



July 27, 2010

Parker Hannifin Corporation
6035 Parkland Boulevard
Cleveland, Michigan 44124
Attention: Jason Lance, Corporate Tax Department

Dear Mr. Lance,

Please find enclosed a fully-executed copy of the Retention MEGA Credit Agreement for your records.

Again, thank you for choosing Michigan for Parker Hannifin Corporation. If you have any questions, please contact Nicholas Arcaro, MEGA Program Specialist, at 517.241.5499 or via e-mail at arcaron@michigan.org.

Sincerely,

A handwritten signature in cursive script that reads "Beth A. Weickel".

Beth A. Weickel
Administrative Assistant
Urban and Community Development

Enclosure

MEGA TAX CREDIT AGREEMENT: RETENTION CREDIT

Parker Hannifin Corporation

This Agreement is between the Michigan Economic Growth Authority (MEGA) and Parker Hannifin Corporation, an Ohio Corporation. As used in this Agreement, the Michigan Economic Growth Authority and Parker Hannifin Corporation are sometimes referred to individually as a "Party" and collectively as "Parties".

The Michigan Economic Growth Authority Act, 1995 PA 24, as amended, created the MEGA with the power to provide tax credits to businesses involved in manufacturing, mining, research and development, wholesale and trade, office operations, qualified high-technology business, film and digital media production, or certain tourism attractions;

The Michigan Legislature determined that it is in the public interest to promote economic growth and to encourage private investment, job creation and job upgrading for Michigan residents;

The MEGA determined that providing tax credits to the Company for job creation will promote and serve the intended purposes of and conform with the Act; and

The MEGA and the Company desire to set forth the terms and conditions of the tax credits that the MEGA authorized for the Company by Resolution dated April 20, 2010.

The Parties, therefore, agree as follows:

1.0 DEFINITIONS

(a) "Act" means the Michigan Economic Growth Authority Act, 1995 PA 24, as amended as of the date this MEGA Tax Credit is awarded.

(b) "Agreement" means this written agreement.

(c) "Application" means any information submitted to the MEGA in support of the Company's request for the MEGA Tax Credit.

(d) "Average Weekly Wage" means the total Salaries and Wages paid during the applicable Tax Year to employees performing Retained Jobs, divided by the number of weeks worked by those employees.

(e) "Business" means a proprietorship, joint venture, partnership, limited liability partnership, trust, business trust, syndicate, association, joint stock company, corporation, cooperative, limited liability company, or any other organization.

(f) "Certificate Application" means the written information submitted each Tax Year in support of the Company's request for a Tax Credit Certificate that complies with Section 7.0 of this Agreement.

(g) "Company" means Parker Hannifin Corporation with the federal employer identification number [REDACTED]. As of the Effective Date, Company is an authorized business under the Act.

(h) "Effective Date" means July 26, 2010.

(i) "Employer-paid Health Care Benefits" means all costs paid by employer for a self-funded health care benefit plan or for an expense-incurred hospital, vision, medical or surgical policy or certificate, nonprofit health care corporation certificate, or health maintenance organization contract. "Employer-paid Health Care Benefits" do not include accident-only, credit, dental, or disability income insurance; long-term care insurance; coverage issued as a supplement to liability insurance; coverage only for a specified disease or illness; worker's compensation or similar insurance; employee paid pre-tax benefit plans; or automobile medical payment insurance.

(j) "Facility" means the Company's location in Michigan identified in Section 2.0(b)(4) at which the Company will maintain Retained Jobs.

(k) "Full-time Job" means a job performed by an individual who is employed for consideration for at least 35 hours of work each week and for whom the Company, an employee leasing company or a professional employer organization on behalf of the Company or other entity authorized under the Act, withholds income and social security taxes.

(l) "MEGA" means the Michigan Economic Growth Authority created by the Act.

(m) "MEGA Tax Credit" means a credit against the Michigan Business Tax authorized by Section 431 of Public Act 36 of 2007, as amended.

(n) "Minimum Employment Level" means the minimum number of Full-time Jobs to be maintained by the Company in Michigan, as specified in Schedule A of this Agreement.

(o) "Person" means an individual or business.

(p) "Project" means the project described in Section 2.0(b)(4) of this Agreement.

(q) "Relocation" means the transfer of 33 percent or more of the Retained Jobs out of the State of Michigan.

(r) "Retained Job" means a Full-time Job maintained at the Facility held by a Michigan resident and that pays at least 150 percent of the federal minimum wage

(s) "Salaries and Wages" means wages, tips and other compensation reported in Box 1 of an employee's W-2 form for the payroll years that the employee worked. "Salaries and Wages" do not include severance pay.

(t) "Tax Credit Certificate" means the certificate required to be issued by 2007 PA 36, as amended, which states that the Company is an authorized business, the amount of the MEGA Tax Credit authorized for a Tax Year, and the Company's federal employer identification number or Michigan Treasury number.

(u) "Tax Year" means the calendar year, or the fiscal year ending during the calendar year, upon the basis of which the MEGA credit is computed. Multiple Michigan Business Tax filings in a calendar year do not count as multiple Tax Years.

(v) "Term" means the time period beginning with the Effective Date and ending on the last day of the last Tax Year in which the Company is eligible to receive a MEGA Tax Credit under this Agreement.

2.0 REPRESENTATIONS

(a) Representations by the MEGA. The MEGA makes the following representations and warranties as of the Effective Date:

(1) *Existence and Power.* The MEGA is a public body established and acting pursuant to the Act.

(2) *Authority.* The MEGA has the necessary authority under the Act to grant MEGA Tax Credits and has taken all actions necessary to authorize, execute and deliver this Agreement.

(3) *Tax Credit Certificate.* The MEGA will issue the Company's initial Tax Credit Certificate, in the form attached to this Agreement, upon execution of this Agreement.

(b) Representations by the Company. The Company makes the following representations and warranties as of the Effective Date:

(1) *Existence and Power.* The Company validly exists and is in good standing under the laws of the State of Ohio and is qualified to transact business in Michigan.

(2) *Corporate Authority.* The Company's execution, delivery and performance of this Agreement is authorized by all necessary corporate action and will not violate any provisions of law or of the Company's articles of incorporation or bylaws.

(3) *Full Disclosure.* Neither this Agreement nor the Application contain any untrue statement of or omit a material fact.

(4) *Project Description.* The Company will renovate their existing facility to include new machinery and equipment to service new contracts for hydraulics systems in new aircraft models and retain employees in the City of Kalamazoo, Kalamazoo County. The company believes that the Project is economically sound and affirms that the investment capital or financing needed to complete the Project is now committed or soon will be available to the Company. As of April 20, 2010, the Project had not begun.

(5) *Job Retention.* The Project will result in the retention of 608 Full-time Jobs, as required under the Act. The Company, or its related entities, agree to maintain a total statewide employment threshold of 1,227 full-time employees, including the 608 Retained Jobs at the Project. The Retained Jobs shall pay an Average Weekly Wage of at least \$1,114 and at no time will the wages paid for each of these Retained Jobs be less than 150 percent of the federal minimum wage in effect during the year in which the MEGA Tax Credit is sought.

(6) *Certification.* The Company made the certifications required by Section 8(3)(f) and 8(9)(c)-(f) of the Act, which are attached to the Agreement as Schedule B.

3.0 MEGA TAX CREDIT

The MEGA authorized the MEGA Tax Credit described in this Agreement for the Company, subject to the conditions specified in Section 4.0 of this Agreement and the Company's compliance with this Agreement.

(a) MEGA Tax Credit for Retained Jobs. The MEGA Tax Credit shall be equal to 100 percent of the Michigan personal income tax rate, as it exists at the beginning of the Company's Tax Year for which the credit is sought, multiplied by the total Salaries and Wages and Employer-paid Health Care Benefits, of employees performing Retained Jobs, multiplied by a fraction, the numerator is the new capital investment, as defined in the Act, during the Tax Year for which the credit is sought and the denominator is the number of Retained Jobs multiplied by \$100,000. The MEGA Tax Credit for the Retained Jobs cannot exceed 50 percent. The MEGA Tax Credit is authorized for five consecutive Tax Years, beginning with the Company's Tax Year ending June 30, 2013 and ending no later than June 30, 2017, except as provided under Section 3.0(b).

(1) No more than 608 Retained Jobs may be used in calculating the MEGA Tax Credit, as provided in Section 431 of 2007 PA 36; and

(2) The maximum amount of total Salaries and Wages that may be used in a single Tax Year in calculating the MEGA Tax Credit for any one Retained Job is \$250,000.

(b) Advancing the Scheduled Tax Years of the Credit. The Company may elect to begin the MEGA Tax Credit described in Section 3.0(a) in its Tax Year ending June 30, 2012. If the Company elects to advance the MEGA Tax Credit as provided in this Section, the last Tax Year in which the Company may receive the MEGA Tax Credit will be June 30, 2016.

4.0 CONDITIONS OF THE MEGA TAX CREDIT

(a) *Eligibility.* The Company shall not be eligible for the MEGA Tax Credit described in Section 3.0 of this Agreement unless:

(1) The Company retains at least 100 Retained Jobs;

(2) The Company, or its related entities, agree to maintain a total statewide employment threshold of 1,227 full-time employees, including the 608 Retained Jobs at the Project.

(3) The Average Weekly Wage paid to employees performing Retained Jobs is at least \$1,114;

(4) The Company agrees, as part of its certification, to use best efforts to maintain jobs in Michigan when making plant location and closing decisions, to meet annually with a Michigan Economic Development Corporation representative and to disclose its Minimum Employment Level numbers at all facilities when submitting its annual tax credit certificate application;

(5) The Company invested in the Facility, through construction, acquisition, transfer, purchase or contract, at least \$50,000 per Retained Job;

(6) The Company invests in the Facility, through construction, acquisition, transfer, purchase, contract or other method approved by the MEGA, at least \$5,000,000 on or before December 31, 2013;

(7) The Company pays the administrative fee described in Section 4.0(b);

(8) The Company obtains a Tax Credit Certificate, as provided in Section 5.0;

(9) The City of Kalamazoo approves a new property tax abatement related to the Project; and

(10) The Company participates in a MEGA technical assistance meeting with representatives of the MEDC, at a mutually agreed upon time, unless waived by the MEDC.

(b) *Administrative Fee.* The Company shall pay a one-time administrative fee of \$21,920 upon submission of its first Certificate Application.

5.0 TAX CREDIT CERTIFICATE

To obtain a Tax Credit Certificate in connection with the MEGA Tax Credit described in this Agreement, the Company shall for the applicable Tax Year:

(a) Retain and maintain the minimum number of Retained Jobs, as required by Schedule A of this Agreement;

To compute the number of Retained Jobs in any Tax Year, as determined in Section 3.0 and Schedule A, the Company shall determine the number of Retained Jobs as of the last day of each of the four quarters of the applicable Tax Year, total the results for the four quarters, and divide the sum by four.

(b) Pay at least the Average Weekly Wage provided in Section 4.0(a)(3) to employees in Retained Jobs;

(c) Pay each employee working in Retained Jobs a wage equal to or greater than 150 percent of the federal minimum wage in effect for the applicable Tax Year;

(d) Maintain the Minimum Employment Level stated on Schedule A. To compute the Minimum Employment Level in any year, the Company shall determine the Minimum Employment Level as of the last day of each of the four quarters of the applicable year, total the results for the four quarters, and divide the sum by four. The employee shall be in the Retained Job on the last day of the quarter, as determined by MEGA, to count for that quarter; and

(e) Provide a Certificate Application to the MEGA that satisfies the requirements of Section 7.0 of this Agreement.

The MEGA will not issue a Tax Credit Certificate if the MEGA, or the Office of the Chief Compliance Officer, determines that the Company is not in compliance with the Act, or other laws applicable to the Tax Certificate.

Provided that the Company satisfied the requirements of Section 4.0, the Company's failure to satisfy the requirements of this Section in any given Tax Year does not preclude the Company from qualifying for and obtaining a MEGA Tax Credit in any other Tax Year during the Term.

6.0 AUDIT AND VERIFICATION

The information provided by the Company in connection with the MEGA Tax Credit is subject to audit and verification by the MEGA, or its designee both prior to and after receiving a Tax Credit Certificate. Upon reasonable advance notice to the Company by the MEGA, the Company shall permit the MEGA, the Office of the Chief Compliance Officer, or their designee, at the MEGA's sole expense and during normal business hours, to inspect the Company's files solely for the purpose of verifying eligibility for the MEGA Tax Credits authorized for the Company. The files subject to inspection include, but are not limited to, those relevant to wage and hour records, Employer-paid Health Care Benefits records, job classification, job assignments and employment histories. To the extent permitted

under Section 5(3) of the Act, the Company may request confidential treatment of its financial or proprietary information retained by the MEGA in the course of its inspection.

7.0 ANNUAL CERTIFICATE APPLICATION

(a) For each Tax Year in which the Company seeks a MEGA Tax Credit under this Agreement, the Company shall complete a Certificate Application.

(b) The Company shall file the Certificate Application with the MEGA at least 90 days prior to the day the Company's Michigan Business Tax return is due to the Michigan Department of Treasury. If the Michigan Department of Treasury grants the Company an extension of the deadline to file its Michigan Business Tax Return for the applicable Tax Year, the Company shall notify the MEGA of the extension and the Certificate Application must be filed with the MEGA at least 90 days prior to the extended deadline.

(c) The form of the Certificate Application shall be as specified by the MEGA. The Certificate Application must contain the following information:

(1) The number of employees in the Minimum Employment Level as of the end of each of the four quarters, as determined by MEGA, in the applicable year;

(2) The number of Retained Jobs as of the end of each of the four quarters in the applicable year, as determined by the MEGA;

(3) The number of Full-time Jobs at all of the Company's locations in Michigan, excluding the Retained Jobs for which the Company is seeking the MEGA Tax Credit, as of the end of each of the four quarters in the applicable Tax Year;

(4) The total Salaries and Wages paid to and Employer-paid Health Care Benefits provided to employees who performed Retained Jobs during the applicable Tax Year by quarter;

(5) A certification by an authorized officer of the Company that the information provided in the Certificate Application is accurate;

(6) The total capital investment related to the Project for the applicable Tax Year; and

(7) Any other information reasonably related to determining the MEGA Tax Credit.

(d) Within 90 days of their receipt of the Certificate Application, the MEGA and the Office of the Chief Compliance Officer shall determine whether the requirements of this Agreement and the Act have been met and if so, will calculate the amount of the MEGA Tax Credit and issue a Tax Credit Certificate to the Company.

(e) For each Tax Year during the Term, the Company must submit a completed Certificate Application even if the requirements described in Section 5.0 are not satisfied for that Tax Year. If the Company does not satisfy the requirements in Section 5.0 for a particular Tax Year, the MEGA will not issue a Tax Credit Certificate for that Tax Year and one Tax Year of the MEGA Tax Credit is forfeited. The Company, however, will continue to be eligible for the MEGA Tax Credit in any remaining Tax Years of the Term in which the requirements of Section 5.0 are met subject to Section 8.0(a).

(f) The Company shall not use Social Security Numbers for documentation purposes at any time. Documents containing Social Security Numbers may not be used to satisfy any of the reporting requirements contained in this Agreement and the MEDC will destroy any documents provided by the Company that contain Social Security Numbers.

8.0 ADJUSTMENT, REDUCTION OR TERMINATION OF CREDITS

(a) If the Company does not initially satisfy the conditions described in Section 4.0 by June 30, 2015, this Agreement is void, the Company no longer qualifies as an authorized business, and no MEGA Tax Credits are, or will be, authorized under this Agreement.

(b) The Company's failure to comply with any provision of this Agreement, other than as a result of a clerical or technical error which is corrected upon its discovery, may result in revocation of the Company's designation as an authorized business or in the reduction or loss of any MEGA Tax Credits for which a Tax Credit Certificate has not been issued.

(c) A MEGA Tax Credit is subject to adjustment in any Tax Year following the Tax Year in which a Tax Credit Certificate is issued if the MEGA finds that the information on which the Tax Credit Certificate was based was incorrect or cannot be verified.

(d) If the MEGA determines that the Company misrepresented information in order to qualify for, or increase the amount of, a MEGA Tax Credit, the MEGA may revoke the Company's designation as an authorized business and shall notify the Michigan Department of Treasury of the revocation. The State of Michigan may require repayment of any MEGA Tax Credits received by the Company, plus a ten percent penalty, as a result of a misrepresentation.

(e) If the MEGA determines that the Company is not in compliance with any regulations of any Department of the State of Michigan including, but not limited to, the Department of Energy, Labor, and Economic Growth, the Department of Natural Resources and Environment, or the Department of Treasury, the MEGA may withhold the Tax Credit Certificate until the issue is resolved or until the MEGA is satisfied that the Company has taken the appropriate steps to resolve the issue.

(f) Prior to taking any adverse action against the Company under this Section, the MEGA shall provide the Company with written notice of its intended action and the basis for that action. The Company shall have a reasonable opportunity to respond, as identified in the notice.

9.0 REPAYMENT PROVISIONS

Should a Relocation occur, the following shall apply:

(a) If the Relocation occurs on or before the end of the fourth year from the year in which the Company first receives a MEGA Tax Credit under Section 3.0 and Schedule A of this Agreement, the Company shall repay 100 percent of the total amount of the MEGA Tax Credit received;

(b) If the Relocation occurs after the end of the fourth year and on or before the end of the fifth year from the year in which the Company first receives a MEGA Tax Credit under Section 3.0 and Schedule A of this Agreement, the Company shall repay up to 50 percent of the total amount of the MEGA Tax Credit received; and

(c) If the Relocation occurs within 12 months after the end of the fifth year from the year in which the Company first receives a MEGA Tax Credit under Section 3.0 and Schedule A of this

Agreement, the Company shall repay up to 50 percent of the total amount of the MEGA Tax Credit received.

This Section shall survive the termination of this Agreement.

10.0 MISCELLANEOUS

(a) *Reporting.* The Company shall provide the MEGA with information regarding its MEGA Tax Credit as the MEGA may reasonably require. The Company shall meet annually, at a mutually agreed upon time and location, with a Michigan Economic Development Corporation representative.

(b) *Assignment of MEGA Tax Credit.* The MEGA Tax Credit described in this Agreement shall not be transferred or assigned provided, however, that in the event of a merger, a Person acquires all or substantially all of the assets or stock of the Company in Michigan after the Effective Date, the MEGA shall authorize the transfer of the Company's rights under this Agreement to that Person if:

(1) The Person agrees in writing to assume all of the duties and responsibilities of the Company under this Agreement; and

(2) The MEGA determines that the transfer is consistent with and will serve the purposes of the Act.

(c) *Severability.* If any clause, provision, or section of this Agreement is held invalid by any court, the invalidity of that clause, provision, or section shall not affect the remaining clauses, provisions, or sections of this Agreement and this Agreement shall be construed and enforced as if such invalid clause, provision, or section had not been contained in this Agreement.

(d) *Notices.* All notices or other communications provided in connection with this Agreement shall be deemed received when delivered, if delivered by registered or certified mail, postage prepaid, return receipt requested, or by messenger or professional courier service, addressed as follows:

TO MEGA: Michigan Economic Development Corporation
Michigan Economic Growth Authority
300 North Washington Square
Lansing, Michigan 48913
ATTN: MEGA Board Secretary
E-mail address: mega-admin@michigan.org

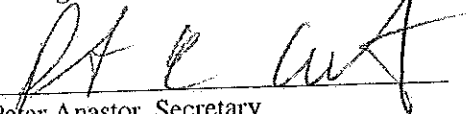
TO Company: Parker Hannifin Corporation
6035 Parkland Boulevard
Cleveland, Ohio 44124
ATTN: Corporate Tax Department
E-mail address: jason.lance@parker.com

(e) *Entire Agreement and Amendment.* Subject to the Act, this Agreement, including the attached Schedules, is the entire agreement between the Parties with respect to the subject matter described herein and supersedes any previous agreements. This Agreement may not be amended without the written consent of the Parties.

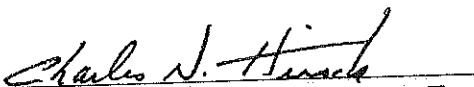
(f) *Captions.* The captions in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

(g) *Interpretation.* This Agreement shall be governed by and interpreted in accordance with the laws of the State of Michigan.

Michigan Economic Growth Authority


Peter Anastor, Secretary

Parker Hannifin Corporation


Charles N Hirsch, Director Corporate Taxes

Parker Hannifin Corporation
Schedule A
Minimum Employment and Wage Levels to Qualify for the MEGA Tax Credits

Year of Credit	Company's Tax Year Ending June 30	Minimum # of Retained Jobs, per Tax Year	Minimum Average Weekly Wage	Minimum Employment Level
1	2013*	100	\$1,114	1,227
2	2014	100	\$1,114	1,227
3	2015	100	\$1,114	1,227
4	2016	100	\$1,114	1,227
5	2017	100	\$1,114	1,227

*Should the Company elect to advance the scheduled Tax Years of the MEGA Tax Credit, as permitted under Section 3.0(b) of the Agreement, the Company's Tax Year Ending Tax Years listed on this table shall be considered advanced, accordingly.

Parker Hannifin Corporation
Schedule B

Parker Hannifin Corporation certifies that:

(1) It will follow a competitive bid process, open to all Michigan residents and firms, for the construction, rehabilitation, development or renovation of the Facility, and that it will not discriminate against any contractor on the basis of its affiliation or non-affiliation with any collective bargaining organization.

(2) It will make a good faith effort to employ, if qualified, Michigan residents at the Facility.

(3) It will make a good faith effort to employ or contract with Michigan residents and firms to construct, rehabilitate, develop or renovate the Facility.

(4) It is encouraged to make a good faith effort to utilize Michigan-based suppliers and vendors when purchasing goods and services.

(5) Without the MEGA Tax Credits and the capital investment described in the Agreement, the Facility is at risk of closing and the work and jobs would be removed to a location outside of the state of Michigan.

(6) Its management or ownership is committed to improving the long-term viability of the Facility in meeting the national and international competition facing the facility through better management techniques; best practices, including, but not limited to, state of the art lean manufacturing practices; and market diversification.

(7) It will make best efforts to keep jobs in Michigan when making facility location and closing decisions.

(8) The Facility's workforce demonstrates its commitment to improving productivity and profitability at the Facility through various means.

Certified on July 22, 2010



Charles N Hirsch, Director Corporate Taxes

Certificate Number
00-640-10

Initial Tax Credit Certificate
Parker Hannifin Corporation

Issued this 27 day of July, 2010, by the

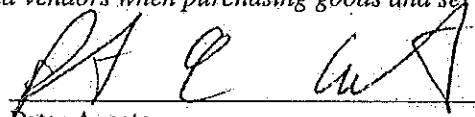
Michigan Economic Growth Authority

To Parker Hannifin Corporation, Employer Identification Number [REDACTED] an Authorized Business pursuant to Public Act 24 of 1995, as amended.

The MEGA authorizes to Parker Hannifin Corporation a MEGA Tax Credit for Retained Jobs of 50 percent for five consecutive Tax Years, beginning with the Company's Tax Year ending on June 30, 2013, under Section 431 of Public Act 36 of 2007.

The Michigan Legislature encourages recipients of MEGA Tax Credits to make a good faith effort to use Michigan-based suppliers and vendors when purchasing goods and services.

By:



Peter Anastor
Secretary of the MEGA Board