UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended
September 30, 2000 Commission file number 0-21835

SUN HYDRAULICS CORPORATION
(Exact Name of Registration as Specified in its Charter)

FLORIDA	59-2754337
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1500 WEST UNIVERSITY PARKWAY SARASOTA, FLORIDA	34243
(Address of Principal Executive Offices)	(Zip Code)

941/362-1200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

The Registrant had 6,384,948 shares of common stock, par value $.001, outstanding as of October 30, 2000.

Sun Hydraulics Corporation
INDEX
For the second quarter ended September 30, 2000

<TABLE>
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PART I: FINANCIAL INFORMATION
Item 1.

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	SEPTEMBER 30, 2000 (UNAUDITED) <C>	JANUARY 1, 2000 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,150	$ 1,122
Accounts receivable, net of allowance for doubtful accounts of $156 and $196	7,113	6,260
Inventories	8,873	8,131
Taxes receivable	--	455
Other current assets	426	591
	-------	-------
Total current assets	18,562	16,559
Property, plant and equipment, net	45,546	46,529
Other assets	1,041	986
	-------	-------
Total assets	$65,149	$64,074
	=======	=======
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,005	$ 2,712
Accrued expenses and other liabilities	2,289	1,464
Long-term debt due within one year	1,795	3,033
Notes payable to related parties due within one year	135	378
Dividends payable	255	255

Taxes payable	148	--
	-------	-------
Total current liabilities	6,627	7,842
Long-term debt due after one year	10,372	10,830
Notes payable to related parties due after one year	66	101
Deferred income taxes	4,101	4,125
Other noncurrent liabilities	490	--
	-------	-------
Total liabilities	21,656	22,898
	-------	-------
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	--	--
Common stock	6	6
Capital in excess of par value	24,486	24,486
Retained earnings	18,661	16,173
Accumulated other comprehensive income	340	511
	-------	-------
Total shareholders' equity	43,493	41,176
	-------	-------
Total liabilities and shareholders' equity	$65,149	$64,074
	=======	=======

</TABLE>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999
	-------------	----------
	(UNAUDITED)	
<S>	<C>	<C>
NET SALES	$19,973	$17,664
Cost of sales	14,465	13,174
	-------	-------
GROSS PROFIT	5,508	4,490
Selling, engineering and administrative expenses	3,621	3,157
	-------	-------
OPERATING INCOME (LOSS)	1,887	1,333
Interest expense	293	264
Miscellaneous expense (income)	44	178
	-------	-------
INCOME (LOSS) BEFORE INCOME TAXES	1,550	891
Income tax provision	528	303
	-------	-------

NET INCOME (LOSS)	$ 1,022	$ 588
	=======	=======
BASIC NET INCOME PER COMMON SHARE	$ 0.16	$ 0.09
WEIGHTED AVERAGE SHARES OUTSTANDING	6,385	6,384
DILUTED NET INCOME PER COMMON SHARE	$ 0.16	$ 0.09
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,540	6,536

</TABLE>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999
	-------------	----------
	(UNAUDITED)	
<S>	<C>	<C>
NET SALES	$61,938	$52,050
Cost of sales	45,127	40,100
	-------	-------
GROSS PROFIT	16,811	11,950
Selling, engineering and administrative expenses	10,831	9,317
	-------	-------
OPERATING INCOME	5,980	2,633
Interest expense	896	693
Miscellaneous (income) expense	184	312
	-------	-------
INCOME BEFORE INCOME TAXES	4,900	1,628
Income tax provision	1,645	532
	-------	-------
NET INCOME	$ 3,255	$ 1,096
	=======	=======
BASIC NET INCOME PER COMMON SHARE	$ 0.51	$ 0.17
WEIGHTED AVERAGE SHARES OUTSTANDING	6,385	6,378
DILUTED NET INCOME PER COMMON SHARE	$ 0.50	$ 0.17
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,539	6,531

</TABLE>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(IN THOUSANDS)

<TABLE>
<CAPTION>

	SHARES	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 2000	6,385	$ 6	$ 24,486	$ 16,173	$ 511	$ 41,176
Dividends declared				(767)		(767)
Comprehensive income:						
Net income				3,255		3,255
Foreign currency translation adjustments					(171)	(171)

Comprehensive income						3,084
	-----	-------	------------	----------	--------	--------
Balance, September 30, 2000 (unaudited)	6,385	$ 6	$ 24,486	$ 18,661	$ 340	$ 43,493
	=====	=======	============	==========	========	========

</TABLE>

The accompanying Notes to the Consolidated Financial Statements
are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED OCTOBER 2, 1999
	-------------	----------
	(UNAUDITED)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 3,255	$ 1,096
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,192	3,705
(Gain)/Loss on disposal of assets	276	139
Compensation expense-stock issued		13
Provision for deferred income taxes	(24)	(3)
(Increase) decrease in:		
Accounts receivable	(813)	(1,238)
Allowance for doubtful accounts	(40)	(170)
Inventories	(742)	888
Income tax receivable, net	320	--
Other current assets	165	139
Other assets	3	(8)
Increase (decrease) in:		
Accounts payable	(707)	(550)
Accrued expenses and other liabilities	825	(432)
Income taxes payable, net	283	(270)
Other liabilities	490	--
	-------	--------

Net cash provided by operating activities	7,483	3,309
Cash flows from investing activities:		
Investment in acquisition and joint venture	(100)	--
Capital expenditures	(3,545)	(5,517)
Proceeds from dispositions of equipment	102	56
Net cash used in investing activities	(3,543)	(5,461)
Cash flows from financing activities:		
Proceeds from debt	2,999	10,357
Repayment of debt	(4,695)	(7,697)
Repayment of notes payable to related parties	(278)	(568)
Proceeds from exercise of stock options	--	75
Dividends to shareholders	(767)	(764)
Net cash provided by (used in) financing activities	(2,741)	1,403
Effect of exchange rate changes on cash and cash equivalents	(171)	244
Net increase (decrease) in cash and cash equivalents	1,028	(505)
Cash and cash equivalents, beginning of period	1,122	1,592
Cash and cash equivalents, end of period	$ 2,150	$ 1,087
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest (including amounts capitalized)	$ 896	$ 777
Income taxes	$ 1,065	$ 805
Non-cash tax effect of non-qualified stock options	$ --	$ 12
Stock issued to employees	$ --	$ 13

</TABLE>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands except per share data)

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, certain information and footnotes required by generally accepted accounting principles for complete financial statements are not included herein. The financial statements are prepared on a consistent basis (including normal recurring adjustments) and should be read in conjunction with the consolidated financial statements and related notes contained in the Annual Report on Form 10-K for the fiscal year ended January 1, 2000, filed by Sun Hydraulics Corporation (the "Company") with the Securities and Exchange Commission on March 8, 2000.

2. BUSINESS

Sun Hydraulics Corporation and its wholly owned subsidiaries (the "Company") design, manufacture, and sell screw-in cartridge valves and manifolds used in hydraulic systems. The Company has facilities in the United States, the United Kingdom, Germany, and Korea. Sun Hydraulics Corporation ("Sun Hydraulics"), with its main offices located in Sarasota, Florida, designs, manufactures and sells primarily through independent distributors. Sun Hydraulik Holdings Limited ("Sun Holdings"), a wholly owned subsidiary of Sun Hydraulics, was formed to provide a holding company vehicle for the European market operations; its wholly owned subsidiaries are Sun Hydraulics Limited (a British corporation, "Sun Ltd.") and Sun Hydraulik GmbH (a German corporation, "Sun GmbH"). Sun Ltd. operates a manufacturing and distribution facility located in Coventry, England, and Sun GmbH, located in Erkelenz, Germany, designs, manufactures and markets the Company's products in German-speaking European markets. Sun Hydraulics Korea Corporation ("Sun Korea"), a wholly owned subsidiary of Sun Hydraulics, located in Inchon, Korea, operates a manufacturing and distribution facility.

3. LONG-TERM DEBT (in thousands)

On July 23, 2000, the Company replaced its $5,000 unsecured, revolving credit facility with a two year, unsecured, revolving credit facility of $7,500 and converted the outstanding balance of $5,677 on its $7,500 secured, revolving credit facility to a four year, secured, term loan. The $7,500 credit facility has an interest rate equal to the bank lender's prime rate less 1% or LIBOR plus 1.9% for predetermined periods of time, at the Company's option. The term loan has an interest rate equal to the bank lender's prime rate less 1%. At September 30, 2000, the interest rate for both facilities was 7.99%. At September 30, 2000, the balances outstanding on the unsecured and secured facilities were $0 and $5,476, respectively. Both credit facilities are subject to certain debt covenants.

In April 2000, the Company obtained a loan in Korea for approximately $107, secured by equipment. The loan has a variable interest rate of between 3% and 5%; the current rate on the loan is 4%. Terms are monthly interest payments only through April 2003, and monthly principal and interest payments from May 2003 through April 2006.

On September 8, 2000, the Company obtained a loan in Korea for approximately $90, secured by equipment. The loan has a fixed interest rate of 10.2%. Monthly payments of interest and principle begin in November 2000, with the final payment due in September 2001.

4. COMPREHENSIVE INCOME

In addition to net income, comprehensive income includes certain amounts recorded directly in equity. The components of comprehensive income, net of related income tax effects, for the third quarter and year-to-date periods, were as follows (in thousands):

<TABLE>
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	Three Months ended		Nine Months Ended	
	September 30, 2000	October 2, 1999	September 30, 2000	October 2, 1999
<S>	<C>	<C>	<C>	<C>
Net Income	$1,022	$588	$3,255	$1,096
Foreign currency translation adjustments (net of taxes)	44	192	(171)	244
Comprehensive income	$1,066	$780	$3,084	$1,340

</TABLE>

5. SEGMENT REPORTING

The Company has adopted Statement of Accounting Standards No. 131, "Disclosures about Segments of Enterprise and Related Information" ("SFAS 131"). This approach designates the internal organization that is used by management for making operational decisions and addressing performance as the source of determining the Company's reportable segments. Management bases its financial decisions by the geographical location of its operations.

The individual subsidiaries comprising the Company operate predominantly in a single industry as manufacturers and distributors of hydraulic components. The subsidiaries are multinational with operations in the United States, the United Kingdom, Germany, and Korea. In computing operating profit for the foreign subsidiaries, no allocations of general corporate expenses have been made.

Identifiable assets of the foreign subsidiaries are those assets related to the operation of those companies. United States assets consist of all other operating assets of the Company.

Segment information is as follows:

<TABLE>
<CAPTION>

	United States	Korea	United Kingdom	Germany	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED SEPTEMBER 30, 2000						
Sales to unaffiliated customers	$ 13,614	$ 1,488	$ 3,305	$ 1,566	$ --	$ 19,973
Intercompany sales	2,959	--	471	8	(3,438)	--
Operating profit	1,156	112	568	96	(45)	1,887
Depreciation and amortization	1,068	44	222	70	--	1,404
Capital expenditures	619	24	116	(395)	--	364
THREE MONTHS ENDED OCTOBER 2, 1999						
Sales to unaffiliated customers	$ 12,700	$ 1,052	$ 2,653	$ 1,259	$ --	$ 17,664
Intercompany sales	2,108	--	546	11	(2,665)	--
Operating profit	917	14	339	70	(7)	1,333
Depreciation expense	946	37	205	77	-	1,265
Capital expenditures	1,816	8	534	24	-	2,382
NINE MONTHS ENDED SEPTEMBER 30, 2000						
Sales to unaffiliated customers	$ 43,032	$ 4,343	$ 9,905	$ 4,658	$ --	$ 61,938
Intercompany sales	8,885	--	1,429	23	(10,337)	--
Operating profit	4,090	277	1,418	275	(80)	5,980
Identifiable assets	49,709	3,363	8,862	5,654	(2,439)	65,149
Depreciation and amortization	3,214	117	660	201	--	4,192
Capital expenditures	2,558	430	713	(156)	--	3,545
NINE MONTHS ENDED OCTOBER 2, 1999						
Sales to unaffiliated customers	$ 36,933	$ 2,926	$ 8,240	$ 3,951	$ --	$ 52,050
Intercompany sales	5,945	--	1,627	25	(7,597)	--
Operating profit	1,226	51	1,007	253	96	2,633
Identifiable assets	47,126	2,753	8,689	6,299	(2,348)	62,519
Depreciation expense	2,806	56	609	234	--	3,705
Capital expenditures	4,007	54	1,090	366	--	5,517

</TABLE>

Operating profit is total sales and other operating income less operating expenses. In computing segment operating profit, interest expense and net miscellaneous income (expense) have not been deducted (added).

Included in U.S. sales to unaffiliated customers were export sales, principally to Canada and Asia, of $5,150 and $4,102 during the nine months ended September 30, 2000, and October 2, 1999, respectively.

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

OVERVIEW

Sun Hydraulics Corporation is a leading designer and manufacturer of high-performance screw-in hydraulic cartridge valves and manifolds, which control force, speed and motion as integral components in fluid power systems. The Company sells its products globally, primarily though independent distributors. Approximately 66% of product sales are used by the mobile market, characterized by applications where the equipment is not fixed in place, the operating environment is often unpredictable, and duty cycles are generally moderate to low. The remaining 34% of sales are used by industrial markets, which are characterized by equipment that is fixed in place, typically in a controlled environment, with higher pressures and duty cycles. The Company sells to both markets with a single product line. In 1999, the Company generated approximately 37% of its net sales outside of the United States.

Consolidated orders for the three months ended September 30, 2000, increased $1.0 million, or 5.9%, to $17.6 million compared to the three months ended October 2, 1999. However, domestic orders decreased $0.8 million, or 7.5%, over that same time frame. Compared to the previous quarter, orders for the three months ended September 30, 2000, decreased $2.7 million, or 13.4%. Domestic orders decreased 20.2% over the same time frame, accounting for $2.5 million of the $2.7 million decrease. Management believes that the order decrease is reflective of a general slowdown in manufacturing activity in the United States. The United States National Fluid Power Association (NFPA) reported a 1.5% decrease in total hydraulic orders for the three months ended September 30, 2000 compared to the same three months of 1999.

For the nine months ended September 30, 2000, consolidated orders increased $10.0 million, or 20.3%, to $59.5 million, compared to the nine months ended October 2, 1999. In the first nine months of 2000, domestic orders increased 15.1% compared to the same time period in 1999. For the nine months ended September 30, 2000, NFPA reported a 6.5% increase in total hydraulic orders compared to the same period in 1999.

Net sales for the three months ended September 30, 2000, decreased $1.9 million, or 8.8%, compared to the previous quarter. While management does not believe that the aforementioned manufacturing slowdown is either severe or long term, fourth quarter net sales are estimated to be 15% less than the third quarter.

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999

Net sales increased $2.3 million, or 13.1%, to $20.0 million for the quarter ended September 30, 2000, compared to the quarter ended October 2, 1999. Net sales in the United States operations increased $0.9 million, or 7.2%, despite a decrease in orders of $0.8, or 6.4%. This

7.2% sales increase was primarily due to increased production output. Net sales in the United Kingdom, German and Korean operations increased $1.4 million, or 28.0%, on strong demand.

Gross profit increased $1.0 million, or 22.7%, to $5.5 million for the quarter ended September 30, 2000, compared to the quarter ended October 2, 1999. Gross profit as a percentage of net sales increased to 27.6% compared to 25.4% for the third quarter of 1999. This increase was due to overall higher net sales and reduced prime manufacturing costs as a percentage of net sales in the United States operations, offset by a $0.3 million, or 10.2%, increase in total company manufacturing overhead.

Selling, engineering and administrative expenses increased 14.7%, or $0.5 million, to $3.6 million in the quarter ended September 30, 2000, compared to $3.2 million in the quarter ended October 2, 1999. This increase was due primarily to increased spending levels for product catalogues, support and enhancements to new software systems, consulting fees and an additional charge for warranty expense.

Interest expense was $0.3 million for the quarter ended September 30, 2000, compared to $0.3 million for the quarter ended October 2, 1999. This reflects a higher average interest rate on lower debt.

Other expenses decreased to less than $0.1 million for the quarter ended September 30, 2000, compared to $0.2 last year and consisted primarily of foreign currency exchange losses offset by interest income.

The provision for income taxes for the quarter ended September 30, 2000, was 34.0% of pretax income, compared to 34.0% for the quarter ended October 2, 1999.

Net income for the three months ended September 30, 2000, was $1.0 million, compared to $0.6 million for the three months ended October 2, 1999.

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 2000 AND OCTOBER 2, 1999

Net sales increased $9.9 million, or 19.0%, to $62.0 million for the nine months ended September 30, 2000, compared to the nine months ended October 2, 1999. This increase was due to an increase in demand across all business segments and improved manufacturing productivity in the United States operations. Also, net sales in the nine months ended October 2, 1999, were adversely affected by reduced production output in the United States operations related to problems with a new manufacturing system implementation.

Gross profit increased $4.9 million, or 40.7%, to $16.8 million for the nine months ended September 30, 2000, compared to the nine months ended October 2, 1999. Gross profit as a percentage of net sales increased to 27.1%, compared to 23.0% for the first nine months of 1999. This percentage increase was due to substantially higher total net sales in 2000 and an unusually low gross profit percentage in the nine months ended October 2, 1999, related to problems implementing a new manufacturing system in the United States operations. Also, in the nine months ended September 30, 2000, prime manufacturing costs in the United States operations

were lower as a percentage of net sales than the nine months ended October 2, 1999, primarily due to reduced costs of purchased parts and improved productivity in the current year. Manufacturing overhead expenses in the United States increased $0.9 million, or 9.4%, in the nine months ended September 30, 2000, compared to the same period last year. Depreciation expense accounted for $0.5 million of the $0.9 million increase.

Selling, engineering and administrative expenses increased 16.2%, or $1.5 million, to $10.8 million in the nine months ended September 30, 2000, compared to $9.3 million in the nine months ended October 2, 1999. Major contributors to this increase were higher spending levels for product catalogues and for support and enhancements to new software systems installed last year.

Interest expense was $0.9 million for the nine months ended September 30, 2000, compared to $0.7 million for the nine months ended October 2, 1999. This increase was due to increased interest rates on both lines of credit in the United States, which vary in relation to the United States prime rate.

The provision for income taxes for the nine months ended September 30, 2000, was 33.6% of pretax income, compared to 31.0% of pretax income for the nine months ended October 2, 1999. The change in rate was primarily due to the mix in pretax income in the operating business segments.

Net income for the nine months ended September 30, 2000, was $3.3 million compared to $1.1 million for the nine months ended October 2, 1999.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's primary source of capital has been cash generated from operations, although fluctuations in working capital requirements have been met through borrowings under revolving lines of credit. The Company's principal uses of cash have been to pay operating expenses, make capital expenditures, pay dividends to shareholders, and service debt.

Cash flow from operations for the nine months ended September 30, 2000, increased $4.2 million to $7.5 million compared to $3.3 million for the nine months ended October 2, 1999. This increase was due to higher net income and depreciation. Capital expenditures, consisting primarily of purchases of machinery and equipment, were $3.5 million for the nine months ended September 30, 2000, compared to $5.5 million for the nine months ended October 2, 1999.

The Company has three revolving lines of credit: one in the United States, one in England, and one in Germany. None of these arrangements contain pre-payment penalties. For an analysis of Company debt, see Note 4 to the Consolidated Financial Statements.

The Company has notes payable to five former shareholders that bear interest at a weighted rate of 15% and have terms expiring in one to four years. These notes were issued by the Company in 1989 and 1990, in connection with the repurchase of shares of common stock from former shareholders and do not allow for prepayment by the Company. At September 30, 2000, $0.2 million was outstanding under these notes.

The Company believes that cash generated from operations and its borrowing availability under its revolving lines of credit will be sufficient to satisfy the Company's operating expenses and capital expenditures for the foreseeable future.

The Company declared a quarterly dividend of $0.04 per share to shareholders of record on September 30, 2000, which was paid on October 15, 2000.

SEASONALITY AND INFLATION

The Company generally has experienced reduced activity during the fourth quarter of the year, largely as a result of fewer working days due to holiday shutdowns. The Company does not believe that inflation had a material effect on its operations for the periods ended September 30, 2000, and October 2, 1999. There can be no assurance, however, that the Company's business will not be affected by inflation in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on borrowed funds, which could affect its results of operations and financial condition. At September 30, 2000, the Company had approximately $5.6 million in variable-rate debt outstanding and, as such, the market risk is immaterial based upon a 10% increase or decrease in interest rates. The Company manages this risk by selecting debt financing at its U.S. bank lender's prime rate less 1%, or the LIBOR rate plus 1.9%, whichever is the most advantageous.

EURO

In January 2000 the German Operation adopted the Euro as its primary currency. The Company presently believes that, with remediation measures, any material risks associated with the Euro Conversion can be mitigated.

FORWARD-LOOKING INFORMATION

Certain oral statements made by management from time to time and certain statements contained herein that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and, because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements, including those in Management's Discussion and Analysis of Financial Condition and Results of Operations are statements regarding the intent, belief or current expectations, estimates or projections of the Company, its Directors or its Officers about the Company and the industry in which it operates, and assumptions made by management, and include among other items, (i) the Company's strategies regarding growth, including its intention to develop new products; (ii) the Company's financing plans; (iii) trends affecting the Company's financial condition or results of operations; (iv) the Company's ability to continue to control costs and to meet its liquidity and other financing needs; (v) the declaration and payment of dividends; and (vi) the Company's ability to respond to changes in customer demand domestically and internationally, including as a result of standardization. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that the anticipated results will occur.

Important factors that could cause the actual results to differ materially from those in the forward-looking statements include, among other items, (i) the economic cyclicality of the capital goods industry in general and the hydraulic valve and manifold industry in particular, which directly affect customer orders, lead times and sales volume; (ii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iii) changes in the competitive marketplace that could affect the Company's revenue and/or cost bases, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; (iv) changes in technology or customer requirements, such as standardization of the cavity into which screw-in cartridge valves must fit, which could render the Company's products or technologies noncompetitive or obsolete; (v) new product introductions, product sales mix and the geographic mix of sales nationally and internationally; and (vi) changes relating to the Company's international sales, including changes in regulatory requirements or tariffs, trade or currency restrictions, fluctuations in exchange rates, and tax and collection issues. Further information relating to factors that could cause actual results to differ from those anticipated is included but not limited to information under the headings "Business", including under the subheading "Business Risk Factors" in the Company's Form 10-K for the year ended January 1, 2000, and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in this Form 10-Q for the quarter ended September 30, 2000. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.
None.

Item 2. Changes in Securities.
None.

Item 3. Defaults upon Senior Securities.
None.

Item 4. Submission of Matters to a Vote of Security Holders.
None

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
3.1	Amended and Restated Articles of Incorporation of the Company (previously filed as Exhibit 3.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
4.5	Mortgage and Security Agreement, dated January 9, 1992, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.5 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
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27.1 Financial Data Schedule for period ended September 30, 2000 (for SEC purposes only).

+ Executive management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

Report on Form 8-K (dated August 7, 2000) filed August 14, 2000, announcing second quarter financial results.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Sarasota, State of Florida on November 7, 2000.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn

Richard J. Dobbyn
Chief Financial Officer (Principal
Financial and Accounting Officer)

EXHIBIT INDEX

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Exhibit 4.30

LOAN AGREEMENT

THIS AGREEMENT made on July 23, 2000, by and among NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender"), SUN HYDRAULICS CORPORATION, a Florida corporation ("Borrower"), and SUN HYDRAULIK HOLDINGS LIMITED, a __________________, SUN HYDRAULICS LIMITED, a corporation organized and existing under the laws of the United Kingdom, and SUN HYDRAULIK GMBH, a corporation organized and existing under the laws of Germany (collectively referred to herein as "Guarantors").

W I T N E S S E T H :

WHEREAS, Borrower has requested Lender to make available to Borrower a revolving line of credit loan in the maximum principal amount of $7,500,000.00 ("Loan"), which loan will be evidenced by a renewal master note of even date herewith in the principal amount of $7,500,000.00 ("Note"), and

WHEREAS, the Note will renew, restate, amend and replace in its entirety, that certain renewal master note dated July 23, 1999, in the principal amount of $5,000,000.00, and

WHEREAS, Lender is willing to make the Loan on the conditions herein and in other Loan Documents.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein contained and the agreement by Lender to make the Loan, the parties hereto agree as follows:

1. LOAN TO BORROWER; EXECUTION OF LOAN DOCUMENTS. Lender agrees, in accordance with the terms of this Agreement, to make the Loan to Borrower. Concurrently herewith, Borrower has executed the Note, an amendment to that certain Loan Agreement dated July 23, 1999 (the "First Amendment to Loan Agreement"), an amendment to that certain Security Agreement dated July 23, 1999 (the "First Amendment to Security Agreement"), and other documents related to the Loan. Guarantors have each executed separate guaranties of the Loan ("Guaranties"). The Note, First Amendment to Loan Agreement, First Amendment to Security Agreement, Guaranties, this Agreement and other documents are collectively referred to herein as the "Loan Documents."

2. COSTS AND EXPENSES. Borrower shall pay all costs and expenses incurred in connection with preparation for, closing, and servicing the Loan including, without limitation, any legal fees, including the fees of Lender's counsel, intangible taxes, documentary taxes, recording costs, and document preparation fees.

3. REPRESENTATIONS AND WARRANTIES. To induce Lender to make the Loan, Borrower makes the following representations and warranties:

A. The financial information for Borrower and each guarantor or other obligor furnished to Lender in connection with Borrower's application for the Loan is complete and accurate. There has been no material nor adverse change in the financial condition of either Borrower or any guarantor or other obligor of the Loan from that reflected on such financial information.

B. Borrower is a duly organized corporation, existing and in good standing under the laws of the State of Florida, has corporate power to carry on the business in which it is engaged, and the obtaining and performing of the Loan has been duly authorized by all necessary actions of the board of directors and shareholders of the corporation under applicable law, and do not and will not violate any provisions of law or any of its organizational documents.

C. The obtaining and performing of the Loan does not and will not result in a breach of, constitute a default under, require any consent under, or result in the creation of any lien, charge, or encumbrance upon any property of Borrower pursuant to any instrument, order, or other agreement to which Borrower is a party or by which Borrower, any of its officers as such, or any of its property is bound.

D. There are no judgments, liens, encumbrances, or other security interests outstanding against Borrower or any of its subsidiaries, or any of their properties other than those disclosed to Lender in connection with Borrower's request for the Loan, nor is there any pending or threatened litigation that could or will give rise to any such judgment, lien or encumbrance.

E. Neither Borrower nor any of its subsidiaries have incurred any debts, liabilities, or obligations (whether direct or contingent) nor committed themselves to incur any debts, liabilities, or obligations other than those disclosed to Lender in connection with Borrower's request for the Loan or shown on the financial statements submitted to Lender.

F. Neither Borrower nor any of its subsidiaries have made any assignment for the benefit of their creditors, admitted in writing their inability to pay their debts as they become due, filed a petition of bankruptcy or been adjudicated bankrupt or insolvent, or filed a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, receivership or similar relief under any statute, law or regulation.

G. There are no actions, suits or proceedings pending or, threatened against or affecting Borrower or any of its subsidiaries, the Collateral or any guarantor or obligor on the Loan, or involving the validity or enforceability of the Security Agreement or the priority of the lien thereof, at law or in equity, or before or by any governmental authorities, and neither Borrower nor any of its subsidiaries is in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

H. The obtaining of the Loan and the consummation of all other transactions contemplated by the Loan Documents, and performance under the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, indenture, security agreement, lease, loan, credit agreement or any other contract or instrument to which the

Borrower or any of its subsidiaries is a party or by which their properties may be bound or affected.

4. GUARANTORS' REPRESENTATIONS AND WARRANTIES. To induce Lender to make the Loan, each Guarantor makes the following representations and warranties:

A. The financial information for each Guarantor furnished to Lender in connection with Borrower's application for the Loan is complete and accurate. There has been no material nor adverse change in the financial condition of any Guarantor from that reflected on such financial information.

B. The obtaining and performing of the Loan does not and will not result in a breach of, constitute a default under, require any consent under, or result in the creation of any lien, charge, or encumbrance upon any property of any Guarantor pursuant to any instrument, order, or other agreement to which a Guarantor is a party or by which a Guarantor or any of its property is bound.

C. There are no judgments, liens, encumbrances, or other security interests outstanding against a Guarantor or any of its property other than those disclosed to Lender in connection with Borrower's request for the Loan, nor is there any pending or threatened litigation that could or will give rise to any such judgment, lien or encumbrance.

D. No Guarantor has incurred any debts, liabilities, or obligations (whether direct or contingent) and has not committed to incur any debts, liabilities, or obligations other than those disclosed to Lender in connection with Borrower's request for the Loan or shown on the financial statements submitted to Lender.

E. No Guarantor has made any assignment for the benefit of his creditors, admitted in writing its inability to pay its debts as they become due, filed a petition of bankruptcy or been adjudicated bankrupt or insolvent, or filed a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, receivership or similar relief under any statute, law or regulation.

F. There are no actions, suits or proceedings pending or, threatened against or affecting any Guarantor, at law or in equity, or before or by any governmental authorities, and neither Borrower nor any Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

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5. AFFIRMATIVE COVENANTS. Borrower will:

A. Preserve and keep in force all licenses, permits, and franchises necessary for the proper conduct of its business and duly pay and discharge all taxes, assessments, and governmental charges upon Borrower or against Borrower's property before the date on which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings.

B. Furnish to Lender (i) within 90 days after the close of each fiscal year a consolidated annual profit and loss statement and balance sheet on Borrower and its subsidiaries reviewed by an independent certified public accountant who is satisfactory to Lender; (ii) within 30 days after filing each year, an executed copy of Borrower's Federal income tax return, and if any extensions have been filed, copies of each Extension Notice shall be furnished to Lender within 30 days of filing; and (iii) such other information reflecting the financial condition of Borrower and/or its subsidiaries as Lender may request from time to time.

C. Permit any representative or agent of Lender to examine and audit any or all of Borrower's books and records when requested by Lender.

D. Inform Lender immediately of any material adverse change in the financial condition of Borrower or any of its subsidiaries. Borrower will also promptly inform Lender of any litigation or threatened litigation which might substantially affect Borrower's financial condition.

E. Maintain Borrower's property and equipment in a state of good repair.

F. Maintain Borrower's net working capital, on a consolidated basis ("Net Working Capital") in an amount not less than $2,000,000.00 and a current ratio ("Current Ratio") of not less than 1.2:1.0 at all times during the term of this Agreement. For the purposes of this Agreement, Net Working Capital shall mean the excess of Borrower's current assets over current liabilities, on a consolidated basis with its subsidiaries, which shall be determined in accordance with generally accepted accounting principles as consistently applied in the preparation of Borrower's previous financial statements, and Current Ratio shall mean the quotient of current assets divided by current liabilities, on a consolidated basis with its subsidiaries.

G. Maintain Borrower's maximum total liabilities to net worth ratio, on a consolidated basis with its subsidiaries ("Tangible Net Worth") throughout the term of the Loan at a minimum of 0.85:1.0 at all times during the term of this Agreement. For the purposes of this Agreement, Tangible Net Worth shall mean (i) the aggregate amount of assets shown on the balance sheet of Borrower at any particular date (but excluding from such assets capitalized organization and development costs, capitalized interest, debt discount and expense, goodwill, patents, trademarks, copyrights, franchises, licenses, amounts due from officers, directors, stockholders and affiliates, and such other assets as are properly classified "intangible assets" under generally accepted accounting principles) less (ii) liabilities at such date, all computed in accordance with generally accepted accounting principles applied on a consistent basis.

H. Maintain Borrower's debt service coverage ratio, on a consolidated basis with its subsidiaries ("Debt Service Coverage Ratio") throughout the term of the Loan at a minimum of 1.2:1.0 on a calendar year basis for all operations of the Borrower and its subsidiaries, computed as follows: net profits plus interest, plus depreciation, all divided by interest plus current maturities of long term debt and capitalized leases, plus unfunded capital expenditures and advances/withdrawals made to shareholders of Borrower and/or its subsidiaries.

I. Maintain Borrower's Funded Debt to EBITDA ratio, on a consolidated basis throughout the term of the Loan at a minimum of ______ at all times during the term of this Agreement. "Funded Debt" means all outstanding indebtedness for borrowed money and other interest-bearing indebtedness, including current and long-term indebtedness. "EBITDA" means the sum of net income before taxes, plus interest expense, plus depreciation, depletion, amortization and other non-cash charges. This ratio will be calculated at the end of each fiscal quarter, using the results of that quarter and each of the three immediately proceeding quarters.

6. GUARANTORS' AFFIRMATIVE COVENANTS. Each Guarantor will:

A. Furnish to Lender (i) within 90 days after the close of each calendar year, a personal financial statement, including income information and contingent liabilities, certified to Lender; (ii) within 30 days after filing each year, an executed copy of Guarantor's Federal income tax return; and (iii) such other information reflecting the financial condition of Guarantor as Lender may request from time to time. In the event such financial statements disclose a material, adverse change in the financial condition of Guarantor from the conditions set forth in any prior financial statement of Guarantor theretofore furnished to Lender, same shall constitute a default which shall entitle Lender to all of the rights and remedies provided for in the Note, Security Agreement, or other Loan Documents.

B. Permit any representative or agent of Lender to examine and audit any or all of Guarantor's books and records when requested by Lender.

C. Inform Lender immediately of any material adverse change in the financial condition of Guarantor. Each Guarantor will also promptly inform Lender of any litigation or threatened litigation which might substantially affect such Guarantor's financial condition.

7. NEGATIVE COVENANTS. Neither Borrower nor any of its subsidiaries will, without prior written consent of Lender:

A. Collaterally assign, mortgage, pledge, encumber, or grant any security interest in any of its assets, whether now owned or hereafter acquired.

B. Enter into any merger or consolidation, or sell, lease, transfer, or otherwise dispose of all or any substantial part of its assets, whether now owned or hereafter acquired.

C. Change the name in which it does business.

D. Move its principal place of business without giving written notice thereof to Lender at least 30 days prior thereto.

E. Incur any new debt whether secured or unsecured, except trade debt for the purchase of equipment which does not exceed $100,000.00 for any item of equipment, and trade debt for the purchase of inventory.

F. Execute any guarantees or assumptions of any debt, or endorse any obligations, except that Borrower may guaranty any trade debt for the purchase of equipment which does not exceed $100,000.00 for any item of equipment, and trade debt for the purchase of inventory which is incurred by a subsidiary of Borrower.

G. Enter into any asset sale/leaseback arrangement.

H. Cause or permit any change in management of Borrower's operations.

8. EVENTS OF DEFAULT. The Lender shall have the option to declare the entire unpaid balance due on the Loan without notice of any kind, if any of the following events occur:

A. Failure or omission to pay, within fifteen (15) days after payment is due, the Note (or any installment of principal or interest thereunder).

B. Default in the payment (other than payment of principal and interest) or performance of any obligation, covenant, agreement or liability contained or referred to in the Security Agreement, Loan Agreement, Note, Guaranties, or any other Loan Document, or upon the existence or occurrence of any circumstance or event deemed a default under the Note or any other Loan Document.

C. Any warranty, representation or statement made or furnished by Borrower or Guarantors for the purpose of inducing Lender to make the Loan proves to have been false in any material respect when made or furnished.

D. The default by Borrower or any party obligated under the Note or any guaranty thereof in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, obligation or agreement held by Lender.

E. The death, dissolution, termination of existence, insolvency, or business failure of Borrower, or any party obligated under the Note or Guaranties.

F. The assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against Borrower or by or against any person obligated under the Note or Guaranties.

G. The determination by Lender that a material adverse change has occurred in the financial condition of Borrower or any person obligated under the Note or any guaranty

thereof, from the conditions set forth in the most recent financial statement of such person heretofore furnished to Lender or from the condition of such person as heretofore most recently disclosed to Lender in any manner.

H. The failure by Borrower or any party obligated under the Note or Guaranties thereof to make any payment of principal or interest when due under any obligation to any other creditor, if such failure continues beyond any applicable grace period.

I. Any substantial part of the inventory, equipment, or other property of Borrower, real or personal, is damaged or destroyed and the damage or destruction is not covered by collectible insurance.

J. Borrower suffers or permits any lien, encumbrance, or security interest to arise or attach to any of Borrower's property, which is not satisfied within 30 days.

K. Any judgment is entered against Borrower that is not satisfied or appealed within 30 days.

L. Falsity in any material respect of, or any material omission in, any representation or statement made to Lender by or on behalf of Borrower or any person obligated under the Note or any guaranty thereof, in connection with the Loan.

9. REMEDIES UPON DEFAULT. Upon the occurrence, or the discovery by Lender of the occurrence, of any of the foregoing events, circumstances, or conditions of default, Lender shall have, in addition to its option to accelerate to maturity the full unpaid balance of the Loan, all of the rights and remedies under applicable law, and in addition shall have the following specific rights and remedies:

A. To exercise Lender's right of set-off against any account, fund, or property of any kind, tangible or intangible, belonging to Borrower which shall be in Lender's possession or under its control.

B. To cure such defaults, with the result that all costs and expenses incurred or paid by Lender in effecting such cure shall be additional charges on the Loan, shall bear interest at the highest rate permitted by law, and shall be payable upon demand, and shall be secured by the Security Agreement and other Loan Documents.

10. ATTORNEYS' FEES AND COSTS. Borrower promises and agrees to pay all costs of collection and attorneys' fees, including fees for appellate proceedings, bankruptcy proceedings or otherwise, incurred or paid by Lender in enforcing this Agreement or preserving any right or interest of Lender hereunder.

11. WAIVER. No failure or delay on the part of Lender in exercising any power or right hereunder, and no failure of Lender to give Borrower notice of a default hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power

hereunder. No modification or waiver of any provision of this Agreement or any instrument executed pursuant hereto or consent to any departure by Borrower from this Agreement or such instrument shall in any event be effective unless the same shall be in writing, and such waiver or consent shall be effective only in the specific instance and for the particular purpose for which given.

12. BENEFIT. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns. Lender may assign this Agreement in whole or in part. Borrower may not assign this Agreement or its obligations hereunder without Lender's written consent.

13. GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Florida, and any litigation arising out of or relating to this Agreement or the Loan shall be commenced and conducted in the courts of the State of Florida or in the federal courts of the State of Florida.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement on the day and year first above written.

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Richard J. Dobbyn

Richard J. Dobbyn
As its Chief Financial Officer

BORROWER

NORTHERN TRUST BANK OF FLORIDA, N.A.

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

LENDER

SUN HYDRAULIK HOLDINGS LIMITED,
a ________________________

By:

Clyde Nixon
As its

SUN HYDRAULIKS LIMITED,
a corporation organized under the laws
of the United Kingdom

By:

Clyde Nixon
As its

SUN HYDRAULIK GmbH,
a corporation organized under the laws
of Germany

By:

Clyde Nixon
As its

GUARANTORS

Exhibit 4.31

FIRST AMENDMENT TO SECURITY AGREEMENT

THIS FIRST AMENDMENT TO SECURITY AGREEMENT made on July 23, 2000, by and between SUN HYDRAULICS CORPORATION, a Florida corporation ("Debtor"), and NORTHERN TRUST BANK OF FLORIDA, N.A. ("Secured Party").

W I T N E S S E T H :

WHEREAS, Debtor is the borrower under an existing loan ("Loan") from Secured Party in the principal amount of $7,500,000.00, which is currently evidenced by a noted dated July 23, 1999 payable as provided therein ("Note"), and

WHEREAS, the Loan is secured by certain property described in the security agreement entered into between Debtor and Secured Party dated July 23, 1999 ("Security Agreement"), and

WHEREAS, Debtor is also the borrower under an existing revolving line of credit loan in the amount of $5,000,000.00 made by Secured Party to Debtor and evidenced by a renewal master note dated July 23, 1999 ("Master Renewal Note"), which existing revolving line of credit loan and Master Renewal Note are referenced in the default paragraph contained on page 2 of the Security Agreement, and

WHEREAS, Debtor has requested that Secured Party renew and increase the existing line of credit loan, and Secured Party has agreed to do so provided Debtor, among other things, enter into this First Amendment to Security Agreement.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein contained and the agreement by Secured Party to renew and increase the revolving line of credit, the parties hereto agree as follows:

1. Subparagraph (f) of the "default" paragraph contained in the second full paragraph on page 2 of the Security Agreement is hereby amended in its entirety and the following substituted therefor:

f. The default by Debtor or any party obligated under the Note or any Guaranty thereof in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, obligation or agreement held by Secured Party, including but not limited to that certain revolving line of credit loan in the amount of $7,500,000 made by Secured Party to Debtor and evidenced by Renewal Master Note dated ________, 2000.

2. Except as specifically amended hereby, all of the terms, covenants, and conditions of the Security Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Security Agreement on the day and year first above written.

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Richard J. Dobbyn

Richard J. Dobbyn
As its Chief Financial Officer

DEBTOR

NORTHERN TRUST BANK OF FLORIDA, N.A.

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

SECURED PARTY

Exhibit 4.32

Dated as of July 23, 2000

MASTER NOTE
(CORPORATION, PARTNERSHIP, OR JOINT VENTURE)

This Note has been executed by SUN HYDRAULICS CORPORATION, a corporation formed under the laws of the State of Florida ("Borrower"); if more than one entity executes this Note, the term "Borrower" refers to each of them individually and some or all of them collectively, and their obligations hereunder shall be joint and several.* If a land trustee executes this Note, "Borrower" as used in sections 6 and 7 below also includes any beneficiary(ies) of the land trust.**

FOR VALUE RECEIVED, on or before August 15, 2002, the scheduled maturity date hereof, Borrower promises to pay to the order of NORTHERN TRUST BANK OF FLORIDA, N.A., a national banking association (hereafter, together with any subsequent holder hereof, called "Lender"), at its banking office at 1515 Ringling Blvd., Sarasota, FL, or at such other place as Lender may direct, the aggregate unpaid principal balance of each advance (a "Loan" and collectively the "Loans") made by Lender to Borrower hereunder. The total principal amount of Loans outstanding at any one time hereunder shall not exceed SEVEN MILLION FIVE HUNDRED THOUSAND AND 00/100 UNITED STATES DOLLARS ($7,500,000.00).

Lender is hereby authorized by Borrower at any time and from time to time at Lender's sole option to attach a schedule (grid) to this Note and to endorse thereon notations with respect to each Loan specifying the date and principal amount thereof, the Interim Maturity Date (as defined below) (if applicable), the applicable interest rate and rate option, and the date and amount of each payment of principal and interest made by Borrower with respect to each such Loan. Lender's endorsements as well as its records relating to Loans shall be rebuttably presumptive evidence of the outstanding principal and interest on the Loans, and, in the event of inconsistency, shall prevail over any records of Borrower and any written confirmations of Loans given by Borrower.

If Borrower wishes to obtain a Loan under this Note, Borrower shall notify Lender orally or in writing on a banking day. Any such notice shall be irrevocable; if the notice is received after 2:00 p.m. Eastern time the Loan may not be available until the next banking day. Additional procedures for "Bank Offered Rate" Loans, if available, are set forth below.

Each request for a Loan shall be deemed to be a representation and warranty by Borrower to Lender that: (i) no Event of Default or Unmatured Event of Default (in each case as defined below) has occurred and is continuing as of the date of such request or would result from the making of the Loan; and (ii) Borrower's representations and warranties herein are true and correct as of such date as though made on such date. Upon receipt of each Loan request Lender in its sole discretion shall

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* Insert "N/A" in any blank in this Note which is not applicable.

** Land trustee may not sign upon direction of individual beneficiary(ies) unless Loans are for business purposes.

have the right to request that Borrower provide to Lender, prior to Lender's funding of the Loan, a certificate executed by Borrower's President, Treasurer, or Chief Financial Officer (if Borrower is a corporation), or a general partner or joint venturer of Borrower (if Borrower is a partnership or joint venture) to such effect.

1. INTEREST.

Borrower agrees to pay interest on the unpaid principal amount from time to time outstanding hereunder at the following rate per year: (CHECK ONE

ONLY)

[X] (i) The "Prime-Based Rate", which shall mean the Prime Rate minus One percent (1.00%).

[ ] ***(ii) The "Bank Offered Rate", which shall be equal to that rate of interest offered by Lender and accepted by Borrower and fixed for periods of up to one year ("Interest Period(s)") (the last day of any Interest Period being referred to as an "Interim Maturity Date"). Other description N/A .

"Prime Rate" means that rate of interest announced from time to time by Lender called its prime rate, which rate may not at any time be the lowest rate charged by Lender. Changes in the rate of interest on the Loans resulting from a change in the Prime Rate shall take effect on the date set forth in each announcement of a change in the Prime Rate.

Without limiting Borrower's obligation to repay all outstanding Loans in full on the scheduled maturity date, each Loan at the Bank Offered Rate shall be due and payable in full on its Interim Maturity Date. After the maturity of any Loan, whether by acceleration or otherwise, such Loan shall bear interest until paid, at a rate equal to _____ percent (____%) in addition to the rate in effect immediately prior to maturity (but not less than the Prime Rate in effect at maturity).

If this Note bears interest at the Bank Offered Rate and Borrower requests a Loan, Lender shall in its sole discretion offer or decline to offer a Bank Offered Rate (and if it offers a Bank Offered Rate, the rate of such Bank Offered Rate shall be in Lender's sole discretion), and Borrower shall irrevocably accept or decline such particular Bank Offered Rate and the related Loan and confirm such acceptance in writing by letter or other written communication dated and sent the date of such borrowing. Any confirmation by Lender of the rate and Interest Period for any Bank Offered Rate Loan shall be conclusive in the absence of manifest error. Without limiting Borrower's obligations under any other document or instrument, Lender may rely without inquiry upon any person whom it reasonably believes to be a party authorized to accept or decline such Bank Offered Rate and the related Loan. Lender has no obligation to make a new Loan to Borrower when a Loan at the Bank Offered Rate matures on its Interim Maturity Date.

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*** Do not use if collateral includes real estate.

Interest shall be computed for the actual number of days elapsed on the basis of a year consisting of 360 days, including the date a Loan is made and excluding the date a Loan or any portion thereof is paid or prepaid. Interest shall be due and payable as follows:

[X] Monthly, on the 23rd day of each month, beginning August 23, 2000, with all accrued but unpaid interest being due and payable in full with the final principal payment due hereunder.

[ ] Quarterly, on the N/A day of each _____________, ______________, _____________, and ______________ in each year, beginning ______________, with all accrued but unpaid interest being due and payable in full with the final principal payment due hereunder.

[ ] Other N/A

In addition, if the Bank Offered Rate is available under this Note, interest on any Loan at the Bank Offered Rate, if not otherwise previously due and payable as indicated above, shall be due and payable in full on the last day of each Interest Period. After maturity interest shall be payable on demand.

2. PREPAYMENTS.

Borrower may prepay without penalty or premium any principal bearing interest at the Prime-Based Rate. If Borrower prepays any principal bearing interest at the Bank Offered Rate in whole or in part, or if the maturity of any such Bank Offered Rate principal is accelerated, then, to the fullest extent permitted by law Borrower shall also pay Lender for all losses (including but not limited to interest rate margin and any other losses of anticipated profits) and expenses incurred by reason of the liquidation or re-employment of deposits acquired by Lender to make the Loan or maintain principal outstanding at the Bank Offered Rate. Upon Lender's demand in writing specifying such losses and expenses, Borrower shall promptly pay them; Lender's specification shall be deemed correct in the absence of manifest error. Each Loan bearing interest at the Bank Offered Rate shall be conclusively deemed to have been funded by or on behalf of Lender by the purchase of a deposit corresponding in amount to such Loan and in maturity to the Interest Period specified by Lender.

3. REFERENCES TO PREVIOUS NOTES, FACILITY TYPE, COLLATERAL, GUARANTIES, LOAN & OTHER AGREEMENTS. (Check As Applicable)

LINE OF CREDIT: This Note has been executed pursuant to a line of credit. At the present time Lender intends to make available to Borrower credit as outlined herein or in any related letter until the maturity day indicated above unless in Lender's sole judgment there has occurred an adverse change in the assets, condition or prospects of Borrower or any guarantor. THE LINE OF CREDIT MAY BE CANCELLED OR REDUCED BY LENDER AT LENDER'S SOLE OPTION WITHOUT PRIOR NOTICE TO BORROWER OR ANY OTHER PERSON OR ENTITY. THE LINE OF CREDIT IS REVOCABLE NOTWITHSTANDING PAYMENT OF ANY FEES OR MAINTENANCE OF ANY ACCOUNT BALANCES, AS AND IF PROVIDED IN ANY ACCOMPANYING LETTER OR OTHER DOCUMENT PERTAINING TO SUCH FEES

AND/OR BALANCES. Any such fees and/or balances shall be deemed compensation to Lender for being prepared to respond to Borrower's requests for credit under this Note.

[X] This Note amends, restates, renews and replaces in its entirety the note dated July 23, 1999, in the amount of $5,000,000.00 and any previously renewed note(s). Borrower hereby expressly confirms that all collateral and guaranties given for such prior note(s) shall secure or guarantee this Note. All amounts outstanding under such previous note(s) shall be deemed automatically outstanding hereunder.

[ ] This Note is secured without limitation as provided in the following and all related documents, in each case as amended, modified, renewed, restated or replaced from time to time:

- [ ] Security Agreement dated as of N/A.
- [ ] Mortgage dated as of N/A on property all or part of which is commonly known as N/A.
- [ ] Pledge Agreement dated as of N/A.
- [ ] Other (describe) N/A.

[X] Payment of this Note has been unconditionally guaranteed by Sun Hydraulik Holdings Limited, Sun Hydraulics Limited, & Sun Hydraulik GmbH (each individually and all collectively referred to as "guarantor") as provided in separately executed guaranties.

[X] This Note has been executed pursuant to a Loan Agreement, dated as of the date hereof, as amended, modified, restated, renewed, or replaced from time to time, containing covenants and other terms, to which reference is hereby made.

4. USE OF PROCEEDS. CHECK ONE:

[X] Borrower represents and warrants that the proceeds of this Note will be used solely for business purposes, and not for personal, family or household use, within the meaning of Federal Truth-in-Lending and similar state laws and regulations.

[ ] ****Borrower represents that the proceeds of this Note will be used for personal, family or household use. IF THIS OPTION IS CHECKED, THE FIRST LOAN MUST BE IN THE AMOUNT OF $25,001 OR MORE.

If Loan proceeds will be used to purchase or refinance the purchase of any property describe: N/A.

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**** If this box is checked and a land trustee is signing the Note, do not take real estate as collateral.

Notwithstanding any other provision hereof, if this Note is covered by Regulation Z of the Federal Reserve Board (Truth-in-Lending) or any like disclosure requirement, this Note shall be secured by collateral referenced herein or in any other document only if disclosed in a related disclosure statement.

5. REPRESENTATIONS.

Borrower hereby represents and warrants to Lender that:

(a) Borrower and any "Subsidiary" (as defined below) are existing and in good standing under the laws of their state of formation, are duly qualified, in good standing and authorized to do business in each jurisdiction where failure to do so might have a material adverse impact on the consolidated assets, condition or prospects of Borrower; the execution, delivery and performance of this Note and all related documents and instruments are within Borrower's powers and have been authorized by all necessary corporate, partnership or joint venture action;

(b) the execution, delivery and performance of this Note and all related documents and instruments have received any and all necessary governmental approval, and do not and will not contravene or conflict with any provision of law or of the partnership or joint venture or similar agreement, charter or by-laws of Borrower or any agreement affecting Borrower or its property; and

(c) there has been no material adverse change in the business, condition, properties, assets, operations or prospects of Borrower or any guarantor since the date of the latest financial statements provided on behalf of Borrower or any guarantor to Lender prior to the execution of this Note.

"Subsidiary" means any corporation, partnership, joint venture, trust, or other legal entity of which Borrower owns directly or indirectly fifty percent (50%) or more of the outstanding voting stock or interest, or of which Borrower has effective control, by contract or otherwise.

6. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an "Event of Default":

(a) failure to pay, when and as due, any principal, interest or other amounts payable hereunder; failure to comply with or perform any agreement or covenant of Borrower contained herein; or failure to furnish (or caused to be furnished to) Lender when and as requested by Lender (but not more often than once every twelve months) fully completed personal financial statement(s) of any individual guarantor on Lender's then-standard form together with such supporting information as Lender may reasonably request; or

(b) any default, event of default, or similar event shall occur or continue under any other instrument, document, note, agreement, or guaranty delivered to Lender in connection with this

Note, or any such instrument, document, note, agreement, or guaranty shall not be, or shall cease to be, enforceable in accordance with its terms; or

(c) there shall occur any default or event of default, or any event or condition that might become such with notice or the passage of time or both, or any similar event, or any event that requires the prepayment of borrowed money or the acceleration of the maturity thereof, under the terms of any evidence of indebtedness or other agreement issued or assumed or entered into by Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor, or under the terms of any indenture, agreement, or instrument under which any such evidence of indebtedness or other agreement is issued, assumed, secured, or guaranteed, and such event shall continue beyond any applicable period of grace; or

(d) any representation, warranty, schedule, certificate, financial statement, report, notice or other writing furnished by or on behalf of Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor to Lender is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified; or

(e) any guaranty of or pledge of collateral security for this Note shall be repudiated or become unenforceable or incapable of performance, or

(f) Borrower or any Subsidiary shall fail to maintain their existence in good standing in their state of formation or shall fail to be duly qualified, in good standing and authorized to do business in each jurisdiction where failure to do so might have a material adverse impact on the consolidated assets, condition or prospects of Borrower; or

(g) Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor shall die, become incompetent, dissolve, liquidate, merge, consolidate, or cease to be in existence for any reason; or any general partner or joint venturer of Borrower shall withdraw or notify any partner or joint venturer of Borrower of its or his/her intention to withdraw as a partner or joint venturer (or to become a limited partner) of Borrower; or any general or limited partner or joint venturer of Borrower shall fail to make any contribution required by the partnership or joint venture agreement of Borrower as and when due under such agreement; or there shall be any change in the partnership or joint venture agreement of Borrower from that in force on the date hereof which may have a material adverse impact on the ability of Borrower to repay this Note, or

(h) any person or entity presently not in control of a corporate, partnership or joint venture Borrower, any corporate general partner or joint venturer of Borrower, or any guarantor, shall obtain control directly or indirectly of Borrower, such a corporate general partner or joint venturer, or any guarantor, whether by purchase or gift of stock or assets, by contract, or otherwise; or

(i) any proceeding (judicial or administrative) shall be commenced against Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor, or with respect to any assets of Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor which shall threaten to have a material and adverse effect on the assets, condition or

prospects of Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor; or final judgment(s) and/or settlement(s) in an aggregate amount in excess of ____ UNITED STATES DOLLARS ($________________) in excess of insurance for which the insurer has confirmed coverage in writing, a copy of which writing has been furnished to Lender, shall be entered or agreed to in any suit or action commenced against Borrower, any Subsidiary, any general partner or joint venturer of Borrower or any guarantor; or

(j) Borrower shall grant or any person (other than Lender) shall obtain a security interest in any collateral for this Note; Borrower or any other person shall perfect (or attempt to perfect) such a security interest; a court shall determine that Lender does not have a first-priority security interest in any of the collateral for this Note enforceable in accordance with the terms of the related documents; or any notice of a federal tax lien against Borrower or any general partner or joint venturer of Borrower shall be filed with any public recorder; or

(k) there shall be any material loss or depreciation in the value of any collateral for this Note for any reason, or Lender shall otherwise reasonably deem itself insecure; or, unless expressly permitted by the related documents, all or any part of any collateral for this Note or any direct, indirect, legal, equitable or beneficial interest therein is assigned, transferred or sold without Lender's prior written consent; or

(l) any bankruptcy, insolvency, reorganization, arrangement, readjustment, liquidation, dissolution, or similar proceeding, domestic or foreign, is instituted by or against Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor; or Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor shall take any steps toward, or to authorize, such a proceeding; or

(m) Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor shall become insolvent, generally shall fail or be unable to pay its debts as they mature, shall admit in writing its inability to pay its debts as they mature, shall make a general assignment for the benefit of its creditors, shall enter into any composition or similar agreement, or shall suspend the transaction of all or a substantial portion of its usual business.

7. DEFAULT REMEDIES.

(a) Upon the occurrence and during the continuance of any Event of Default specified in Section 6(a)-(k), Lender at its option may declare this Note (principal, interest and other amounts) immediately due and payable without notice or demand of any kind. Upon the occurrence of any Event of Default specified in Section 6(l)-(m), this Note (principal, interest and other amounts) shall be immediately and automatically due and payable without action of any kind on the part of Lender. Upon the occurrence and during the continuance of any Event of Default, Lender may exercise any rights and remedies under this Note, any related document or instrument (including without limitation any pertaining to collateral), and at law or in equity.

In addition, without limiting the Lender's right to accelerate this Note as provided above, if an Event of Default occurs and is continuing under Section 6(a)-(k) (including without limitation failure to furnish or cause to be furnished financial statements as required by this Note or any related document), then, at the Lender's election and beginning five (5) days after written notice of such an Event of Default is given by Lender and continuing until such Event of Default is no longer continuing and the Lender is aware of such fact, the interest rate hereunder shall increase by one quarter of one percent (.25%) during the first thirty (30) day period beginning five (5) days after such notice is given, and increase (cumulatively) by an additional one quarter of one percent (.25%) during and effective with respect to each thirty (30) day period thereafter during which such Event of Default continues. The increased interest rate(s) provided for in the previous sentence shall apply to the entire outstanding principal balance hereunder, and the interest rate shall revert to the otherwise applicable interest rate effective on the date on which the Event of Default is no longer continuing and the Lender is aware of such fact; the provisions of this sentence and the preceding sentence shall not apply if this Note is covered by Regulation Z of the Federal Reserve Board (Truth in Lending) or any like disclosure requirement.

(b) Lender may, by written notice to Borrower, at any time and from time to time, waive any Event of Default or "Unmatured Event of Default" (as defined below), which shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, Lender and Borrower shall be restored to their former position and rights hereunder, and any Event of Default or Unmatured Event of Default so waived shall be deemed to be cured and not continuing; but no such waiver shall extend to or impair any subsequent or other Event of Default or Unmatured Event of Default. No failure to exercise, and no delay in exercising, on the part of Lender of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of Lender herein provided are cumulative and not exclusive of any rights or remedies provided by law. "Unmatured Event of Default" means any event or condition which would become an Event of Default with notice or the passage of time or both.

8. NO INTEREST OVER LEGAL RATE.

Borrower does not intend or expect to pay, nor does Lender intend or expect to charge, accept or collect any interest which, when added to any fee or other charge upon the principal which may legally be treated as interest, shall be in excess of the highest lawful rate. If acceleration, prepayment or any other charges upon the principal or any portion thereof, or any other circumstance, result in the computation or earning of interest in excess of the highest lawful rate, then any and all such excess is hereby waived and shall be applied against the remaining principal balance. Without limiting the generality of the foregoing, and notwithstanding anything to the contrary contained herein or otherwise, no deposit of funds shall be required in connection herewith which will, when deducted from the principal amount outstanding hereunder, cause the rate of interest hereunder to exceed the highest lawful rate.

9. PAYMENTS, ETC.

All payments hereunder shall be made in immediately available funds, and shall be applied first to accrued interest and then to principal; however, if an Event of Default occurs, Lender may, in its sole discretion, and in such order as it may choose, apply any payment to interest, principal and/or lawful charges and expenses then accrued. Borrower shall receive immediate credit on payments received during Lender's normal banking hours if made in cash, immediately available funds, or by debit to available balances in an account at Lender; otherwise payments shall be credited after clearance through normal banking channels. Borrower authorizes Lender to charge any account of Borrower maintained with Lender for any amounts of principal, interest, taxes, duties, or other charges or amounts due or payable hereunder, with the amount of such payment subject to availability of collected balances in Lender's discretion; unless Borrower instructs otherwise, all Loans shall be credited to an account(s) of Borrower with Lender. LENDER AT ITS OPTION MAY MAKE LOANS HEREUNDER UPON TELEPHONIC INSTRUCTIONS AND IN SO DOING SHALL BE FULLY ENTITLED TO RELY SOLELY UPON INSTRUCTIONS, INCLUDING WITHOUT LIMITATION INSTRUCTIONS TO MAKE TRANSFERS TO THIRD PARTIES, REASONABLY BELIEVED BY LENDER TO HAVE BEEN GIVEN BY AN AUTHORIZED PERSON, WITHOUT INDEPENDENT INQUIRY OF ANY TYPE. All payments shall be made without deduction for or on account of any present or future taxes, duties or other charges levied or imposed on this Note or the proceeds. Lender or Borrower by any government or political subdivision thereof. Borrower shall upon request of Lender pay all such taxes, duties or other charges in addition to principal and interest, including without limitation all documentary stamp and intangible taxes, but excluding income taxes based solely on Lender's income.

10. SETOFF.

At any time and without notice of any kind, any account, deposit or other indebtedness owing by Lender to Borrower, and any securities or other property of Borrower delivered to or left in the possession of Lender or its nominee or bailee, may be set off against and applied in payment of any obligation hereunder, whether due or not.

11. NOTICES.

All notices, requests and demands to or upon the respective parties hereto shall be deemed to have been given or made when deposited in the mail, postage prepaid, addressed if to Lender to its ________ banking office indicated above (Attention: Division Head, Lending Division), and if to Borrower to its address set forth below, or to such other address as may be hereafter designated in writing by the respective parties hereto or, as to Borrower, may appear in Lender's records.

12. MISCELLANEOUS.

This Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal law of the State of Florida, and shall be deemed to have been executed in the State of Florida. Unless the context requires otherwise,

wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the other. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; references herein to Sections or provisions without reference to the document in which they are contained are references to this Note. This Note shall bind Borrower, its heirs, trustees (including without limitation successor and replacement trustees), executors, personal representatives, successor and assigns, and shall inure to the benefit of Lender, its successors and assigns, except that Borrower may not transfer or assign any of its rights or interest hereunder without the prior written consent of Lender. Borrower agrees to pay upon demand all expenses (including without limitation attorneys' fees, legal costs and expenses, and time charges of attorneys who may be employees of Lender, in each case whether in or out of court, in original or appellate proceedings or in bankruptcy) incurred or paid by Lender or any holder hereof in connection with the enforcement or preservation of its rights hereunder or under any document or instrument executed in connection herewith. Borrower expressly and irrevocably waives notice of dishonor or default as well as presentment, protest, demand and notice of any kind in connection herewith. If there shall be more than one person or entity constituting Borrower, each of them shall be primarily, jointly and severally liable for all obligations hereunder.

13. WAIVER OF JURY TRIAL, ETC.

BORROWER HEREBY IRREVOCABLY AGREES THAT, SUBJECT TO LENDER'S SOLE AND ABSOLUTE ELECTION, ALL SUITS, ACTIONS OR OTHER PROCEEDINGS WITH RESPECT TO, ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY DOCUMENT OR INSTRUMENT EXECUTED IN CONNECTION HEREWITH SHALL BE SUBJECT TO LITIGATION IN COURTS HAVING SITUS WITHIN OR JURISDICTION OVER THE STATE OF FLORIDA. BORROWER HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED IN OR HAVING JURISDICTION OVER SUCH STATE, AND HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO REQUEST OR DEMAND TRIAL BY JURY, TO TRANSFER OR CHANGE THE VENUE OF ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT BY LENDER IN ACCORDANCE WITH THIS PARAGRAPH, OR TO CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

[ ] See Rider attached hereto and incorporated herein by reference.

Lender is hereby authorized by Borrower without notice to Borrower to fill in any blank spaces and dates and strike inapplicable terms herein or in any related document to conform to the terms upon which the Loan(s) evidenced hereby are or may be made, for which purpose Lender shall be deemed to have been granted an irrevocable power of attorney coupled with an interest.

Florida documentary stamp tax required by law in the amount of $ N/A has been paid or will be paid directly to the Department of Revenue. Certificate of Registration No. .

Address for Notices:

SUN HYDRAULICS CORPORATION, 1500 University Parkway
a Florida Corporation Sarasota, FL 34243

Attention:

By: /s/ Richard J. Dobbyn

Richard J. Dobbyn
Title: Chief Financial Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF THE REGISTRANT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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