in the applicable pricing supplement, if the principal of any original issue discount note is declared to be due and payable immediately as described under **Description of Debt Securities Events of Default** in the accompanying prospectus, the amount of principal due and payable with respect to any original issue discount note will be limited to the aggregate principal amount of the note multiplied by the sum of its issue price (expressed as a percentage of the aggregate principal amount) plus the original issue discount amortized from the date of issue to the date of declaration. The amortization will be calculated using the **interest method** computed in accordance with generally accepted accounting principles in effect on the date of declaration. Special considerations applicable to any original issue discount notes will be set forth in the applicable pricing supplement.

Payment Currency

If the applicable pricing supplement provides for payments of interest and principal on a non-U.S. dollar denominated note to be made, at the option of the holder of the note, in U.S. dollars, we will cause conversion of

Table of Contents

the specified currency into U.S. dollars to be made. The exchange rate agent will determine the conversion ratio based on the highest bid quotation in New York City received by the exchange rate agent at approximately 11:00 a.m., New York City time, on the second business day preceding the applicable payment date. The exchange rate agent will determine the highest bid quotation by receiving bid quotations from three recognized foreign exchange dealers, one of which may be the exchange rate agent, for the purchase by the quoting dealer of the specified currency for U.S. dollars for settlement on each payment date in the aggregate amount of the specified currency payable to the holders of notes and at which the applicable dealer commits to execute a contract. If these bid quotations are not available, payments will be made in the specified currency. All currency exchange costs will be borne by the holders of notes through deductions from the payments made.

Except as set forth below, if the principal of, premium, if any, or interest on, any note is payable in a specified currency other than U.S. dollars and the specified currency:

is not available to us for making payments due to the imposition of exchange controls or other circumstances beyond our control;

is no longer used by the government of the country issuing the currency; or

is no longer used for the settlement of transactions by public institutions within the international banking community, then we will be entitled to satisfy our obligations to holders of the notes by making payments in U.S. dollars on the basis of the market exchange rate on the date of the payment or, if the market exchange rate is not available on that date, as of the most recent practicable date. Any payment made under these circumstances in U.S. dollars where the required payment is in a specified currency other than U.S. dollars will not constitute an event of default as described under Description of Debt Securities Events of Default in the accompanying prospectus.

All determinations referred to above made by us or our agent will be at our sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on holders of notes.

Fixed Rate Notes

Each fixed rate note we issue will bear interest from the date of issuance at the annual rate stated on its face, except as described below under Extension of Maturity, until the principal of the note is paid or made available for payment. Unless otherwise specified in the applicable pricing supplement:

interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months;

payments of interest on fixed rate notes other than amortizing notes will be made semiannually on January 1 and July 1 of each year and at maturity or upon any earlier redemption or repayment;

payments of principal and interest on amortizing notes, which are securities on which payments of principal and interest are made in equal installments over the life of the security, will be made either quarterly on January 1, April 1, July 1 and October 1, or semiannually on January 1 and July 1, as set forth in the applicable pricing supplement, and at maturity or upon any earlier redemption or repayment; and

payments with respect to amortizing notes will be applied first to interest due and payable and then to the reduction of the unpaid principal amount.

A table setting forth repayment information in respect of each amortizing note will be provided to the original purchaser and will be available, upon request, to subsequent holders.

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If any interest payment date for any fixed rate note falls on a day that is not a business day, the interest payment will be made on the next succeeding business day, and no interest on the payment will accrue for the period from and after the interest payment date. If the maturity, or date of redemption or repayment, of any fixed

S-5

Table of Contents

rate note falls on a day that is not a business day, the payment of interest and principal (and premium, if any) will be made on the next succeeding business day, and no interest on the payment will accrue for the period from and after the maturity date, or date of redemption or repayment.

Interest payments for fixed rate notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the interest payment date or the date of maturity or earlier redemption or repayment, as the case may be. We may change the interest rates we agree to pay, without notice, on any newly issued fixed rate notes, but any change on newly issued fixed rate notes will not affect any fixed rate notes previously issued or that we have agreed to issue.

Floating Rate Notes

Each floating rate note we issue will bear interest from the date of issuance until the principal is paid or made available for payment at a base rate determined by reference to an interest rate basis or formula, which may be adjusted by a spread and/or spread multiplier (each as defined below). The applicable pricing supplement will designate one or more of the following base rates, as applicable, to each floating rate note:

the CD rate;

the commercial paper rate;

the federal funds rate;

LIBOR;

the prime rate;

the treasury rate;

the CMT rate; or

another base rate or interest rate formula that is set forth in the pricing supplement and in the floating rate note.

The **index maturity** for any floating rate note is the period of maturity of the instrument or obligation from which the base rate is calculated and will be specified in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the interest rate on each floating rate note will be calculated by reference to the specified base rate plus or minus the spread, if any, and/or multiplied by the spread multiplier, if any. The **spread** is the number of basis points (one one-hundredth of a percentage point) specified in the applicable pricing supplement to be added to or subtracted from the base rate for the floating rate note. The **spread multiplier** is the percentage specified in the applicable pricing supplement to be applied to the base rate for the floating rate note.

As specified in the applicable pricing supplement, a floating rate note may also have either or both of the following:

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a maximum limit, or ceiling, on the rate of interest which may accrue during any interest period, which we refer to as maximum interest rate ; and

a minimum limit, or floor, on the rate of interest which may accrue during any interest period, which we refer to as minimum interest rate.

In addition to any maximum interest rate that may be applicable to any floating rate note, the interest rate on a floating rate note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by U.S. law of general application. Under current New York law, the maximum rate of interest, subject to certain exceptions, for any loan in an amount less than \$250,000 is 16% per year and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

S-6

Table of Contents

Interest Reset Dates. Unless otherwise specified in the applicable pricing supplement, the rate of interest on each floating rate note will be reset according to an interest reset period, which will be daily, weekly, monthly, quarterly, semiannually or annually. We refer to the first day of each interest reset period as an interest reset date. The applicable pricing supplement will specify the applicable interest reset period. Unless otherwise specified in the pricing supplement, the interest reset date will be:

in the case of floating rate notes which reset daily, each business day;

in the case of floating rate notes (other than treasury rate notes) which reset weekly, the Wednesday of each week; in the case of treasury rate notes which reset weekly, the Tuesday of each week, except as provided below;

in the case of floating rate notes which reset monthly, the third Wednesday of each month;

in the case of floating rate notes which reset quarterly, the third Wednesday of March, June, September and December;

in the case of floating rate notes which reset semiannually, the third Wednesday of two months of each year, as specified in the applicable pricing supplement; and

in the case of floating rate notes which reset annually, the third Wednesday of one month of each year, as specified in the applicable pricing supplement;

provided, that (a) the interest rate in effect from the date of issue to the first interest reset date with respect to a floating rate note will be the initial interest rate set forth in the applicable pricing supplement and (b) unless otherwise specified in the applicable pricing supplement, the interest rate in effect for the ten calendar days immediately prior to maturity, redemption or repayment will be the rule in effect on the tenth calendar day preceding the maturity, redemption or repayment date. If any interest reset date for any floating rate note is not a business day, the interest reset date will be postponed to the next succeeding business day, except that in the case of a LIBOR note, if such business day is in the next succeeding calendar month, the interest reset date will be the immediately preceding business day.

Interest Payment Dates. Except as provided below or as otherwise specified in the applicable pricing supplement, interest on floating rate notes will be payable on the following interest payment dates:

in the case of floating rate notes with a daily, weekly or monthly interest reset date, on the third Wednesday of each month or on the third Wednesday of March, June, September and December, as specified in the applicable pricing supplement;

in the case of floating rate notes with a quarterly interest reset date, on the third Wednesday of March, June, September and December;

in the case of floating rate notes with a semiannual interest reset date, on the third Wednesday of the two months specified in the applicable pricing supplement; and

in the case of floating rate notes with an annual interest reset date, on the third Wednesday of the month specified in the applicable pricing supplement.

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If any interest payment date for any floating rate note falls on a day that is not a business day, the interest payment date will be postponed to the next succeeding business day with respect to such floating rate note, except that, in the case of a LIBOR note, if the next succeeding business day is in the next succeeding calendar month, the interest payment date will be the immediately preceding business day. If the maturity date or any earlier redemption or repayment date of a floating rate note would fall on a day that is not a business day, the payment of principal, premium, if any, and interest will be made on the next succeeding business day, and no interest on such payment will accrue for the period from and after such maturity, redemption or repayment date, as the case may be.

S-7

Table of Contents

Interest Determination Dates. As used below, the interest determination date pertaining to the interest reset date for the floating rate notes we may issue is as follows:

for federal funds rate notes and prime rate notes, the business day preceding the relevant interest reset date;

for CD rate notes, commercial paper rate notes and CMT rate notes, the second business day preceding the relevant interest reset date;

for a LIBOR note, the second London banking day preceding the relevant interest reset date; and

for a treasury rate note, the day of the week in which the relevant interest reset date falls on which treasury bills (as defined below) would normally be auctioned. Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, but that auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is held on the preceding Friday, that Friday will be the interest determination date pertaining to the interest reset date occurring in the next succeeding week. If an auction falls on a day that is an interest reset date, such interest reset date will be the next following business day.

Unless otherwise specified in the applicable pricing supplement, the calculation date, where applicable, pertaining to an interest determination date will be the earlier of:

the tenth calendar day after that interest determination date, or, if such day is not a business day, the next succeeding business day; or

the business day preceding the applicable interest payment date or maturity date, as the case may be.

Calculation of Interest. Unless otherwise specified in the applicable pricing supplement, interest payments for floating rate notes will be the amount of interest accrued from and including the date of issue or from and including the last date to which interest has been paid to, but excluding, the interest payment date or maturity date or date of redemption or repayment.

Accrued interest on floating rate notes will be calculated by multiplying the principal amount of the floating rate note by an accrued interest factor. The accrued interest factor will be computed by adding the interest factor calculated for each day in the period for which interest is being paid. Unless otherwise specified in the applicable pricing supplement, the interest factor for each day in the period is computed by dividing the interest rate applicable to that day:

by 360, in the case of CD rate notes, commercial paper rate notes, federal funds rate notes, LIBOR notes and prime rate notes; or

by the actual number of days in the year, in the case of treasury rate notes and CMT rate notes.

All percentages used in or resulting from any calculation of the rate of interest on a floating rate note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% or .09876545 would be rounded to 9.87655% or .0987655 and 9.876544% or .09876544 would be rounded to 9.87654% or .0987654). All dollar amounts used in or resulting from the interest calculation on floating rate notes will be rounded to the nearest cent, with one-half cent rounded upward. The interest rate in effect on any interest reset date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding interest reset date or, if none, the initial interest rate.

Unless otherwise stated in the applicable pricing supplement, the calculation agent with respect to any issue of floating rate notes will be Wells Fargo Bank, N.A. Upon the request of the holder of any floating rate note, the calculation agent will provide the interest rate then in effect and, if

determined, the interest rate that will become effective on the next interest reset date with respect to the relevant floating rate note.

S-8

Table of Contents

Interest rates will be determined by the calculation agent as follows:

CD Rate Notes. CD rate notes will bear interest at the interest rate, calculated with reference to the CD rate and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the CD rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, CD rate means, the rate on any interest determination date for negotiable U.S. dollar certificates of deposit having the index maturity designated in the applicable pricing supplement as published by the Board of Governors of the Federal Reserve System in Statistical Release H.15(519), Selected Interest Rates, or any successor publication of the Board of Governors of the Federal Reserve System, which we refer to as H.15(519), under the heading CDs (Secondary Market).

If the CD rate cannot be determined as described above, then the following procedures will apply.

If that rate is not published by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date then the CD rate will be the rate on the interest determination date for negotiable U.S. dollar certificates of deposit of the index maturity designated in the applicable pricing supplement available through the world-wide web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication of the Board of Governors of the Federal Reserve System, which we refer to as H.15 Daily Update, under the heading CDs (Secondary Market).

If that rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the CD rate on the interest determination date will be calculated by the calculation agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the interest determination date for certificates of deposit in an amount that is representative for a single transaction at that time with a remaining maturity closest to the index maturity designated in the pricing supplement of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City selected by the calculation agent for negotiable U.S. dollar certificates of deposit of major U.S. money center banks.

If the dealers selected by the calculation agent are not quoting rates as set forth in the prior paragraph, the CD rate in effect for the applicable period will be the same as the CD rate for the immediately preceding interest reset period (or, if there was no such interest reset period, then the rate of interest payable will be the initial interest rate).

Commercial Paper Rate Notes. Commercial paper rate notes will bear interest at the interest rate, calculated with reference to the commercial paper rate and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the commercial paper rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, commercial paper rate means, the money market yield (as defined below) of the rate on any interest determination date for commercial paper having the index maturity specified in the applicable pricing supplement, as published in H.15(519), under the heading Commercial Paper Nonfinancial.

If the commercial paper rate cannot be determined as described above, then the following procedures will apply.

If that rate is not published by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the commercial paper rate will be the money market yield of the rate on that interest determination date for commercial paper of the specified index maturity as published in the H.15 Daily Update or another recognized electronic source used for the purpose of displaying the applicable rate, under the heading Commercial Paper Nonfinancial.

Table of Contents

If the rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the commercial paper rate will be the money market yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on the interest determination date of three leading dealers of commercial paper in New York City selected by the calculation agent for commercial paper of the specified index maturity, placed for an industrial issuer whose bond rating is AA, or the equivalent, from a nationally recognized statistical rating agency.

If the dealers selected by the calculation agent are not quoting offered rates as set forth in the prior paragraph, the commercial paper rate in effect for the applicable period will be the same as the commercial paper rate for the immediately preceding interest reset period (or, if there was no such interest rate period, then the rate of interest payable will be the initial interest rate).

The money market yield means a yield calculated in accordance with the following formula:

money market

$$\text{yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where D refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and M refers to the actual number of days for which interest is being calculated.

Federal Funds Rate Notes. Federal funds rate notes will bear interest at the interest rate, calculated with reference to the federal funds rate and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the federal funds rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, federal funds rate means, the rate on any interest determination date for U.S. dollar federal funds as published in H.15(519) under the heading Federal Funds (Effective), as that rate is displayed on Reuters Screen FEDFUNDS1. Reuters Screen means the display on Reuters Monitor Money Rate Services or any successor or replacement service, on the page or pages or any successor or replacement page or pages on that service.

If the federal funds rate cannot be determined as described above, then the following procedures will apply.

If that rate is no longer displayed on Reuters Screen FEDFUNDS1 by 3:00 p.m., New York City time, on the calculation date pertaining to such interest determination date, then the federal funds rate will be the rate on the relevant interest determination date as published in the H.15 Daily Update or another recognized electronic source used for the purpose of displaying the applicable rate, under the heading Federal Funds (Effective Rate).

If that rate does not appear on Reuters Screen FEDFUNDS1 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the federal funds rate for that interest determination date will be calculated by the calculation agent and will be the arithmetic mean of the rates for the last transaction in overnight federal funds, as of 9:00 a.m., New York City time, on that interest determination date, arranged by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the calculation agent.

If the brokers selected by the calculation agent are not quoting rates as set forth in the prior paragraph, the federal funds rate in effect for the applicable period will be the same as the federal funds rate for the immediately preceding interest reset period (or, if there was no such interest rate period, then the rate of interest payable will be the initial interest rate).

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LIBOR Notes. LIBOR notes will bear interest at the interest rate, calculated with reference to LIBOR and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the LIBOR notes and in the applicable pricing supplement.

S-10

Table of Contents

Unless otherwise specified in the applicable pricing supplement, LIBOR for each interest determination date will be determined by the calculation agent as follows. As of the interest determination date, LIBOR will be the arithmetic mean of the offered rates appearing on the Reuters Screen LIBOR page (as defined below) (unless that page by its terms provides only for a single rate, in which case that single rate will be used) for deposits in the index currency having the index maturity designated in the applicable pricing supplement, commencing on the second London banking day immediately following that interest determination date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that interest determination date, if at least two such offered rates appear (unless only a single rate is required) on such Reuters Screen LIBOR Page.

If fewer than two offered rates referenced above appear, LIBOR in respect of the related interest determination date will be determined as follows:

The calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in the index currency for the period of the index maturity designated in the applicable pricing supplement, commencing on the second London banking day immediately following that interest determination date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative of a single transaction in the index currency in such market at such time. If at least two quotations are provided, LIBOR determined on the applicable interest determination date will be the arithmetic mean of these quotations.

If fewer than two quotations are provided, LIBOR determined on such interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. (or such other time specified in the applicable pricing supplement), in the applicable principal financial center for the country of the index currency on such interest determination date, by three major banks in that principal financial center selected by the calculation agent for loans in the index currency to leading European banks, having the index maturity designated in the applicable pricing supplement and in a principal amount that is representative for a single transaction in the index currency in such market at such time.

If the banks are not quoting as set forth in the prior paragraph, LIBOR in effect for the applicable period will be the same as LIBOR for the immediately preceding interest reset period (or, if there was no such interest reset period, then the rate of interest payable will be the initial interest rate).

Reuters Screen LIBOR Page means the display on the Reuters Monitor Money Rates Service, or any successor or replacement service, on the page designated as LIBOR01 or any successor or replacement page or pages for the purpose of displaying the London interbank rates of major banks for the applicable index currency.

Prime Rate Notes. Prime rate notes will bear interest at the interest rate calculated with reference to the prime rate and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the prime rate notes and in the applicable pricing supplement.

Table of Contents

Unless otherwise specified in the applicable pricing supplement, **prime rate** means, the rate set forth in H.15(519) on any interest determination date opposite the heading **Bank Prime Loan**.

If the prime rate cannot be determined as described above, then the following procedures will apply.

If that rate is not yet published by 3:00 p.m., New York City time, on the related calculation date pertaining to the relevant interest determination date, then the prime rate will be as published in the H.15 Daily Update, or another recognized electronic source used for the purpose of displaying that rate, under the heading **Bank Prime Loan**.

If that rate is not yet published in H.15(519), H.15 Daily Update, or another recognized electronic source by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the prime rate for the interest determination date will be the arithmetic mean of the rates of interest publicly announced by each bank named on the Reuters Screen USPRIME1 (as defined below) as such bank's prime rate or base lending rate as in effect for that interest determination date as quoted on the Reuters Screen USPRIME1 on that interest determination date.

If fewer than four rates appear on the Reuters Screen USPRIME1 for the interest determination rate, then the rate will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on that interest determination date by at least two of the three major money center banks in New York City selected by the calculation agent from which quotations are requested.

If the banks selected by the calculation agent are not quoting rates as set forth in the prior paragraph, the prime rate in effect for the applicable period will be the same as the prime rate for the immediately preceding interest reset period (or, if there was no such interest reset period, then the rate of interest payable will be the initial interest rate).

Reuters Screen USPRIME1 means the display designated as the USPRIME1 page on the Reuters Monitor Money Rates Services (or such other page as may replace the USPRIME1 on that service for the purpose of displaying prime rates or base lending rates of major U.S. banks).

Treasury Rate Notes. Treasury rate notes will bear interest at the interest rate calculated with reference to the treasury rate and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the treasury rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, **treasury rate** means, the rate for the auction held on any interest determination date of direct obligations of the United States **treasury bills**, having the index maturity designated in the applicable pricing supplement, as that rate appears on Reuters Screen US AUCTION 10111.

If the treasury rate cannot be determined as described above, then the following procedures will apply.

If that rate is no longer displayed on Reuters Screen US AUCTION 10111 by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the treasury rate will be the bond equivalent yield (as described below) for the type of treasury bill described above, as published in the H.15 Daily Update or another recognized electronic source used for the purpose of displaying such rate, under the heading **U.S. Government Securities/ Treasury Bills/ Auction High**.

If that rate is not yet published in the H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the treasury rate will be the bond equivalent yield of the auction rate, for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury.

Table of Contents

If the auction rate described in the prior paragraph is not so announced by the U.S. Department of Treasury, or if no such auction is held, then the treasury rate will be the bond equivalent yield of the rate set forth in H.15(519) for that interest determination date and for treasury bills having a remaining maturity closest to the index maturity designated in the applicable pricing supplement under the heading U.S. Government Securities/ Treasury Bills/ Secondary Market.

If the rate described in the prior paragraph is not yet published in H.15(519) by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, then the treasury rate will be the rate for that interest determination date and for the type of treasury bill described above, as published in H.15 Daily Update or such other recognized electronic source used for the purpose of displaying such rate under the heading U.S. Government Securities/ Treasury Bills/ Secondary Market.

If the rate described in the prior paragraph is not yet published in the H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, then the treasury rate will be the bond equivalent yield of the arithmetic mean of the secondary market bid rates as of approximately 3:30 p.m., New York City time, on that interest determination date, of three primary U.S. government securities dealers in New York City selected by the calculation agent for the issue of treasury bills with a remaining maturity closest to the index maturity designated in the applicable pricing supplement.

If the dealers selected by the calculation agent are not quoting bid rates as set forth in the prior paragraph, the treasury rate in effect for the applicable period will be the same as the treasury rate for the immediately preceding interest reset period (or, if there was no such interest rate period, then the rate of interest payable will be the initial interest rate).

The bond equivalent yield means a yield calculated in accordance with the following formula:

$$\text{bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where D refers to the applicable per annum rate for treasury bills quoted on a bank discount basis, N refers to 365 or 366, as the case may be, and M refers to the actual number of days for which interest is being calculated.

CMT Rate Notes. CMT rate notes will bear interest at the interest rate calculated with reference to the CMT rate and the spread and/or spread multiplier, if any, and subject to the minimum interest rate and the maximum interest rate, if any, specified in the CMT rate notes and in the applicable pricing supplement.

Unless otherwise indicated in an applicable pricing supplement, CMT rate means, with respect to any interest determination date, the rate displayed on the Designated CMT Reuters Page (as defined below) under the caption Treasury Constant Maturities Federal Reserve Board Release H.15 Mondays Approximately 3:45 p.m., under the column for the Designated CMT Maturity Index (as defined below) for:

if the Designated CMT Reuters Page is Reuters Screen FRBCMT the rate on that interest determination date; and