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As Filed with the Securities and Exchange Commission on October 15, 1996 Registration No. 333-_____

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SUN HYDRAULICS INCORPORATED
(Exact name of Registrant as specified in its charter)

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DELAWARE	3492	65-0696969
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

</TABLE>

1500 WEST UNIVERSITY PARKWAY
SARASOTA, FLORIDA 34243
(941) 362-1200
(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

CLYDE G. NIXON
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SUN HYDRAULICS INCORPORATED
1500 WEST UNIVERSITY PARKWAY
SARASOTA, FLORIDA 34243
(941) 362-1200
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

With Copies to:

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GREGORY C. YADLEY, ESQUIRE SHUMAKER, LOOP & KENDRICK, LLP 101 E. KENNEDY BLVD., SUITE 2800 TAMPA, FLORIDA 33602 (813) 229-7600	WADE H. STRIBLING, ESQUIRE NELSON MULLINS RILEY & SCARBOROUGH, L.L.P. 400 COLONY SQUARE, SUITE 2200 1201 PEACHTREE STREET, N.E. ATLANTA, GA 30361 (404) 817-6000
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM REGISTERED (1) PRICE PER SHARE(2)	PROPOSED MAXIMUM OFFERING PRICE(2)	AMOUNT OF AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
<S> Common Stock, \$.001 par value per share	<C> 2,300,000	<C> \$11.50	<C> \$26,450,000	<C> \$8,015.15	

</TABLE>

- (1) Includes 300,000 shares which the Underwriters have an option to purchase to cover over-allotments, if any.
- (2) Estimated solely for purposes of determining the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED OCTOBER 15, 1996

2,000,000 SHARES

SUN HYDRAULICS INCORPORATED

(INSERT LOGO)

COMMON STOCK

 All of the 2,000,000 shares of common stock, par value \$.001 per share (the "Common Stock"), offered hereby are being sold by Sun Hydraulics Incorporated (the "Company"). Prior to this offering (the "Offering"), there has been no public market for the Common Stock of the Company. It is currently anticipated that the initial public offering price will be between \$9.50 and \$11.50 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Company has filed an application for the Common Stock to be quoted and traded on the Nasdaq National Market under the symbol "SNHY."

SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR A DISCUSSION OF CERTAIN MATTERS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO COMPANY(2)
<S> PER SHARE	<C> \$	<C> \$	<C> \$
TOTAL(3)	\$	\$	\$

</TABLE>

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."

and efficiency benefits afforded to designers of fluid power systems. Since the introduction of screw-in hydraulic cartridge valves in the late 1950s, manufacturers of these and similar products have captured approximately \$580 million of the worldwide market for all non-aerospace hydraulic valves and manifolds, which management believes to be in excess of \$3 billion. The Company has generated a profit each year since 1972 and has achieved an internal compound annual growth rate in net sales of 17% over the last ten years. The Company believes that its success is primarily a result of its innovative product design, consistent high quality and superior product performance.

Fluid power involves the transfer and control of power through fluid under pressure. Fluid power systems are integral to a wide variety of manufacturing, material handling, agricultural and construction equipment. Due to its mechanical advantage, fluid power is widely employed to move and position materials, control machines, vehicles and equipment, and improve industrial efficiency and productivity. Fluid power systems typically are comprised of valves and manifolds that control the flow of fluids, a pump that generates pressure, and actuators such as cylinders and motors that translate pressure into mechanical energy.

The Company designs and manufactures one of the most comprehensive lines of screw-in hydraulic cartridge valves in the world. These valves control direction, pressure, flow and loads, are available in up to five size ranges, and are suitable for flows from 5 to 400 gallons per minute and continuous operating pressures up to 5,000 pounds per square inch. The floating construction pioneered by the Company provides demonstrable performance and reliability advantages compared to competitors' product offerings due to its self-alignment characteristic that accommodates potential manufacturing deviations common in the thread making operations of screw-in cartridge valves and manifolds. This floating construction significantly differentiates the Company from most of its competitors, who design and manufacture rigid screw-in cartridge valves that fit an industry common cavity. The Company believes that competitors' products typically do not offer the inherent reliability of the Company's products and do not provide equivalent operating performance because of the design constraints imposed by the industry common cavity.

The Company also designs and manufactures the most comprehensive line of standard manifolds in the world. A manifold is a solid block of metal, usually aluminum, steel or ductile iron, which is machined to create threaded cavities and channels into which screw-in cartridge valves are installed and through which the hydraulic fluids flow. Fluid power engineers can package standard or customized manifolds with screw-in cartridge valves to create application-specific, multiple-function hydraulic control systems that are safe, reliable and provide greater control. In 1995, screw-in cartridge valves accounted for approximately 75% of the Company's net sales while standard and custom manifolds accounted for approximately 25% of net sales.

The Company sells its products primarily through a global network of independent fluid power distributors to a diverse universe of end users, for use in various "mobile" applications, such as construction, agricultural and utility equipment

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(approximately 65% of net sales), and a broad array of "industrial" applications, such as machine tools and material handling equipment (approximately 35% of net sales). Sales to the Company's largest distributor represented approximately 6% of net sales in 1995, and the Company believes that aggregate sales by its distributors to the largest end user represented less than 3% of net sales in 1995.

The Company believes that screw-in cartridge valves will continue to achieve significant growth at the expense of conventional hydraulic valves as design engineers recognize the inherent advantages of screw-in cartridge valves. The Company believes that additional growth potential for screw-in cartridge valve applications exists as a result of a trend toward miniaturization as end users require smaller, lighter-weight and more efficient components. Custom manifolds that utilize screw-in cartridge valves allow customers to design an optimal solution for control of their fluid power systems that significantly reduces assembly time and expense. The United States and Western Europe are the largest developed markets for screw-in cartridge valves, and the Company believes future growth prospects are particularly attractive in the Pacific Rim, Eastern Europe and India, where the adoption of screw-in cartridge valves is in an early stage. In 1995, approximately 33% of the Company's net sales were outside the United States.

Management believes that the Company's success during its 26-year history is due in large part to its emphasis on innovative product designs and

vertically integrated, state of the art manufacturing processes. Management attributes the Company's ability to continuously implement process improvements to its horizontal management structure that encourages employee contribution at all levels. The Company does not have a formal organizational chart and employee responsibilities do not devolve from titles or narrow job descriptions. This management philosophy is utilized throughout the Company's operations.

The Company's objective is to enhance its position as one of the world's leading designers and manufacturers of screw-in hydraulic cartridge valves by (i) broadening the market for screw-in cartridge valve applications, (ii) continuing the geographic expansion of its markets, and (iii) selectively expanding its product lines. Key elements of the Company's strategy include the following:

- Deliver Value Through High-Quality, High-Performance Products
- Offer a Wide Variety of "Off-the-Shelf" Products
- Capitalize on Custom Manifold Opportunities
- Expand Global Presence
- Maintain a Horizontal Organization with Entrepreneurial Spirit
- Leverage Manufacturing Capability and Know-how as Competitive Advantages
- Sell Through Distributors, Market to End Users

The Company's predecessor, Sun Hydraulics Corporation, was founded in 1970 by Robert E. Koski for the specific purpose of developing and promoting screw-in cartridge valve technology. Mr. Koski remains active in the business as Chairman of the Board of Directors. Sun Hydraulics Incorporated was incorporated in Delaware in September 1996 for the purpose of acquiring all of the outstanding capital stock of Sun Hydraulics Corporation, a Florida corporation, and Sun Hydraulic Holdings Limited, a private limited company organized under the laws of England and Wales. See "The Reorganization." The address of the Company's executive offices is 1500 West University Parkway, Sarasota, Florida 34243, and its telephone number is 941/362-1200.

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THE OFFERING

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Common Stock offered by the Company	2,000,000 shares	
Common Stock outstanding after the Offering	6,000,000 shares (1)	
Use of Proceeds	To repay debt principally related to equipment financing and mortgage financing of the Company's new Florida manufacturing plant, to pay the S Corporation Distribution and for general corporate purposes. See "Use of Proceeds."	

Proposed Nasdaq National Market Symbol "SNHY"

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- (1) Does not include an aggregate of 1,000,000 shares of Common Stock reserved for issuance under the Company's 1996 Stock Option Plan. As of September 30, 1996, there were options to purchase 319,960 shares of Common Stock outstanding under the Company's 1996 Stock Option Plan and the Company has committed to issue immediately after the consummation of the Offering options to purchase an additional 289,348 shares of Common Stock. See "Management - Stock Option Plan."

SUMMARY FINANCIAL DATA (in thousands except per share data)

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	SIX MONTHS						
	YEARS ENDED DECEMBER 31,					ENDED JUNE 30,	
	1991	1992	1993	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:							
Net sales	\$26,250	\$28,331	\$32,431	\$42,853	\$55,388	\$28,182	\$27,637
Cost of sales	16,928	17,946	21,971	27,512	34,581	17,348	18,616
Gross profit	9,322	10,385	10,460	15,341	20,807	10,834	9,021
Selling, engineering and administrative expenses	7,319	7,826	7,346	8,605	10,578	5,035	5,594

Operating income	2,003	2,559	3,114	6,736	10,229	5,799	3,427
Interest expense	1,118	997	931	859	814	432	423
Miscellaneous (income) expense	(320)	(252)	249	66	(79)	(11)	(10)
Income before income taxes	1,205	1,814	1,934	5,811	9,494	5,378	3,014
Income tax provision (benefit) (1)	46	(201)	(148)	408	633	297	491
Net income	\$ 1,159	\$ 2,015	\$ 2,082	\$ 5,403	\$ 8,861	\$ 5,081	\$ 2,523

PRO FORMA STATEMENT

OF INCOME DATA: (2)							
Income before income taxes	\$ 1,205	\$ 1,814	\$ 1,934	\$ 5,811	\$ 9,494	\$ 5,378	\$ 3,014
Income tax provision	481	580	604	2,738	3,611	1,920	1,200
Net income	\$ 724	\$ 1,234	\$ 1,330	\$ 3,073	\$ 5,883	\$ 3,458	\$ 1,814

Net income per common share (3)				\$ 1.09		\$ 0.34	
Weighted average shares outstanding (3)			5,402		5,384		

OTHER FINANCIAL DATA:

EBITDA(4)	\$ 3,956	\$ 4,530	\$ 5,226	\$ 8,933	\$ 12,785	\$ 6,870	\$ 5,150
Depreciation	1,953	1,971	2,112	2,197	2,556	1,071	1,723
Capital expenditures	1,683	1,987	3,005	5,130	7,657	3,146	7,568

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JUNE 30, 1996

	PRO FORMA		
ACTUAL	PRO FORMA (5)	AS ADJUSTED (6)	
<C>	<C>	<C>	

BALANCE SHEET DATA:

Working capital	\$ 3,051	\$ 3,051	\$ 4,202
Total assets	38,358	38,358	39,509
Total debt	9,474	9,474	2,858
Shareholders' equity	23,415	13,082	33,912

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- (1) The Company has previously operated as an S Corporation. Therefore, the historical income tax provision represents primarily foreign taxes.
- (2) The pro forma statement of income data is based on historical net income as adjusted to reflect a provision for income taxes calculated using the statutory rates in effect during the applicable periods, as if the Company had been a C Corporation since inception. See Notes 2 and 11 of the Notes to Financial Statements.
- (3) The pro forma net income per share data is based on the historical weighted average number of shares outstanding and as adjusted to reflect the assumed issuance of 1,175 shares to fund the S Corporation Distribution as of June 30, 1996. See "S Corporation Distribution."
- (4) "EBITDA" represents earnings before interest expense, income taxes, depreciation and amortization. EBITDA represents supplemental information only and is not to be construed as an alternative to operating income or to cash flows from operating activities as defined by U.S. Generally Accepted Accounting Principles.
- (5) Shareholders' equity is Pro Forma for the Reorganization as if the following had occurred as of June 30, 1996: (i) the S Corporation Distribution of approximately \$11.1 million, and (ii) the issuance of stock options in connection with (a) the termination of the phantom stock compensation agreements, resulting in a compensation expense of approximately \$1.3 million, and (b) the cancellation of existing accrued liabilities of approximately \$0.7 million under such phantom stock compensation agreements, which together resulted in an increase in capital in excess of par value of approximately \$2.0 million. See "S Corporation Distribution," "Capitalization," "The Reorganization" and Notes 2 and 16 of the Notes to Financial Statements.
- (6) Gives effect to the adjustments in Note (5) above, the sale of shares of Common Stock offered hereby and the application of the net proceeds therefrom as set forth under "Use of Proceeds."

This Prospectus contains statements which constitute forward-looking

statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Those statements appear in a number of places in this Prospectus and include statements regarding the intent, belief or current expectations of the Company, its Directors or its Officers with respect to, among other things: (i) the use of the proceeds of the Offering; (ii) the Company's financing plans; (iii) trends affecting the Company's financial condition or results of operations; (iv) the Company's growth strategy and operating strategy; and (v) the declaration and payment of dividends. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The accompanying information contained in this Prospectus, including without limitation the information set forth under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," identifies important factors that could cause such differences.

RISK FACTORS

In evaluating the Offering, prospective investors should consider carefully all of the information contained in this Prospectus and, in particular, the following risk factors relating to the Company and to the Common Stock.

POTENTIAL MARKETPLACE ADOPTION OF INDUSTRY STANDARD. A significant portion of the Company's revenues are derived from the sale of its screw-in cartridge valves that fit into a unique cavity. To date, no other manufacturer has designed products of any significance that fit this cavity; most competitive manufacturers produce screw-in cartridge valves that fit into an industry common cavity. Accordingly, the Company's screw-in cartridge valves are not interchangeable with those of other manufacturers. Additionally, the International Standards Organization ("ISO") recently has adopted an industry standard for screw-in hydraulic cartridge valve cavities that is based on metric threads and only specifies dimensional data and flow paths.

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The Company has not adopted either the industry common cavity or the ISO standard cavity for its products because it believes both fail to address critical functional requirements, which could result in performance and safety problems of significant magnitude for end users. While there are not yet any noticeable market pressures to supply screw-in cartridge valves that fit the ISO standard cavity, and no major competitor has converted its products to fit this standard cavity, any move toward the adoption of the ISO standard cavity for cartridge valves in the screw-in cartridge valve and manifold industry could have a material adverse effect on the Company's business, financial condition and results of operation. See "Business - Competition."

RISKS RELATING TO GROWTH STRATEGY. In pursuing its growth strategy, the Company intends to expand its presence in its existing markets and enter new geographic markets. In addition, the Company may pursue acquisitions and joint ventures to complement its business. Many of the expenses arising from the Company's expansion efforts may have a negative effect on operating results until such time, if at all, as these expenses are offset by increased revenues. There can be no assurance that the Company will be able to implement its growth strategy or that its strategy ultimately will be successful. See "Business - Strategy."

The Company's expansion strategy also may require substantial capital investment for the construction of new facilities and their effective operation. The Company may finance the acquisition of additional assets using cash from operations, bank or institutional borrowings, or through the issuance of debt or equity securities. There can be no assurance that the Company will be able to obtain financing from bank or institutional sources or through the equity or debt markets or that, if available, such financing will be on terms acceptable to the Company.

The Company currently is involved in an expansion of its facilities in Florida and Germany. The Company also currently is engaged in the implementation of new accounting and manufacturing computer software systems. These matters require significant attention from senior management and may divert their attention from other aspects of the business. There can be no assurance that the facilities expansion can be completed on time within budget and that the new computer software systems can be timely and efficiently integrated into the Company's operations. Failure to do so could have a material adverse effect on the Company's business, financial condition and results of operation.

FLUCTUATIONS IN QUARTERLY RESULTS. The Company's quarterly results are subject to significant fluctuation based upon the time of receipt of orders from distributors and requested shipments of products. While the Company's distributors stock inventory, shipments are largely dependent upon delivery requirements of end users. In addition to fluctuations due to economic cyclicality, 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. As a result, the Company's fourth quarter net sales, income from operations and net income typically have been the lowest of any quarter during the year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and "- Seasonality."

DEPENDENCE ON KEY EMPLOYEES AND SKILLED PERSONNEL. The Company's success depends, to a significant extent, upon a number of key individuals. The loss of the services of one or more of these individuals, including the Company's Chairman, Robert E. Koski, or its President and Chief Executive Officer, Clyde G. Nixon, could have a material adverse effect on the business of the Company. The Company's future operating results depend to a significant degree upon the continued contribution of its key technical personnel and skilled labor force. Competition for management and engineering personnel is intense, and the Company competes for qualified personnel with numerous other employers, some of whom have greater financial and other resources than the Company. The Company conducts a substantial part of its operations at its factory in Sarasota, Florida. The Company's continued success depends on its ability to attract and retain a skilled labor force at this location. While the Company has been successful in attracting and retaining skilled employees in the past, there can be no assurance that the Company will continue to be successful in attracting and retaining the personnel it requires to develop, manufacture and market its products and expand its operations. See "Business - Employees."

COMPETITION. The hydraulic valve and manifold industry is highly fragmented and intensely competitive, with the Company facing competition from a large number of competitors, some of which are full-line producers and others that are niche suppliers like the Company. Full-line producers have the ability to provide total hydraulic systems to customers, including components functionally similar to those manufactured by the Company. The Company believes that it competes based upon quality, reliability, price, value, speed of delivery and technological characteristics. Many of the Company's screw-

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in cartridge valve competitors are owned by corporations which are significantly larger than the Company and have greater financial resources than the Company. There can be no assurance that the Company will continue to be able to compete effectively with these companies.

The manifold business is also highly fragmented and intensely competitive. All of the major screw-in cartridge valve manufacturers either manufacture manifolds or have sources that they use on a regular basis. In addition, there are a number of independent manifold suppliers that produce manifolds incorporating various manufacturers' screw-in cartridge valves, including those made by the Company. Finally, there are many small, independent machine shops that produce manifolds at very competitive prices. Competition in the manifold business is based upon quality, price, relationships based on proximity to the customer, and speed of delivery. Many of the Company's competitors have very low overhead structures and there can be no assurance that the Company will continue to be able to compete effectively with these companies.

In addition, the Company competes in the sale of hydraulic valves and manifolds with certain of its customers. Generally, these customers purchase special purpose valves from the Company to meet a specific need in a system which cannot be filled by any valve made by such customer. To the extent that the Company introduces new valves in the future that increase the competition between the Company and such customer, such competition could adversely affect the Company's relationships with these customers.

CYCLICALITY. The capital goods industry in general, and the hydraulic valve and manifold industry in particular, is subject to economic cycles. Cyclical downturns could have a material adverse effect on the Company's business, financial condition and results of operation.

MANUFACTURING CAPACITY EXPANSION. The Company's Sarasota, Florida, manufacturing facility is currently operating near full capacity. In March 1996, the Company began construction of a new plant in Sarasota, Florida, which will be used for the manufacture of manifolds. It is intended that, after the new facility is completed, the existing Sarasota plant will be utilized solely for the manufacture of the Company's screw-in cartridge valves. Construction of the new plant is expected to be completed early in 1997. In March 1996, the

Company began construction of a new plant in Erkelenz, Germany, which is scheduled to be completed by the end of 1996. There can be no assurance that the Company will be able to complete its plant expansions on a timely basis or that production will commence on schedule. Any delay in opening the new facilities, unanticipated disruptions to manufacturing at the current facility or unanticipated start-up costs at either new facility could adversely affect the Company's business, financial condition and results of operation. See "Business - Properties."

INTERNATIONAL SALES. In 1995, approximately 33% of the Company's net sales were outside of the United States. The Company is expanding the scope of its operations outside the United States, both through direct investment and distribution and expects that international sales will continue to account for a significant portion of net sales in future periods. International sales are subject to various risks, including unexpected changes in regulatory requirements and tariffs, longer payment cycles, difficulties in receivable collections, potentially adverse tax consequences, trade or currency restrictions and, particularly in emerging economies, potential political and economic instability and regional conflicts. Furthermore, the Company's international operations generate sales in a number of foreign currencies, particularly British pounds and German marks. Therefore, the Company's financial condition and results of operation are affected by fluctuations in exchange rates between the United States dollar and these currencies. Any or all of these factors could have a material adverse effect on the Company's business, financial condition and results of operation.

INDEPENDENT DISTRIBUTORS. The Company uses independent distributors and does not maintain an internal sales force. While the Company knows of no current intention of any of its principal distributors to terminate existing relationships, there is no assurance of the continuation of such relationships. In the event any current relationships are terminated, there can be no assurance that the Company will be able to secure adequate substitutions, and such inability could have a material adverse effect on the Company's business, financial condition and results of operation. See "Business - Sales and Marketing."

ENVIRONMENTAL COMPLIANCE. The Company's operations involve the handling and use of substances that are subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the soil, air and water and establish standards for their storage and disposal. Management believes that the Company's current

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operations are in substantial compliance with applicable environmental laws and regulations, the violation of which could have a material adverse effect on the Company. There can be no assurance, however, that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations will not materially affect the Company's business or operations in the future.

RISK OF PRODUCT LIABILITY. The application of many of the Company's products entails an inherent risk of product liability. There can be no assurance that the Company will not face any material product liability claims in the future or that the product liability insurance maintained by the Company at such time will be adequate to cover such claims.

OPERATION AS A PUBLIC COMPANY. Since its inception, the Company has maintained a very long-term view of its business operations. Product developments, process developments and capital investments have been executed to achieve long-term benefits. The Company also believes that one of its competitive strengths is its horizontal management structure which fosters broad employee involvement in all aspects of its operations. Following the Offering, the potential for the Company to focus on short-term financial results could have an adverse effect on the Company's internal culture and significantly alter the Company's long-term view and, as a result, its long-term business performance and operating results.

TECHNOLOGICAL CHANGE. The fluid power industry and its component parts are subject to technological change, evolving industry standards, changing customer requirements and improvements in and expansion of product offerings. If technologies or standards used in the Company's products become obsolete, the Company's business, financial condition and results of operation will be adversely affected. Although the Company believes that it has the technological capabilities to remain competitive, there can be no assurance that developments by others will not render the Company's products or technologies obsolete or noncompetitive. See "Business - Strategy."

RAW MATERIALS. The primary raw materials used by the Company in the manufacture of its products are aluminum, ductile iron and steel. There can be

no assurance that prices for such materials will remain stable. If the Company is unable to pass through any price increases to its customers, the operating results of the Company will be adversely affected.

PAYMENT OF SUBSTANTIAL PORTION OF OFFERING PROCEEDS TO CURRENT STOCKHOLDERS. In connection with the Reorganization and immediately before the closing of the Offering, the Company will terminate its status as an S Corporation and will declare a distribution to its stockholders in an aggregate amount equal to the Company's undistributed S Corporation earnings through such date. As of June 30, 1996, the amount of such undistributed earnings totalled approximately \$11.1 million. The actual amount of the distribution also will include the taxable income of the Company for the period from July 1, 1996, through the date of the consummation of the Reorganization, less any foreign or other taxes payable by the Company. The distribution will be paid by the Company from the net proceeds of the Offering. See "Use of Proceeds" and "S Corporation Distribution." The purchasers of Common Stock in the Offering will not receive any portion of the S Corporation Distribution.

PAYMENT OF DIVIDENDS. Although the Company currently intends to pay quarterly cash dividends beginning with the quarter ending March 31, 1997, there can be no assurance that there will be funds available therefor. The declaration and payment of dividends will be subject to the sole discretion of the Board of Directors of the Company and will depend upon the Company's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors, and may be restricted by the terms of the Company's credit agreements.

CERTAIN ANTI-TAKEOVER PROVISIONS. The Company's Certificate of Incorporation provides for a classified Board of Directors. In addition, the Certificate of Incorporation gives the Board of Directors the authority, without further action by the stockholders, to issue and fix the rights and preferences of a new class, or classes, of preferred stock. These and other provisions of the Certificate of Incorporation and the Company's Bylaws may deter or delay changes in control of the Company, including transactions in which stockholders might otherwise receive a premium for the shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. See "Description of Capital Stock."

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CONTROL BY CURRENT STOCKHOLDERS AND MANAGEMENT. Following the sale of the shares of Common Stock offered hereby, Robert E. Koski and members of his family will own or control approximately 43.5% of the outstanding shares of Common Stock (41.4% if the Underwriters' over-allotment option is exercised in full). Accordingly, the members of the Koski family will have the ability to control the election of the Company's Directors and the outcome of certain corporate actions requiring stockholder approval and to control the business of the Company. Such control could preclude any acquisition of the Company and could adversely affect the price of the Common Stock. Additionally, all Directors and Executive Officers of the Company as a group will beneficially own or control approximately 31.1% of the outstanding shares of Common Stock (29.7% if the Underwriters' over-allotment option is exercised in full). See "Principal Stockholders."

SHARES ELIGIBLE FOR FUTURE SALE. Sales of substantial amounts of Common Stock after the Offering, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock. There will be 6,000,000 shares of Common Stock outstanding immediately following the consummation of the Offering (6,300,000 shares if the Underwriters' over-allotment option is exercised in full). The 2,000,000 shares of Common Stock offered hereby (plus an additional 300,000 shares if the Underwriters' over-allotment option is exercised in full) will be fully tradeable without restriction or registration under the Securities Act by persons other than "affiliates" (as defined in the Securities Act) of the Company. The shares of Common Stock other than those offered hereby will be "restricted securities" under the Securities Act and may only be sold pursuant to an effective registration statement under the Securities Act or an applicable exemption from the registration requirements of the Securities Act, including Rule 144 thereunder. Upon completion of the Offering, the Company intends to file an S-8 registration statement to register up to 1,000,000 shares of Common Stock reserved for issuance pursuant to the Company's 1996 Stock Option Plan. See "Management - Stock Option Plan." All holders of Common Stock and all Directors and Executive Officers have agreed with the Underwriters not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of their shares of Common Stock of the Company or any securities convertible into or exercisable or exchangeable for such Common Stock or in any other manner transfer all or a portion of the economic consequences associated with the ownership of such Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of A.G. Edwards & Sons,

Inc. See "Shares Eligible for Future Sale."

NO PRIOR TRADING MARKET; POSSIBLE VOLATILITY OF STOCK PRICE. Prior to the Offering, there has been no public market for the Company's Common Stock, and there can be no assurance that an active trading market will develop or be sustained after the Offering. The initial public offering price negotiated between the Company and the Underwriters may not be indicative of prices that will prevail in the trading market after the Offering, and there can be no assurance that the market price of the Common Stock after the Offering will not fall below the initial public offering price. See "Underwriting". There has historically been significant volatility in the market price of securities of manufacturing and capital goods companies. In addition, the stock market in recent years has experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of companies. Many factors that have influenced trading, such as actual or anticipated operating results, growth rates, changes in estimates by analysts, market conditions in the industry, announcements by competitors, regulatory actions and general economic conditions, will vary from period to period. As a result of the foregoing, the Company's operating results and prospects from time to time may be below the expectations of public market analysts and investors. Any such event would likely result in a material adverse effect on the price of the Common Stock.

IMMEDIATE AND SUBSTANTIAL DILUTION. Investors purchasing shares of Common Stock in the Offering will incur immediate, substantial dilution. See "Dilution."

S CORPORATION DISTRIBUTION

Prior to the consummation of the Reorganization, the Company was treated for federal and certain state income tax purposes as an S Corporation under the Internal Revenue Code of 1986, as amended (the "Code"), and comparable state tax laws. As a result, the Company's earnings were taxed for federal and certain state income tax purposes directly to its stockholders. Upon the consummation of the Reorganization, the Company's status as an S Corporation will be terminated. The Company intends to declare a distribution (the "S Corporation Distribution") of all of its undistributed earnings through the date of termination of its S Corporation status to stockholders of record of the Company immediately prior to the closing date of the Reorganization. As of June 30, 1996, the amount of the S Corporation Distribution would have totalled

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approximately \$11.1 million. The actual amount of the S Corporation Distribution will include the taxable income of the Company for the period from July 1, 1996, through the date of the consummation of the Reorganization, less any foreign or other taxes payable by the Company. The S Corporation Distribution will be paid by the Company with a portion of the net proceeds of the Offering. See "Use of Proceeds." The purchasers of Common Stock in the Offering will not receive any portion of the S Corporation Distribution.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,000,000 shares of Common Stock offered hereby, assuming an initial public offering price of \$10.50 per share (after deducting the underwriting discount and estimated offering expenses), are estimated to be approximately \$18.8 million. The Company intends to use the net proceeds of the Offering as follows:

(i) approximately \$6.6 million to repay the outstanding balance of the Company's revolving line of credit, a \$3.1 million capital equipment loan, the outstanding indebtedness under the \$2.4 million mortgage loan on the Company's existing manufacturing facility in Florida and a portion of the indebtedness under a 10-year mortgage loan for \$6.2 million related to the new manufacturing facility in Florida. As of June 30, 1996, such borrowings totalled approximately \$6.6 million (only \$0.8 million had been borrowed as of such date under the \$6.2 million mortgage loan, as the new facility was still under construction), had a weighted average interest rate of 8.25%, and maturity dates of March 1, 1997, for the revolving line of credit, May 1, 2003, for the capital equipment loan and July 1, 2006, for the mortgage loans;

(ii) approximately \$11.1 million will be used to pay the S Corporation Distribution; and

(iii) any remainder will be used for general corporate

purposes.

Pending the application of the net proceeds as described above, such proceeds will be placed in interest-bearing bank accounts or invested in short-term United States government securities, certificates of deposit of major banks, money market mutual funds or investment-grade commercial paper.

DIVIDEND POLICY

The Company currently intends to pay quarterly cash dividends of \$.035 per share, beginning with the quarter ending March 31, 1997, assuming that there are funds legally available therefor. However, the declaration and payment of dividends will be subject to the sole discretion of the Board of Directors of the Company and will depend upon the Company's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors. Further, the revolving line of credit agreement the Company expects to enter into prior to the consummation of the Offering may restrict the payment of dividends.

CAPITALIZATION

The following table sets forth the short-term borrowings and capitalization of the Company at June 30, 1996, and as adjusted to give effect to the sale by the Company of the Common Stock offered hereby and the application of the net proceeds therefrom as described under "Use of Proceeds."

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<TABLE>
<CAPTION>

	June 30, 1996		
	Actual	Pro Forma	
		Pro Forma (1)	As Adjusted (2)
	(in thousands)		
<S>	<C>	<C>	<C>
Total short-term debt	\$ 1,517	\$ 1,517	\$ 610
Total long-term debt	\$ 7,957	\$ 7,957	\$ 2,248
Stockholders' equity (3):			
Common Stock, \$.001 par value, 20,000,000 shares authorized, 4,000,000 shares issued and outstanding and 6,000,000 shares issued and outstanding as adjusted; preferred stock, \$.001 par value, 2,000,000 shares authorized, no shares issued and outstanding as adjusted		4	4
Capital in excess of par value	3,261	5,261	24,089
Retained earnings	20,532	8,199	8,199
Equity adjustment for foreign currency translation		(382)	(382)
Total stockholders' equity	23,415	13,082	31,912
Total capitalization	\$31,372	\$21,039	\$ 34,160

</TABLE>

- (1) Pro Forma for the Reorganization as if the following had occurred as of June 30, 1996: (i) the S Corporation Distribution of approximately \$11.1 million, and (ii) the issuance of stock options in connection with (a) the termination of the phantom stock compensation agreements, resulting in a compensation expense of approximately \$1.3 million, and (b) the cancellation of existing accrued liabilities of approximately \$0.7 million under such phantom stock compensation agreements, which together resulted in an increase in capital in excess of par value of approximately \$2.0 million. See "S Corporation Distribution," "Capitalization," "The Reorganization" and Notes 2 and 16 of the Notes to Financial Statements.
- (2) Gives effect to the adjustments described in Note (1) above, the receipt of the estimated net proceeds from the Offering and the application of such proceeds as set forth under "Use of Proceeds."
- (3) Actual stockholders' equity as of June 30, 1996, gives effect to the Reorganization. See "The Reorganization."

DILUTION

Purchasers of the Common Stock offered hereby will experience an immediate and substantial dilution in the net tangible book value of their Common Stock from the assumed initial public offering price. The net tangible book value of the Company at June 30, 1996, was approximately \$23.4 million, or \$5.85 per share. Net tangible book value per share is equal to net tangible assets (tangible assets of the Company less total liabilities) divided by the number of shares of Common Stock outstanding. Net tangible book value dilution per share represents the difference between the amount per share paid by purchasers of shares of Common Stock in the Offering and the pro forma net tangible book value per share of Common Stock immediately after completion of the Offering. After giving effect to the payment of the S Corporation Distribution, the compensation expense associated with the termination of the phantom stock compensation agreements and the sale of the 2,000,000 shares of Common Stock offered hereby (after deducting the underwriting discount and estimated offering expenses), the pro forma net tangible book value of the Company as of June 30, 1996, would have been approximately \$31.9 million, or \$5.32 per share. This represents an immediate increase in net tangible book value of \$2.56 per share to existing stockholders and an immediate dilution in net tangible book value of \$5.18 per share to purchasers of Common Stock in the Offering, as illustrated in the following table:

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<TABLE>	
<S>	<C> <C>
Assumed public offering price per share	\$ 10.50
Net tangible book value per share at June 30, 1996	\$5.85
Decrease attributable to S Corporation Distribution (1)	2.77
Decrease attributable to phantom stock compensation expense (2)	0.32

Subtotal	2.76
Increase per share attributable to new investors	2.56

Pro forma net tangible book value per share after the Offering	5.32

Net tangible book value dilution per share to new investors	\$ 5.18
=====	
</TABLE>	

-
- (1) As of June 30, 1996, the amount of the S Corporation Distribution would have totalled approximately \$11.1 million. The actual amount of the S Corporation Distribution will include the taxable income of the Company for the period from July 1, 1996, through the date of the consummation of the Reorganization, less any foreign or other taxes payable by the Company.
 - (2) Represents an expense of approximately \$1.3 million resulting from the termination of the phantom stock compensation agreements. See "The Reorganization."

The following table sets forth certain information with respect to the number of shares of Common Stock purchased from the Company, the total cash consideration paid and the average price per share paid, by existing stockholders:

<TABLE>	
<CAPTION>	
	AVERAGE PRICE
SHARES PURCHASED	TOTAL CASH CONSIDERATION
Number Percent	Amount Percent
----- -----	----- -----
<S>	<C> <C> <C> <C>
Existing stockholders	4,000,000 66.6% \$ 5,265,000 (1) 20.0% \$ 1.32
New investors	2,000,000 33.4% 21,000,000 80.0 \$ 10.50
Total	6,000,000 100.0% \$26,265,000 100.0%
	===== ===== ===== =====
</TABLE>	

- (1) Represents aggregate par value and capital in excess of par value as of June 30, 1996.

The foregoing tables assume no exercise of outstanding options. As of September 30, 1996, there were options outstanding to purchase 319,960 shares of Common Stock at a weighted average price of \$3.90 per share, all of which are presently exercisable. Additionally, the Company has committed to issue immediately after the consummation of the Offering options to purchase 289,348 shares at the initial public offering price of the Common Stock. Of such options, options to purchase 307,442 shares of Common Stock will be exercisable within 60 days. See "Management - Stock Option Plan" and "Shares Eligible for Future Sale."

SELECTED FINANCIAL DATA

Set forth below is selected financial data for each of the five years ended December 31, 1995, and for the six month periods ended June 30, 1995 and 1996. The selected financial data for each of the three years ended December 31, 1995, has been derived from the Company's combined financial statements, which have been audited by Price Waterhouse LLP, independent certified public accountants, that are included elsewhere herein and should be read in conjunction with such financial statements and the Notes thereto. The selected unaudited financial data for the years ended December 31, 1991 and 1992 have been derived from financial statements that are not included herein. The selected financial data as of and for the six months ended June 30, 1995 and 1996 has been derived from the Company's unaudited interim combined financial statements contained

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elsewhere herein. In the opinion of management, the unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and include all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the financial position and results of operations for these periods. Results of operations for the six months ended June 30, 1996, are not necessarily indicative of results to be expected for the year ending December 31, 1996. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Risk Factors" and the Combined Financial Statements and the Notes thereto included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,	
	1991	1992	1993	1994	1995	1995	1996	
	(in thousands except per share data)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
STATEMENT OF INCOME DATA:								
Net sales	\$26,250	\$28,331	\$32,431	\$42,853	\$55,388	\$28,182	\$27,637	
Cost of sales	16,928	17,946	21,971	27,512	34,581	17,348	18,616	
Gross profit	9,322	10,385	10,460	15,341	20,807	10,834	9,021	
Selling, engineering and administrative expenses	7,319	7,826	7,346	8,605	10,578	5,035	5,594	
Operating income	2,003	2,559	3,114	6,736	10,229	5,799	3,427	
Interest expense	1,118	997	931	859	814	432	423	
Miscellaneous (income) expense		(320)	(252)	249	66	(79)	(11)	
Income before income taxes	1,205	1,814	1,934	5,811	9,494	5,378	3,014	
Income tax provision (benefit) (1)	46	(201)	(148)	408	633	297	491	
Net income	\$1,159	\$2,015	\$2,082	\$5,403	\$8,861	\$5,081	\$2,523	

PRO FORMA STATEMENT OF INCOME DATA: (2)

Income before income taxes	\$1,205	\$1,814	\$1,934	\$5,811	\$9,494	\$5,378	\$3,014
Income tax provision	481	580	604	2,738	3,611	1,920	1,200
Net income	\$724	\$1,234	\$1,330	\$3,073	\$5,883	\$3,458	\$1,814
Net income per common share (3)				\$1.09		\$0.34	
Weighted average shares outstanding (3)			5,402		5,384		

OTHER FINANCIAL DATA:

EBITDA(4)	\$ 3,956	\$ 4,530	\$ 5,226	\$ 8,933	\$ 12,785	\$ 6,870	\$ 5,150
Depreciation	1,953	1,971	2,112	2,197	2,556	1,071	1,723
Capital expenditures	1,683	1,987	3,005	5,130	7,657	3,146	7,568

</TABLE>

<TABLE>

<CAPTION>

	DECEMBER 31,				JUNE 30,		
	1991	1992	1993	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:							
Cash and cash equivalents	\$ 1,711	\$ 1,128	\$ 1,883	\$ 2,371	\$ 2,434	\$ 883	\$ 215
Working capital	4,209	3,396	4,557	5,085	4,326	6,011	3,051
Total assets	22,290	20,411	22,674	27,868	33,864	30,619	38,358
Total debt	8,982	7,637	9,015	8,025	6,186	7,219	9,474
Shareholders' equity	10,690	10,805	12,051	15,624	21,529	19,167	23,415

</TABLE>

- (1) The Company has previously operated as an S Corporation. Therefore, the historical income tax provision represents primarily foreign taxes.

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- (2) The pro forma statement of income data is based on historical net income as adjusted to reflect a provision for income taxes calculated using the statutory rates in effect during the applicable periods, as if the Company had been a C Corporation since inception. See Notes 2 and 10 of the Notes to Financial Statements.
- (3) The pro forma net income per share data is based on the historical weighted average number of shares outstanding and as adjusted to include the estimated number of shares (1,175 shares) required to be sold by the Company to make the S Corporation Distribution as of June 30, 1996. See "S Corporation Distribution."
- (4) "EBITDA" represents earnings before interest expense, income taxes, depreciation and amortization. EBITDA represents supplemental information only and is not to be construed as an alternative to operating income or to cash flows from operating activities as defined by U.S. Generally Accepted Accounting Principles.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto and Selected Financial Data included elsewhere in this Prospectus. Historical operating results are not necessarily indicative of trends in operating results for any future period.

OVERVIEW

The Company 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's innovative product design, consistent high quality and superior product performance have allowed it to generate a profit in every year since 1972 and achieve an internal compound annual growth rate in net sales of 17% over the last ten years. In recent years, the Company's sales have been comprised of approximately 75% screw-in cartridge valves and approximately 25% manifolds, and the Company expects that relationship to remain relatively constant. The Company sells its products globally through independent distributors and in 1995 generated approximately 33% of its net sales outside the United States.

The Company experienced significant growth in net sales and improvements in profitability in 1994 and 1995. Management believes that the Company's growth was due primarily to the increasing awareness of the quality, reliability and design flexibility of the Company's products and its increased presence in international markets, as well as the growth of the hydraulics market in general. In the six months ended June 30, 1996, the Company experienced a decline in net sales and gross margin due to declines in industry shipments and temporary inefficiencies caused by the Company's existing plant in Sarasota, Florida operating near full capacity. The Company believes that the new facility under construction in Sarasota, Florida, will address the

current capacity constraints.

The capital goods industry in general, and the hydraulic valve and manifold industry in particular, is subject to economic cycles. Following three years of rapid growth, the hydraulic valve and manifold industry peaked in mid-1995. The National Fluid Power Association ("NFPA") estimated a decline in domestic industry shipments in excess of 2% in the first half of 1996. The Company's net sales during the six months ended June 30, 1996, although adversely affected by capacity constraints, were in line with industry trends. Historically, the Company has managed to mitigate negative consequences of cyclical downturns with new product introductions and geographic and end user market diversity. In 1995, approximately 33% of the Company's net sales were outside the United States and the Company's single largest end user customer represented less than 3% of net sales.

The Company maintains facilities in the United States, the United Kingdom and Germany. The United States plant manufactures screw-in cartridge valves and manifolds, and supplies the United Kingdom plant with finished products and some cartridge valve components for final assembly and test. The United Kingdom operation also manufactures manifolds and supplies a portion to the United States plant. Both the United States and United Kingdom operations supply technical support and finished product to the German distribution facility. The United States dollar is the functional currency for all intercompany sales, and international sales are made in a number of foreign currencies, particularly British pounds and German marks. Currency fluctuations have not been material to date, but could become more important as the Company's international sales grow in the future.

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The Company has been an S Corporation for federal and state income tax purposes. As a result, the Company has not been subject to federal and state income taxes, but has been subject to foreign taxes. The Company will terminate its S Corporation status in connection with the consummation of the Reorganization and will be fully subject to federal and state income taxes in the future.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items in the Company's statements of income as a percentage of net sales. Results for any one or more periods are not necessarily indicative of annual results or continuing trends.

AS A PERCENTAGE OF NET SALES

<TABLE>
<CAPTION>

	SIX MONTHS ENDED				
	YEAR ENDED DECEMBER 31,			JUNE 30,	
	1993	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	67.7	64.2	62.4	61.6	67.4
Gross profit	32.3	35.8	37.6	38.4	32.6
Selling, engineering and administrative expenses . . .	22.7	20.1	19.1	17.9	20.2
Operating income	9.6	15.7	18.5	20.6	12.4
Interest expense	2.9	2.0	1.5	1.5	1.5
Miscellaneous (income) expense	0.8	0.2	(0.1)	0.0	0.0
Income before income taxes . . .	6.0%	13.6%	17.1%	17.1%	10.9%

</TABLE>

Comparison of Six Months Ended June 30, 1996 and 1995

Net sales decreased 2.0%, or \$0.5 million, to \$27.6 million in the six month period ended June 30, 1996, compared to \$28.2 million in the six month period ended June 30, 1995. Domestic net sales decreased 4.4%, or \$0.9 million

to \$18.7 million in the six month period ended June 30, 1996, primarily due to capacity constraints at the United States plant, as well as to a general decline in hydraulic industry shipments. International net sales increased 3.6%, or \$0.3 million, to \$8.9 million in the six month period ended June 30, 1996, as growth was achieved across all major geographic areas except Germany, where net sales decreased 13.5% compared to the 1995 period.

Gross profit decreased 16.7%, or \$1.8 million, to \$9.0 million in the six month period ended June 30, 1996, compared to \$10.8 million in the six month period ended June 30, 1995. Gross profit as a percentage of net sales decreased to 32.6% for the six month period ended June 30, 1996, from 38.4% for the six month period ended June 30, 1995. The decrease in gross profit was primarily due to increased costs in the United States plant as new machinery for future growth was installed in severely restricted physical space, creating excess down time and start-up costs. In addition, material cost increases also were experienced due to a temporary increase in outsourcing necessitated by the United States plant operating near full capacity.

Selling, engineering and administrative expenses increased 11.1%, or \$0.6 million, to \$5.6 million in the six month period ended June 30, 1996, compared to \$5.0 million in the six month period ended June 30, 1995. These expenses as a percentage of net sales

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increased to 20.2% for the six month period ended June 30, 1996 from 17.9% for the six month period ended June 30, 1995. The increase in selling, engineering and administrative expenses was primarily due to increases in software development costs and professional fees.

Comparison of Years Ended December 31, 1995 and 1994

Net sales increased 29.3%, or \$12.5 million, to \$55.4 million in 1995 compared to \$42.9 million in 1994. Domestic net sales increased 27.7%, or \$7.9 million, to a total of \$36.6 million in 1995, compared to \$28.7 million in 1994. International net sales increased 32.5%, or \$4.6 million, to \$18.8 million in 1995, compared to \$14.2 million in 1994. The international net sales increase was due primarily to increased volume across all major geographic areas led by the Pacific Rim and Canada.

Gross profit increased 35.6%, or \$5.5 million, to \$20.8 million in 1995, compared to \$15.3 million in 1994. Gross profit as a percentage of net sales increased to 37.6% in 1995 from 35.8% in 1994. The improvement in gross margin was generally due to allocating fixed costs over a greater sales base.

Selling, engineering and administrative expenses increased 22.9%, or \$2.0 million, to \$10.6 million in 1995, compared to \$8.6 million in 1994. The increase in selling, engineering and administrative expenses was primarily due to increased customer support staffing, research and development expenses and professional fees. These expenses as a percentage of net sales decreased to 19.1% in 1995 from 20.1% in 1994. The decrease in these expenses as a percentage of net sales resulted from allocating these higher expenses over greater net sales.

Comparison of Years Ended December 31, 1994 and 1993

Net sales increased 32.1%, or \$10.4 million, to \$42.8 million in 1994, compared to \$32.4 million in 1993. Domestic net sales increased 27.0%, or \$6.1 million, to \$28.7 million in 1994, compared to \$22.6 million in 1993. International net sales increased 44.0%, or \$4.3 million, to \$14.1 million in 1994, compared to \$9.8 million in 1993, primarily due to increased volume in Europe.

Gross profit increased 46.7%, or \$4.9 million, to \$15.3 million in 1994, compared to \$10.4 million in 1993. Gross profit as a percentage of net sales increased to 35.8% in 1994 from 32.3% in 1993, primarily due to improvements in productivity in the United States operation.

Selling, engineering and administrative expenses increased 17.1%, or \$1.3 million, to \$8.6 million in 1994, compared to \$7.3 million in 1993. The increase in selling, engineering and administrative expenses primarily was due to increased marketing and research and development expenses. These expenses decreased as a percentage of net sales to 20.1% in 1994 from 22.7% in 1993, primarily due to allocating these expenses over greater net sales.

QUARTERLY RESULTS OF OPERATIONS

The following tables set forth certain unaudited quarterly financial information for each of the Company's last eight quarters. The Company believes that this information includes all adjustments (consisting only of

normal recurring adjustments) necessary for a fair presentation of such quarterly information when read in conjunction with the Financial Statements and the Notes thereto included elsewhere herein. The pro forma income tax provision and pro forma net income are presented as if the Company were a C Corporation in the periods presented. The operating results for any quarter are not necessarily indicative of the results for any future period or for the entire year.

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<TABLE>
<CAPTION>

	Quarter Ended							
	September 30, 1994	December 31, 1994	March 31, 1995	June 30, 1995	September 30, 1995	December 31, 1996	March 31, 1996	June 30, 1996
	(in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 11,752	\$ 10,949	\$ 13,708	\$ 14,474	\$ 15,935	\$ 11,271	\$ 13,806	\$ 13,831
Cost of sales	7,289	7,293	8,261	9,087	10,413	6,820	9,491	9,125
Gross profit	4,463	3,656	5,447	5,387	5,522	4,451	4,315	4,706
Selling, engineering and administrative expenses	2,242	2,070	2,486	2,549	2,616	2,927	2,665	2,929
Operating income	2,221	1,586	2,961	2,838	2,906	1,524	1,650	1,777
Interest expense	197	202	212	220	180	202	205	218
Miscellaneous (income) expense	248	(151)	(16)	5	(71)	3	53	(63)
Income before income taxes	1,776	1,535	2,765	2,613	2,797	1,319	1,392	1,622
Pro forma tax provision	836	723	987	933	1,156	541	554	646
Pro forma net income	\$ 940	\$ 812	\$ 1,778	\$ 1,680	\$ 1,641	\$ 778	\$ 838	\$ 976

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's primary source of capital has been cash generated from operations, although short-term fluctuations in working capital requirements have been met through borrowings under revolving lines of credit as needed. The Company's principal uses of cash have been to pay operating expenses, make capital expenditures, make distributions to stockholders, repurchase shares of the Company's Common Stock and service debt.

At June 30, 1996, the Company had working capital of approximately \$3.0 million. Cash generated from operations was \$3.4 million and \$4.9 million in the six month periods ended June 30, 1996 and 1995, respectively. The decrease in the Company's cash generated from operations reflects primarily a decrease in net income. Cash generated from operations was \$12.7 million in 1995, compared to \$7.3 million and \$3.5 million in 1994 and 1993, respectively.

Capital expenditures in the six months ended June 30, 1996, were \$7.6 million, compared to \$3.1 million in the comparable 1995 period. For the full year 1996, the Company intends to invest approximately \$16.0 million in capital expenditures, of which \$11.0 million will be used to complete the new manufacturing plants in the United States and Germany, and approximately \$5.0 million will be invested in machinery and equipment. Capital expenditures were \$7.7 million, \$5.1 million and \$3.0 million in 1995, 1994 and 1993, respectively. Included in 1995 capital expenditures was \$0.8 million used for land and land improvements for the new United States and German facilities.

The Company currently has a \$1.7 million unsecured line of credit, which bears interest at the lender's prime rate and has a maturity date of March 1, 1997. The Company currently is negotiating a new unsecured revolving credit facility which will provide a maximum availability of \$10.0 million, payable on demand, with a floating interest rate. There can be no assurance that the Company will be able to finalize this new facility; however, management believes that the Company would be able to obtain other financing on commercially reasonable terms if the Company is unable to obtain the credit facility described above.

In 1996, the Company obtained a mortgage loan of approximately \$2.4 million, denominated in German marks, for the new facility in Erkelenz, Germany. The loan has a term of 12 years and bears interest at 6.47%. Also in

1996, the Company negotiated an additional advance on a loan, which is secured by capital equipment, increasing the amount of the loan from \$0.8 million to \$3.1 million and decreasing the interest rate from 10.25% to 8.25%. The maturity date of the equipment loan

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is May 1, 2003. Concurrently, the Company obtained a ten-year mortgage loan for \$6.2 million at an interest rate of 8.25% for the new facility in Florida. The existing Florida facility has a \$2.4 million mortgage loan with an interest rate of 8.25% payable over the same term as the mortgage loan for the new facility. In England, the Company has a \$1.2 million line of credit, denominated in British pounds, which bears interest at a floating rate equal to 2.25% over the bank's base rate (8.0% at June 30, 1996). None of these arrangements contain pre-payment penalties. In addition, the Company has \$2.8 million in notes payable to former stockholders, which bear interest at a weighted rate of 15%, and which have terms ranging from three to five years. These notes were issued by the Company in connection with the repurchase of shares of Common Stock from the former stockholders, and do not allow for prepayment by the Company.

The Company intends to use approximately \$6.6 million of the net proceeds from the Offering to repay the outstanding balance of the Company's revolving line of credit, the \$3.1 million capital equipment loan, the \$2.4 million mortgage loan related to the existing facility in Florida and a portion of the indebtedness under the mortgage loan for \$6.2 million related to the new facility in Florida.

The Company believes that cash generated from operations, borrowing availability under the bank facility currently under negotiation and the net proceeds of the Offering will be sufficient to satisfy the Company's operating expenses and capital expenditures for the foreseeable future.

SEASONALITY

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. As a result, the Company's fourth quarter net sales, income from operations and net income typically have been the lowest of any quarter during the year.

INFLATION

The impact of inflation on the Company's operating results has been moderate in recent years, reflecting generally lower rates of inflation in the economy and relative stability in the Company's cost of sales. While inflation has not had, and the Company does not expect that it will have, a material impact upon operating results, there is no assurance that the Company's business will not be affected by inflation in the future.

BUSINESS

OVERVIEW

The Company 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 innovative floating construction of the Company's screw-in cartridge valves provides demonstrable performance and reliability advantages compared to other available screw-in cartridge valves. Screw-in cartridge valves are an increasingly accepted alternative to conventional forms of hydraulic valving, offering significant design flexibility, as well as substantial size, weight and efficiency benefits afforded to designers of fluid power systems. Since the introduction of screw-in hydraulic cartridge valves in the late 1950s, manufacturers of these and similar products have captured approximately \$580 million of the worldwide market for all non-aerospace hydraulic valves and manifolds, which management believes to be in excess of \$3 billion. The Company

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has generated a profit each year since 1972 and has achieved an internal compound annual growth rate in net sales of 17% over the last ten years. The

Company believes that its success is primarily a result of its innovative product design, consistent high quality and superior product performance.

Fluid power involves the transfer and control of power through fluids under pressure. Fluid power systems are integral to a wide variety of manufacturing, material handling, agricultural and construction equipment. Due to its mechanical advantage, fluid power is widely employed to move and position materials, control machines, vehicles and equipment, and improve industrial efficiency and productivity. Fluid power systems typically are comprised of valves and manifolds that control the flow of fluids, a pump that generates pressure and actuators such as cylinders and motors that translate pressure into mechanical energy.

The Company also designs and manufactures one of the most comprehensive lines of screw-in hydraulic cartridge valves in the world. These valves control direction, pressure, flow and loads, are available in up to five size ranges, and are suitable for flows from 5 to 400 gallons per minute and continuous operating pressures up to 5,000 pounds per square inch. The floating construction pioneered by the Company provides demonstrable performance and reliability advantages compared to competitors' product offerings due to its self-alignment characteristic that accommodates potential manufacturing deviations common in the thread making operations of screw-in cartridge valves and manifolds. This floating construction significantly differentiates the Company from most of its competitors, who design and manufacture rigid screw-in cartridge valves that fit an industry common cavity. The Company believes that competitors' products typically do not offer the inherent reliability of the Company's products and cannot provide equivalent operating performance because of the design constraints imposed by the industry common cavity.

The Company also designs and manufactures the most comprehensive line of standard manifolds in the world. A manifold is a solid block of metal, usually aluminum, steel or ductile iron, which is machined to create threaded cavities and channels into which screw-in cartridge valves are installed and through which the hydraulic fluids flow. Fluid power engineers can package standard or customized manifolds with screw-in cartridge valves to create application-specific, multiple-function hydraulic control systems that are safe, reliable and provide greater control. In 1995, screw-in cartridge valves accounted for approximately 75% of the Company's net sales while standard and custom manifolds accounted for approximately 25% of net sales.

The Company sells its products primarily through a global network of independent fluid power distributors to a diverse universe of end users, for use in various "mobile" applications, such as construction, agricultural and utility equipment (approximately 65% of net sales), and a broad array of "industrial" applications, such as machine tools and material handling equipment (approximately 35% of net sales). Sales to the Company's largest distributor represented approximately 6% of net sales in 1995, and the Company believes that aggregate sales by its distributors to the largest end user represented less than 3% of net sales in 1995.

The Company believes that screw-in cartridge valves will continue to achieve significant growth at the expense of conventional hydraulic valves as design engineers recognize the inherent advantages of screw-in cartridge valves. The Company believes that additional growth potential for screw-in cartridge valve applications exists as a result of a trend toward miniaturization as end users require smaller, lighter-weight and more efficient components. Custom manifolds that utilize screw-in cartridge valves allow customers to design an optimal solution for control of their fluid power systems that significantly reduces assembly time and expense. The United States and Western Europe are the largest developed markets for screw-in cartridge valves, and the Company believes future growth prospects are particularly attractive in the Pacific Rim, Eastern Europe and India where the adoption of screw-in cartridge valves is in the early stage. In 1995, approximately 33% of the Company's net sales were outside the United States.

Management believes that the Company's success during its 26-year history is due in large part to its emphasis on innovative product designs and vertically integrated, state of the art manufacturing processes. Management attributes the Company's ability to continuously implement process improvements to its horizontal management structure that encourages employee contribution at all levels. The Company does not have a formal organization chart and employee responsibilities

INDUSTRY BACKGROUND

Fluid power is one of three basic technologies, along with electrical and mechanical, utilized to achieve power transmission and motion control. Due to its mechanical advantage, fluid power is widely employed to move and position materials, control machines, vehicles and equipment, and improve industrial efficiency and productivity. Fluid power can perform work on very light loads with a high degree of accuracy or develop enormous forces to move and position materials and equipment that weigh many tons. As a result, fluid power systems are integral to a wide variety of manufacturing, material handling, agricultural and construction equipment. Fluid power systems typically are comprised of valves and manifolds that control the flow of fluids, a pump to generate fluid pressure, and actuators, such as cylinders and rotary motors, to translate pressure into mechanical energy.

Screw-in hydraulic cartridge valves first appeared in the late 1950s as an alternative to conventional forms of hydraulic valving. Conventional hydraulic valves are generally larger in size, typically manufactured from cumbersome iron castings, relatively inflexible in their ability to interface with machinery and equipment, and are usually simple devices designed to control a single task. Screw-in cartridge valves represent a miniaturization of hydraulic valves, providing the same functional characteristics as conventional valves, but in a smaller package size. In addition to being lighter-weight and more compact, screw-in cartridge valves frequently offer significant advantages in interface flexibility and cost over conventional hydraulic valves.

Screw-in cartridge valves have achieved greater marketplace acceptance in recent years as hydraulic system design engineers increasingly use them to develop multiple-function control systems. A number of screw-in cartridge valves can be grouped together in a manifold, creating a hydraulic control system that is functionally analogous to an electronic integrated circuit. The Company's breadth of products offers many custom "packaging" opportunities that allow design engineers to create custom, application-specific solutions using the Company's cataloged "off-the-shelf" screw-in cartridge valves and related components. End users can utilize screw-in valves and custom manifolds to design an optimal solution for control of their fluid power systems that significantly reduces assembly time and expense.

The Company estimates the global market for non-aerospace hydraulic valves to be in excess of \$3 billion, and believes that manufacturers of screw-in hydraulic cartridge valves and manifolds and similar products have captured approximately \$580 million of the total market. The United States and Western Europe are the largest developed markets for screw-in cartridge valves, and the Company believes that future growth prospects are particularly attractive in the Pacific Rim, Eastern Europe and India, where the adoption of screw-in cartridge technology is in the early stage.

STRATEGY

The Company's objective is to enhance its position as one of the world's leading designers and manufacturers of screw-in hydraulic cartridge valves by (i) broadening the market for screw-in cartridge valve applications, (ii) continuing the geographic expansion of its markets, and (iii) selectively expanding its product lines. Key elements of the Company's strategy include the following:

Deliver Value Through High-Quality, High-Performance Products. The Company's products are designed with operating and performance characteristics that typically exceed those of functionally similar products. Overall, the Company's products provide high value because they generally operate at higher flows and pressures than competitive offerings of the same size. The Company tests 100% of its screw-in cartridge valves in order to ensure the highest level of performance on a consistent basis.

Offer a Wide Variety of "Off-the-Shelf" Products. The Company currently offers one of the most comprehensive lines of screw-in cartridge valves in the world. The Company is committed to producing functionally superior, cataloged products that contain a high degree of common content to minimize work in process and maximize manufacturing efficiency.

Products are designed for use by a broad base of industries to minimize the risk of dependence on any single market segment or customer. The Company, in the future, will seek to expand its business through development of products that are complementary to its existing products.

Capitalize on Custom Manifold Opportunities. Because fluid power

system design engineers are increasingly incorporating screw-in cartridge valves into custom control systems, the Company will concentrate its efforts in the custom manifold market in two ways: (i) by designing and manufacturing manifolds which incorporate the Company's screw-in cartridge valves for sale to original equipment manufacturers ("OEMs"), and (ii) by encouraging competitive manifold manufacturers to utilize the Company's screw-in cartridge valves in their manifold designs. The Company's internally developed, proprietary expert system software allows the Company efficiently to design and manufacture smaller, more efficient manifolds in low quantities. The Company provides free software to aid manifold designers in designing the Company's unique cavity into their manifolds and sells tooling at cost for machining its cavities, allowing independent manifold manufacturers easily to incorporate the Company's screw-in cartridge valves into their designs.

Expand Global Presence. The Company intends to continue to increase its global presence through expansion of its distribution network and its international manufacturing capabilities. Key areas for expansion where the Company has minimal presence include Central and South America, China and Eastern Europe. In addition to operating units in Germany and England, the Company has strong distributor representation in most developed and developing markets, including Western Europe, Taiwan, Korea, Singapore, Australia and Japan. In 1995, the Company generated approximately 33% of its net sales outside the United States. The Company believes that further expansion of its international manufacturing facilities could enhance its competitive position in certain foreign markets. In addition, custom manifolds provide an opportunity for distributors to offer significant local-added content through the local production of manifolds that incorporate the Company's screw-in cartridge valves. This strategy helps minimize potential tariffs and duties that could inflate the price of the Company's products in foreign markets.

Maintain a Horizontal Organization with Entrepreneurial Spirit. The Company believes that maintaining its horizontal management structure is critical to retaining key personnel and an important factor in attracting top talent from within the hydraulic valve and manifold industry. The Company will strive to maintain its horizontal management structure that encourages communication, creativity, an entrepreneurial spirit and individual responsibility among employees. Employee initiatives have led to continuous process improvement, resulting in considerable operating efficiencies and quality control, as well as the maintenance of a safe and comfortable working environment. The Company believes that a lack of job titles and direct formal reporting responsibilities eliminates perceived barriers to advancement and reduces the potential for adversarial relationships to arise within the organization. A workplace without walls in the Company's offices as well as on the shop floor encourages informal employee consultation and provides the opportunity for all personnel to interface across functional areas.

Leverage Manufacturing Capability and Know-how as Competitive Advantages. The Company believes one of its competitive advantages is its ability to manufacture products to demanding specifications. The Company's strong process capability allows it to machine parts to exacting dimensional tolerances, resulting in the high performance characteristics of its screw-in cartridge valves. The Company has the ability to control manufacturing processes to replicate products consistently and can, if it desires, manufacture all components of its products with the exception of springs and elastomer seals. Additionally, the Company has in-house heat treatment capability to provide consistent and reliable control of this critical operation.

Sell Through Distributors, Market to End Users. Due to the variety of potential customers and the Company's desire to avoid unnecessary bureaucracy, the sales function has been performed primarily by independent distributors. The Company currently utilizes 60 distributors, 37 of which are located outside the United States and a majority of which have strong technical backgrounds or capabilities which enable them to develop practical, efficient and cost-effective fluid power systems for their customers. The Company provides a high level of technical support to its distributors through open access to the Company's engineering staff, catalogs, technical documents and technical training programs. In addition, the Company maintains close relationships with many OEMs and end users of its products in order to understand and predict future needs for fluid power control devices and to test and refine new product offerings.

PRODUCTS

The Company's products are integral components in fluid power systems for both "mobile" applications, such as construction, agricultural and utility

equipment (approximately 65% of net sales) and a broad array of "industrial" applications, such as machine tools and material handling equipment (approximately 35% of net sales). In 1995, screw-in cartridge valves accounted for approximately 75% of the Company's net sales while standard and custom manifolds accounted for approximately 25% of net sales.

SCREW-IN CARTRIDGE VALVES

The Company designs and manufactures high-performance, screw-in hydraulic cartridge valves in up to five size ranges, suitable for flows from 5 to 400 gallons per minute and continuous operating pressures up to 5000 pounds per square inch. The floating construction pioneered by the Company provides demonstrable performance and reliability advantages compared to competitors' product offerings due to its self-alignment characteristic that accommodates potential manufacturing deviations common in the thread making operations of screw-in cartridge valves and manifolds. This floating construction significantly differentiates the Company from most of its competitors, who design and manufacture rigid screw-in cartridge valves that fit an industry common cavity. The floating construction of the Company's screw-in cartridge valves eliminates the tendency of working parts inside rigid cartridge valves to bind when screwed into the manifold, which leads to unnecessary stress and often premature failure.

The Company has developed new market opportunities by scaling its screw-in cartridge valves to accommodate application requirements with various flow ranges. Management believes that the series zero valve introduced in 1996 will allow the Company to gain entry to new market applications which it previously had not been able to serve, including fork lift trucks and food processing equipment. The Company believes that scaling involves minimal risk, as designs and manufacturing processes are already proven. Future upward scaling of the product line currently is in a conceptual stage.

The Company manufactures screw-in cartridge valves for load control, pressure control, flow control and logic and directional control, with a broad range of other unique functional offerings. Many variants of the same basic functional products can be interchanged with each other to attain an optimum level of performance in a customer's fluid power system. The Company's screw-in cartridge valves are described more fully below.

Load Control Valves. The Company considers itself to be the world's recognized leader in the design and manufacture of load control valves and believes that it holds a dominant market share position in multiple end use applications. Load control valves are pressure devices that are used to control the motion and locking of linear and rotary hydraulic actuators (cylinders and motors) and often are used as safety devices in many critical system areas. Typical applications for these products include cranes, manlifts and aerial platforms. The uncompromising requirement for smooth and reliable operation in these applications has helped build the Company's reputation as a high quality, screw-in cartridge valve manufacturer. Load control valves represent the Company's largest selling product family.

Pressure Control Valves. The Company manufactures screw-in cartridge valves for limiting or regulating fluid pressure. Types of pressure controls include relief valves, reducing valves, reducing/relieving valves and sequence valves, each available in many variants and configurations. Most hydraulic systems incorporate at least one pressure relief valve for over-pressure protection.

Flow Control Valves. The Company manufactures a variety of two-, three- and four-port valves to control the rate of flow of fluids in fluid power systems. These valves typically are used to control speed and are an integral component in most fluid power systems. Variety and high flow capacity relative to physical size help differentiate the Company in this product area.

Logic and Directional Control Valves. The Company manufactures a variety of screw-in cartridge valves that can be used as directional control devices. These valves are used to start, direct and stop the flow of fluid in

a fluid power system and can be actuated electrically, manually or with hydraulic pressure. The Company's patented logic control valves, some of which are patented, can be used in combination with one another to provide complex directional control functions. The Company also manufactures high-pressure spool-type solenoid valves and other

pilot devices that can be used to actuate other Company screw-in cartridge valves.

Other Products. The Company designs and manufactures a broad array of screw-in cartridge valves that can be used in combination with other Company products to offer useful and unique functionality. For example, the Company's Air-Bleed and Start-Up cartridge valves help protect a fluid power system from potential damage by releasing air trapped in the system when a machine is shut down for maintenance. Often, these functional products are not manufactured by any other competitors, providing the Company with additional sales opportunities. While these products are not generally demanded in high volumes, their usefulness across industries helps strengthen the Company's brand name and market penetration.

MANIFOLDS

A manifold is a solid block of metal, usually aluminum or ductile iron, which is machined to create threaded cavities and channels into which screw-in cartridge valves can be installed and through which the hydraulic fluid flows. The manifolds manufactured by the Company are described more fully below.

Standard Manifolds. The variety of standard, cataloged manifolds offered by the Company is unmatched by any screw-in cartridge valve competitor. These products allow customers to easily interface the Company's screw-in cartridge valves into their systems in many different ways. Once designed, standard manifolds require minimal, if any, maintenance engineering over the life of the product. The following are the types of standard manifolds manufactured by the Company:

- Line Mounted Manifolds can be placed anywhere in a hydraulic system and are easily connected to various standard couplings. These specific products are suitable for both mobile and industrial applications.
- Subplates and Sandwich Manifolds are offered in five different sizes and industry standard interface patterns and generally are used in industrial applications. The Company believes that the breadth of different functional screw-in cartridge valves it manufactures allows it to offer more functionally unique standard sandwich manifolds than any other cartridge valve or conventional valve manufacturer.
- Motor Mount Manifolds fit a variety of the most common commercially available hydraulic motor interface patterns. These products allow users of hydraulic motors to buy standard control elements to simply and easily interface with their motors.

Custom Manifolds. Custom manifolds are designed for a customer specific application and typically combine many different screw-in cartridge valves in a single package. The Company's internally developed, proprietary expert system software allows the Company efficiently to design and manufacture smaller, more efficient manifolds in low quantities.

ENGINEERING

The Company believes that it is critical for engineers to play an important role in all aspects of the Company's business, including design, manufacturing, sales and marketing and technical support. The Company currently employs 11 screw-in cartridge valve design engineers, 13 engineering personnel who serve in other capacities, including designing standard and custom manifolds, and five additional engineers who provide technical support. When designing products, engineers work within a disciplined set of design parameters that often results in repeated incorporation of existing screw-in cartridge valve

components in new functional products. The Company's focus on engineering has served as the foundation of its ability to offer the expansive range of screw-in cartridge valves that it brings to market.

Before designing functionally new screw-in cartridge valves, the Company's engineers and sales and marketing personnel first establish

performance and operating requirements for the products. An iterative design process is undertaken to meet the expected performance requirements in a screw-in cartridge valve that fits the Company's cavity. Prototypes are typically hand built and subject to extensive testing until the desired performance levels are achieved. Before a new product is released for sale, the Company's engineers will work closely with beta site customers to test the product under actual field conditions.

During product development, engineers work closely with manufacturing personnel to define the processes required to manufacture the product reliably and consistently. The close link between engineering and manufacturing helps to ensure a smooth transition from design to market. Design changes to facilitate manufacturing processes are not considered if performance levels would be compromised. The Company practices a continuous improvement process, and at various times the Company may incorporate design changes in a product to improve its performance or life expectancy. All of the Company's engineers provide application support to customers and distributors.

MANUFACTURING

The Company is a process intensive manufacturing operation that extensively utilizes state of the art computer numerically controlled ("CNC") machinery to manufacture its products with consistent replication and minimal lead times. Where commercial machinery is not available for specific manufacturing or assembly operations, the Company often designs and builds its own machinery to perform these tasks. The Company makes extensive use of automated handling and assembly technology (robotics) where possible to perform repetitive tasks, thus promoting manufacturing efficiencies and workplace safety. The Company has its own electric heat treat furnace to provide consistent and reliable control of this important operation.

The Company's manufacturing operations include turning, grinding, honing and lapping operations for its screw-in cartridge valves and milling and drilling operations for its manifolds. Most machinery employed by the Company is computer numerically controlled, with more than 75 CNC machines in operation in the Company's manufacturing plants. The Company employs more than 60 robots, including 45 intelligent (programmable) models, to supplement traditional pick and place units. In addition, eight vision systems are in use with three used for decision making tasks. In its manifold manufacturing operations in Florida and England, the Company utilizes internally developed, proprietary personal computer based software to program machines off-line and to minimize setup times. This expert system also enables the Company to utilize compound angle holes in its manifold designs, a technique that allows manifolds to be made smaller in size with fewer potential leak points.

At its Sarasota, Florida plant, the Company has extensive testing facilities that allow its design engineers to fully test all products at their maximum rated pressure and flow rates. A metallurgist and complete metallurgical laboratory support the Company's design engineers and in-house heat treatment facility. Extensive test equipment also is utilized by the resident engineers at the Company's plants in England and Germany.

The Company employs a build-to-order philosophy, with most finished goods inventory held at distributor locations. On the front end, most raw materials are delivered on a just-in-time basis, with a one day supply of aluminum and a five day supply of steel held in plant. Scheduling is aided by a software system that provides employees with the requisite information to make intelligent scheduling decisions.

The Company's ability to machine components to exacting tolerances, such as millionths of an inch circularity, makes it more difficult for competitors to offer products of equal performance. The Company controls most critical finishing processes in-house but does rely on a small network of outside manufacturers to machine cartridge components to varying degrees of completeness. High volume machining operations are performed exclusively at outside vendors. The Company is very selective in establishing its vendor base and develops long-term relationships with vendors. The Company is capable

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of machining all parts of its cartridge valves and manifolds in house, except elastomer seals and springs. Both of the existing facilities in the United States and England have been certified to ISO 9002 since 1993.

SALES AND MARKETING

The Company's products are sold globally primarily through independent fluid power distributors. Distributors are supported with product education programs conducted by the Company at its facilities. Technical support is

provided by each of the Company's three operations (Florida, England and Germany), with two additional regional support offices in the United States. Included in the Company's sales and marketing staff are hydraulic engineers that have significant experience in the fluid power industry. Discount pricing structures encourage distributors to buy in moderate to high volumes to ensure there is a local inventory of products in the marketplace. Domestic distributors are rewarded with additional pricing discounts if payments are received within 10 days of invoicing, helping to establish lower accounts receivable cycle times. The Company currently utilizes 60 distributors, 37 of which are located outside the United States and a majority of which have strong technical backgrounds or capabilities which enable them to develop practical, efficient and cost-effective fluid power systems for their customers. Sales to the Company's largest distributor represented approximately 6% of net sales in 1995 and approximately 33% of the Company's net sales were outside of the United States in 1995.

In addition to distributors, the Company sells directly to other companies within the hydraulic industry under a pricing program that does not undermine the primary distributors' efforts. Companies that participate in this program must utilize the Company's products in a value-added application, integrating the Company's screw-in cartridge valves into other fluid power products of their manufacture. This strategy strengthens the Company because it encourages other manufacturers to buy from the Company instead of competing with it. The "goodwill" relationships that result from this strategy also help to keep the Company abreast of technological advances within the fluid power industry, aiding in new product development. In 1995, direct sales to other fluid power component manufacturers accounted for approximately 5% of net sales.

While the Company generally does not sell directly to end users, it markets directly to end users with catalogs that typically include suggested list prices along with suggested customer discounts. This program is intended to provide design engineers with all the necessary information that is required to specify and obtain the Company's products. Since the average price for a single screw-in cartridge valve is about \$20 and the typical order from an end user is for a relatively small quantity, the Company recognizes that its products are often "bought" and not "sold." Publishing and distributing technically comprehensive catalogs makes the Company's products easy to purchase. The Company believes that publishing prices helps to maintain the Company's pricing strategy.

CUSTOMERS

The Company mails its catalogs to more than 15,000 potential end users in the United States and Canada. Overseas marketing and catalog distribution is executed primarily through distributors. The Company believes that its single largest end use customer represented less than 3% of net sales in 1995, minimizing risks of dependence on major customers. The loss of any one customer would not have a material adverse effect on the Company's business. End users are classified by whether their primary applications for the Company's products are "mobile" or "industrial."

Mobile applications involve equipment that generally is not fixed in place, such as construction, agricultural and utility equipment. Mobile customers were the original users of screw-in cartridge valves due to the premium that these industries place on considerations of space, weight and cost. Mobile customers currently account for approximately 65% of the Company's net sales. Mobile customers include JLG Industries, Genie, Altec and Simon Telelect (manlifts and aerial platforms); Komatsu Galion, Gomaco, Kawasaki, JCB, Clark Melroe and John Deere (construction equipment); Emergency One (fire rescue equipment); FMC (material handling equipment); Atlas Copco and Fletcher Mining Equipment (mining equipment); and Varco (oil field equipment).

Industrial applications involve equipment that generally is fixed in place in factories or processing plants. Examples include presses, injection molding equipment and machine tools. The requirements of the industrial marketplace are more demanding than most mobile applications since industrial equipment typically operates at significantly higher cycles. The

Company's products are designed to withstand these operating imperatives, and industrial applications currently account for approximately 35% of the Company's net sales. Many conventional valve designs still are used in industrial applications and represent substitution opportunities for the Company's products. Industrial customers include Cincinnati Inc., Motch and Giddings & Lewis (machine tools); Cincinnati Milacron, Autojector and Mitsubishi (injection molding equipment); NRM McNeil (tire presses); Morgan Engineering (steel process plant equipment); and Beloit (paper process plant

equipment).

The Company's distributors are not authorized to approve the use of its products in any of the following applications: (i) any product that comes under the Federal Highway Safety Act, such as steering or braking systems for passenger-carrying vehicles or on-highway trucks, (ii) aircraft or space vehicles, (iii) ordnance equipment, (iv) life support equipment, and (v) any product that, when sold, would be subject to the rules and regulations of the United States Nuclear Regulatory Commission. These "application limitations" have alleviated the need for the Company to maintain the internal bureaucracy necessary to conduct business in these market segments.

COMPETITION

The hydraulic valve and manifold industry is highly fragmented and intensely competitive. The Company has a large number of competitors, some of which are full-line producers and others that are niche suppliers like the Company. Most competitors market globally. Full-line producers have the ability to provide total hydraulic systems to customers, including components functionally similar to those manufactured by the Company. There has been some consolidation activity in recent years, with large, full-line producers filling out their product lines with the acquisition of smaller, privately held screw-in cartridge valve producers. The Company believes that it competes based upon quality, reliability, price, value, speed of delivery and technological characteristics. The Company estimates that the following competitors represent more than 50% of the world-wide sales of non-aerospace, screw-in hydraulic cartridge valves: Oil Control SpA, Hydraforce, Inc., Vickers Incorporated, Danfoss Fluid Power, Dana Corp., Compact Controls, Inc., Sterling Hydraulics, Inc. and Parker-Hannifin Corp.

Most of the Company's screw-in cartridge valve competitors produce screw-in cartridge valves that fit an industry common cavity that allows their products to be interchangeable. The industry common cavity is not supported by any national or global standards organizations. The International Standards Organization (ISO) recently developed a standard screw-in cartridge cavity that is different from the industry common cavity. The Company does not manufacture a product that fits either the industry common or the ISO standard cavity. Currently, no major competitor produces products that conform to the ISO standard. See "Risk Factors - Potential Marketplace Acceptance of Industry Standards."

The manifold business is also highly fragmented and intensely competitive. All of the major screw-in cartridge valve manufacturers either manufacture manifolds or have sources that they use on a regular basis. In addition, there are a number of independent manifold suppliers that produce manifolds incorporating various manufacturers' screw-in cartridge valves, including those made by the Company. Finally, there are many small, independent machine shops that produce manifolds at very competitive prices. Competition in the manifold business is based upon quality, price, relationships based on proximity to the customer, and speed of delivery.

EMPLOYEES

As of September 1, 1996, the Company had approximately 410 full-time employees in the United States, approximately 70 in England and 10 in Germany. Over 80% of its employees are in manufacturing functions, over 10% are in engineering and marketing functions, and the remainder are in other support functions. None of the employees in any operating unit are represented by a union and the Company believes that relations with its employees are good.

Employees are paid either hourly or with an annual salary at rates that are competitive with other companies in the industry and geographic area. The combination of competitive salary, above average health and retirement plans, and a safe and pleasant working environment discourages employee turnover and encourages efficient, high-quality production.

The Company recognizes the need for continuing employee education to allow the workforce to remain effective in today's rapidly changing technological environment. Significant time is dedicated to education programs that assist employees

in understanding technology and the change it brings to their jobs. The Company also offers tuition reimbursement programs that encourage employees to continue the education process outside the workplace.

PROPERTIES

The Company owns two manufacturing facilities (Sarasota, Florida, and Coventry, England) with two additional facilities under construction (Sarasota, Florida and Erkelenz, Germany). The existing Sarasota plant has approximately 66,000 square feet, with additional acreage at the site that can accommodate future expansion. The Coventry plant is comprised of 25,000 square feet, with additional acreage at the site that can accommodate future expansion.

The new plant in Sarasota, located approximately two miles from the existing facility, will offer an additional 60,000 square feet of capacity and will be used initially for manifold manufacturing. Approximately 85 personnel from the existing plant will move to the new plant once it is completed. The new facility in Germany will offer approximately 42,000 square feet of capacity for future product manufacturing needs. Initially, the German facility will utilize a small percentage of available space to assemble cartridge valves and manifolds; the Company intends to sublease all or a portion of the unused space.

PATENTS AND TRADEMARKS

The Company believes that the growth of its business will be dependent upon the quality and functional performance of its products and its relationship with the marketplace, rather than the extent of its patents and trademarks. The Company's principal trademark is registered globally in the following countries: Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Spain, Sweden, Switzerland, the United Kingdom and the United States. While the Company believes that its patents have significant value, the loss of any single patent would not have a material adverse effect on the Company.

LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings other than routine litigation incidental to its business.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth certain information regarding the Directors, Executive Officers and certain key employees of the Company:

<TABLE>

<CAPTION>

Name	Age	Position
Robert E. Koski	67	Chairman of the Board of Directors
Clyde G. Nixon	61	President, Chief Executive Officer, Director
Robert J. Devereaux	65	Vice President
Jeffrey Cooper	55	Engineering Manager
Russell G. Copeman	57	Manufacturing Manager
Richard J. Dobbyn	53	Chief Financial Officer
Peter G. Robson	53	General Manager, Sun Hydraulics Limited
Arthur B. Bodley	78	Director
James G. March	68	Director
Curtis J. Timm	68	Director
Taco van Tijn	72	Director
David N. Wormley	57	Director

</TABLE>

MR. KOSKI is a co-founder of the Company and has served as its Chairman of the Board since it began operations in 1970. He was also its President and Chief Executive Officer from that time until November 1988. He is a graduate of Dartmouth College and past Chairman of the Board of the National Fluid Power Association. Mr. Koski has over 35 years experience in the fluid power industry, and has served as Chairman of the Fluid Power Systems and Technology Division of the American Society of Mechanical Engineers, and as a member of the Board of Directors of the National Association of Manufacturers.

MR. NIXON joined the Company in January 1988, and was named its President and Chief Executive Officer in November 1988. From September 1985, to January 1988, he served as Vice President of Cross & Trecker Corporation and was President of Warner & Swasey Company, its wholly-owned subsidiary. From 1964 to 1985, he served in various management capacities with Brown & Sharpe Manufacturing Corporation, most recently as Vice President of its fluid power division and President of Double A Products Company, its wholly-owned

subsidiary. Mr. Nixon is a graduate of Cornell University and the Harvard Business School, and he currently serves as First Vice Chairman of the Board of the National Fluid Power Association. Mr. Nixon has over 29 years experience in the fluid power industry.

MR. DEVEREAUX joined the Company as head of manufacturing operations and processes in June 1979. He was named Vice President in January 1991. From 1957 to 1979, he served in various management capacities with Continental Group and its subsidiaries Continental Can Corporation and Bondware/Crest. Mr. Devereaux is an engineering graduate of Rensselaer Polytechnical Institute. Mr. Devereaux has over 17 years experience in the fluid power industry.

MR. COOPER joined the Company in December 1990, as an engineer and has been Engineering Manager since September 1991. From August 1987, to December 1990, he was Engineering Manager, Mobile Valves, of Vickers, Incorporated, a wholly-owned subsidiary of Trinova Corporation, and from September 1979 to August 1986, he served as Vice President of Engineering for Double A Products Company. Mr. Cooper is an engineering graduate of Willesden College of Technology, London, England. Mr. Cooper has over 28 years experience in the fluid power industry.

MR. COPEMAN joined the Company in July 1996, as Manufacturing Manager, in charge of manufacturing operations and processes. From January 1996, to July 1996, Mr. Copeman was the principal of Copeman Consulting, and performed consulting services for the Company from March 1996 to July 1996. From January 1994, to October 1995, Mr. Copeman was a partner with Coopers & Lybrand, Australia; from July 1989, to December 1993, he was a Director of Coopers & Lybrand's International Manufacturing Practice. From January 1985, to July 1989, he served in various management positions with Vickers, Incorporated, most recently as Vice President. From August 1967, to January 1985, he served in various management positions with Double A Products Company, most recently as Vice President. Mr. Copeman is a Certified Manufacturing Engineer and a graduate of Georgia Institute of Technology and the Krannert Business School of Purdue University. Mr. Copeman has over 22 years experience in the fluid power industry.

MR. DOBBYN joined the Company in October 1995, and was named Chief Financial Officer in July 1996. From June 1995 to October 1995, Mr. Dobbyn served as the Controller of Protek Electronics. From July 1994 to June 1995, he served as the Fiscal Director of a non-profit child care agency. From September 1984 to July 1994, Mr. Dobbyn was Senior Vice President - Finance and Administration, for Loral Data Systems, formerly Fairchild Weston Systems, a Schlumberger company. Mr. Dobbyn is a Certified Public Accountant and a graduate of Boston College.

MR. ROBSON has served as a Director of Sun Hydraulics Limited, Coventry, England, since May 1993, and has been employed by the Company as the General Manager of its United Kingdom operations since 1982. Mr. Robson is a Chartered Engineer and a graduate of Coventry University. Mr. Robson has over 30 years experience in the fluid power industry.

MR. BODLEY has served as President and Chief Executive Officer of Atlas Fluid Components Company, Inc., a fluid power distributorship in Akron, Ohio, since January 1966. Mr. Bodley has over 30 years experience in the fluid power industry. He has served as a Director of the Company since January 1973.

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DR. MARCH is a Professor Emeritus at Stanford University, Palo Alto, California. He was a senior member of the faculty at Stanford University and the Stanford Business School from September 1970, to August 1995, and is the author of numerous books and articles on organizational behavior and decision making. From September 1964, to August 1970, Dr. March was a Professor of Psychology and Sociology at the University of California, Irvine, where he was Dean of the School of Social Sciences from 1964 to 1969. Dr. March served as a Director of the Company from 1989 to 1992, and rejoined the Company's Board of Directors in November 1995. He also is a member of the Board of Directors of Wally Industries and Chair of the Citicorp Behavioral Sciences Research Council. Dr. March is a graduate of the University of Wisconsin and received his Ph.D. from Yale University.

MR. TIMM is a private investor and was a founding partner of the law firm of Icard, Merrill, Cullis, Timm, Furen & Ginsburg, Sarasota, Florida, where he practiced law from 1958 to 1989. He is a graduate of the University of Minnesota and its law school and has served as a Director of the Company since April 1970.

MR. VAN TIJN is an attorney (solicitor), practicing law in London, England, since May 1971. He has been a Director of the Company since February 1989, and the principal statutory officer of Sun Hydraulik Holdings Limited

since January 1991.

DR. WORMLEY is the Dean of the Engineering School at Pennsylvania State University, where he has taught since 1982. He previously was a member of the engineering faculty at the Massachusetts Institute of Technology. Dr. Wormley is Vice-Chair of the National Science Foundation Engineering Directorate Advisory Committee. Dr. Wormley has served as a Director of the Company since December 1992. He is a professional engineer and earned his Ph.D. from the Massachusetts Institute of Technology.

The Board of Directors currently consists of seven members. The Company's Certificate of Incorporation classifies the Board of Directors into three classes, with each class holding office for a three-year period. The terms of Messrs. Bodley, Koski and March expire in 1997; the terms of Messrs. Nixon and Timm expire in 1998; and the terms of Messrs. van Tijn and Wormley expire in 1999.

Directors who are not employees of the Company are reimbursed for expenses in connection with attendance at Board and Committee meetings. Directors who are not officers of the Company are paid \$2,500 for attendance at each meeting of the Board of Directors, as well as each meeting of each Board committee on which they serve when the committee meeting is not held with in one day of a meeting of the Board of Directors. Directors are also reimbursed for their expenses incurred in connection with their attendance at such meetings. Officers are elected annually by and serve at the discretion of the Board of Directors. Mr. Koski and Dr. March are step-brothers.

The Company has established a Compensation Committee, comprised of Dr. March, Mr. Timm and Dr. Wormley. The functions of the Compensation Committee are to review and approve annual salaries and bonuses for all Officers, review, approve and recommend to the Board of Directors the terms and conditions of all employee benefit plans or changes thereto, administer the Company's stock option plans and carry out the responsibilities required by the rules of the Securities and Exchange Commission (the "Commission").

The Company expects that the Board of Directors will establish an Audit Committee and an Executive Committee. The members of each committee are expected to be determined at the first meeting of the Board of Directors following the closing of the Offering.

The functions of the Audit Committee will be to recommend annually to the Board of Directors the appointment of the independent public accountants of the Company, discuss and review the scope of and the fees for the prospective annual audit, to review the results thereof with the independent public accountants, review and approve non-audit services of the independent public accountants, review compliance with existing major accounting and financial policies of the Company, review the adequacy of the financial organization of the Company, review management's procedures and policies relative to the adequacy of the Company's internal accounting control, review compliance with federal and state laws relating to accounting practices and review and approve (with the concurrence of a majority of the disinterested Directors of the Company) transactions, if any, with affiliated parties.

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The Executive Committee, to the fullest extent allowed by Delaware law and subject to the powers and authority delegated to the Audit Committee and the Compensation Committee, will have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company during intervals between meetings of the Board of Directors.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

The Board of Directors of the Company determined the compensation, including salary and bonus, of the Executive Officers of the Company for the fiscal year ended December 31, 1995, and for the current fiscal year through the date hereof. Following the Offering, it is expected that the Compensation Committee of the Board of Directors will determine the compensation of the Company's Executive Officers. See "Management - Directors, Executive Officers and Key Employees."

EXECUTIVE COMPENSATION

The following table is a summary of the compensation paid or accrued by the Company for the last three fiscal years, for services in all capacities to the Company's Chief Executive Officer and its other three Executive Officers who earned more than \$100,000 from the Company in 1995 (the "Named Executive

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<TABLE>
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SUMMARY COMPENSATION TABLE					
NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG TERM COMPENSATION AWARDS - OTHER ANNUAL OPTIONS/SARS #(1) COMPENSATION (2)	
		SALARY			
Robert E. Koski, Chairman of the Board of Directors	1995	\$ 106,000	-	\$28,033 (3)	
	1994	106,000	-	18,837	
	1993	106,000	-	13,056	
Clyde G. Nixon, President and Chief Executive Officer	1995	165,000	110,739	21,807	
	1994	150,000	-	30,827 (4)	
	1993	142,500	-	13,229	
Robert J. Devereaux Vice President	1995	123,500	-	19,771	
	1994	118,500	-	19,171	
	1993	113,000	55,369	13,959	
Jeffrey Cooper Engineering Manager	1995	110,500	-	10,280	
	1994	105,000	-	9,840	
	1993	98,000	55,369	5,364	

</TABLE>

- (1) Represents phantom stock compensation award.
- (2) Certain perquisites were provided to certain of the Named Executive Officers, but in no event did the value of the perquisites provided in any year exceed 10% of the amount of the executive's salary for that year, except with respect to Mr. Koski (see note (3) and Mr. Nixon (see note 4). All other amounts shown in this column reflect contributions made by the Company on behalf of the employee to the Company's 401(k) plan.
- (3) Represents payment by the Company of certain professional fees on behalf of Mr. Koski.
- (4) Represents payment by the Company of certain club dues on behalf of Mr. Nixon.

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<TABLE>
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OPTION/SAR GRANTS IN LAST FISCAL YEAR

NAME (A)	INDIVIDUAL GRANTS NUMBER OF SECURITIES GRANTED TO UNDERLYING OPTIONS (B)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES EXERCISE OR BASE PRICE (\$/SH) (C)	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (1)			
			YEAR (D)	DATE (E)	5% (\$) (F)	10% (\$) (G)
Robert E. Koski . . .	0					
Clyde G. Nixon . . .	110,739	80%	\$3.36	7/1/05	234,486	591,798

Robert J. Devereaux . . . 0

Jeffrey Cooper 0

</TABLE>

- (1) The 5% and 10% assumed annual rates of stock price appreciation are provided in compliance with Regulation S-K under the Securities Exchange Act of 1934. The Company does not necessarily believe that these appreciation calculations are indicative of actual future stock option values or that the price of Common Stock will appreciate at such rates.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION VALUES

<TABLE>
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NAME (A)	SHARES ACQUIRED ON		NUMBER OF SECURITIES		UNEXERCISABLE/ UNEXERCISABLE (1)
	EXERCISE (#) (B)	(C)	UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR-END (#) EXERCISABLE/ (D)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR-END (\$) EXERCISABLE/ (E)	
<S> Robert E. Koski	<C> 0	<C>	<C>	<C>	0/0
Clyde G. Nixon	21,006		\$239,840	7,021/134,084	71,160/109,441
Robert J. Devereaux	10,508		129,410	27,998/33,221	110,300/76,500
Jeffrey Cooper	0		22,148/33,221	51,000/76,500	

</TABLE>

- (1) In the absence of a trading market for the Common Stock, value is based upon the difference between book value per share at December 31, 1995 and the exercise price.

STOCK OPTION PLAN

The Company adopted the Sun Hydraulics Incorporated 1996 Stock Option Plan (the "Plan") in October 1996. The Company may issue up to 1,000,000 shares of Common Stock to participants in the Plan. The Plan has a term of ten years.

The Plan authorizes the Company's Compensation Committee to grant options ("Options") to purchase shares of the Company's Common Stock to Directors, Officers and employees of the Company. The purposes of the Plan are to enable the Company to attract and retain qualified persons to serve as Directors, Officers and employees and to align the interests of such persons with the interests of stockholders by giving them a personal interest in the value of the Company's Common Stock.

Options granted to eligible employees under the Plan may be Options that are intended to qualify as "Incentive Stock Options" within the meaning of Section 422 of the Code or Options that are not intended to so qualify ("Nonstatutory Options"). Options granted to members of the Board of Directors will be Nonstatutory Options.

If the Option is designated as an Incentive Stock Option, the purchase price of the Common Stock that is the subject of such Option may be not less than the fair market value of the Common Stock on the date the Option is granted. Additionally, no Incentive Stock Option may be granted to any employee, who, at the time of such grant, owns more than 10% of the stock of the Company or of any subsidiary, unless at the time such Option is granted the exercise price is at least 110% of the fair market value of the Common Stock and the term of the Option is for five years or less. If the Option is a Nonstatutory Option, the purchase price may be equal to or less than the fair market value of the Common Stock on the date the Option is granted, as the

Compensation Committee shall determine. No person may receive in any year Options to purchase more than 150,000 shares of Common Stock. The exercise price is payable at the time of exercise (i) in cash, (ii) by the delivery of shares of Common Stock having a fair market value equal to the exercise price, (iii) with a promissory note for part of the option price, or (iv) in such other manner as the Compensation Committee may approve. Any grant may provide for payment of the exercise price from the proceeds of sale through a broker on the date of exercise of some or all of the shares of Common Stock to which the exercise relates.

No Options may be exercised more than 10 years from the date of grant. Each employee's or Director's stock option agreement may specify the period of continuous service with the Company that is necessary before the Option will become exercisable. Except in the case of an employee who is permanently and totally disabled, if the Option is an Incentive Stock Option, it will be exercisable only if the recipient is an employee of either the Company or a subsidiary corporation at all times during the period beginning on the date of the grant of the Option and ending on a date which is no later than three months before the date of such exercise, all as specified in the employee's or Director's stock option agreement. Successive grants may be made to the same recipient regardless of whether Options previously granted to him or her remain unexercised.

No Option granted under the Plan is transferable by a participant except by will or the laws of descent and distribution. Options may not be exercised during a participant's lifetime except by the participant or, in the event of the participant's incapacity, by the participant's guardian or legal representative acting in a fiduciary capacity on behalf of the participant under state law and court supervision.

The Plan may be amended from time to time by the Board of Directors in such respects as it deems advisable. Further approval by the stockholders of the Company will be required for any amendment that would (i) increase the aggregate number of shares of Common Stock that may be issued under the Plan, (ii) materially change the classes of persons eligible to participate in the Plan, or (iii) otherwise cause Rule 16b-3 under the Exchange Act to cease to be applicable to the Plan. No amendment may change the Plan so as to cause any Option intended to be an Incentive Stock Option to fail to meet the Internal Revenue Code requirements for an Incentive Stock Option. No amendment may change any rights an Option holder may have under any outstanding Option without the written consent of the holder of the Option. The Board may at any time terminate or discontinue the Plan.

The Company has granted to the four independent Directors who joined the Board of Directors prior to 1994 Nonstatutory Options under the Plan to purchase 14,700 shares of Common Stock. Such options have an exercise price of \$3.00

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per share, a term of 10 years and are immediately exercisable. The Company intends to grant Incentive Stock Options to purchase 100,000 shares of Common Stock under the Plan to two Executive Officers of the Company following the Offering, with an exercise price equal to the initial public offering price of the Common Stock. The Options will vest over varying periods of time and have a term of 10 years. In connection with the termination of certain phantom stock compensation agreements in September 1996, the Company granted Nonstatutory Options to purchase 305,260 shares of Common Stock under the Plan to eight employees, including four Executive Officers of the Company. Such Options have exercise prices ranging from \$3.00 to \$5.05, with a weighted average price of \$3.95. Such options are all immediately exercisable and have a term of 10 years. The Company also has committed to grant Incentive Stock Options to purchase 189,348 shares of Common Stock under the Plan to such employees following the Offering at an exercise price equal to the initial public offering price of the Common Stock. Such Options will vest over varying periods of time, up to 5 years, and will have a term of 10 years. See "The Reorganization."

CERTAIN TRANSACTIONS

The information set forth herein briefly describes transactions over the past three years between the Company and its Directors, Officers and 5% stockholders. Management of the Company believes that such transactions have been on terms no less favorable to the Company than those that could have been obtained from unaffiliated parties. These transactions have been approved by a majority of the Company's disinterested Directors. Future transactions, if any, with affiliated parties will be approved by a majority of the Company's disinterested Directors and the Audit Committee (after the Offering) and will be on terms no less favorable to the Company than those that could be obtained from unaffiliated parties.

ORGANIZATION OF SUNOPTECH, LTD.

In October 1995, the Company contributed certain intangible assets to SunOpTech, Ltd. ("SunOpTech"), a limited partnership formed to further the development of manufacturing software. In January 1996, the Company distributed to its stockholders the 65% limited partnership interest in SunOpTech which it received in exchange for the contributed intangible assets. Robert E. Koski owns 51% of the common stock of the general partner of SunOpTech, and Messrs. Koski and Clyde G. Nixon are members of the board of directors of the general partner. The Company currently has no ownership interest in SunOpTech.

The Company entered into a contract with SunOpTech for a 35-month term beginning November 1995, for the development of computer software and computer support to the Company. The Company will pay approximately \$955,000 over the contract term, provide office space and equipment and reimburse SunOpTech for reasonable expenses related to the software development. During 1995, the Company paid fees of \$90,000 and expenses of \$25,000 under the agreement, and provided certain administrative support to SunOpTech at no charge. The software is still in the development stage but is being utilized in the Company's plants in Sarasota and Germany. Under its agreement with SunOpTech, the Company has a perpetual, nonexclusive license to use the software, as well as any future enhancements, without charge other than the development and support fees to be provided during the 35-month term of the agreement.

ATLAS FLUID COMPONENTS COMPANY, INC.

Arthur B. Bodley, a Director of the Company, is the President, Chief Executive Officer and controlling stockholder of Atlas Fluid Components Company, Inc. ("Atlas"), a fluid power distributorship in Akron, Ohio, that purchases and sells the Company's products pursuant to one of the Company's standard distributor agreements. Atlas purchased approximately \$1.3 million, \$1.2 million and \$1.1 million of products from the Company in fiscal 1995, 1994 and 1993, respectively.

INDEMNIFICATION AGREEMENTS

For a description of limitations on liability of the Company's Directors and certain indemnification arrangements with respect to the Company's Directors and Officers, see "Description of Capital Stock - Directors' Liability." Further, the Company has entered into indemnity agreements with all of its Directors and Officers for the indemnification and advancing of expenses to such persons to the full extent permitted by law. The Company intends to execute such indemnity agreements with its future Officers and Directors. The Company maintains insurance for the benefit

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of its Officers and Directors insuring such persons against certain liabilities arising in connection with their service as Officers and Directors of the Company and its subsidiaries, including certain liabilities under the securities laws.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of the Company's outstanding Common Stock as of the consummation of the Reorganization and as adjusted to reflect the sale of the Common Stock offered hereby by (i) each person or entity known by the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock, (ii) each Director and Named Executive Officer of the Company, and (iii) all Directors and Executive Officers of the Company as a group. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of Common Stock owned by them, except to the extent such power may be shared with a spouse. The table assumes that the persons listed do not purchase any shares of Common Stock in the Offering and that the Underwriters' over-allotment option is exercised in full.

<TABLE>
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NAME AND ADDRESS (1)	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING		SHARES TO BE BENEFICIALLY OWNED AFTER OFFERING	
	Number	Percent (2)	Number	Percent (2)
<S>	<C>	<C>	<C>	<C>
Christine L. Koski (3) 5619 Preston Oaks Road	1,419,416	35.5	1,419,416	22.5

Dallas, Texas 75240				
Robert C. Koski (3)	1,360,855	34.0	1,360,855	21.6
315 Sycamore Street				
Decatur, Georgia 30030				
Thomas L. Koski (3)	1,360,855	34.0	1,360,855	21.6
Six New Street				
East Norwalk, Connecticut 06855				
Robert E. Koski (4)	1,189,800	29.8	1,189,800	18.9
Robert S. and Ann R. Ferrell (5)	420,437	10.5	420,437	6.7
563 Brighton Drive				
Berea, Ohio 44017				
Robert J. Devereaux (6)	250,201	6.2	250,201	3.9
Clyde G. Nixon (7)	211,638	5.2	211,638	3.3
Curtis J. Timm (8)	97,284	2.4	97,284	1.5
Peter G. Robson (9)	77,410	1.9	77,410	1.2
James G. March (10)	53,572	1.3	53,572	*
Jeffrey Cooper (9)	53,213	1.3	53,213	*
Arthur B. Bodley (11)	13,860	*	13,860	*
Taco van Tijn (12)	8,920	*	8,920	*
David N. Wormley (13)	3,940	*	3,940	*
Russell G. Copeman	0		0	
Richard J. Dobbyn	0		0	
All Directors and Executive Officers as a Group (12 persons)	1,959,838	45.5	1,959,838	29.7

</TABLE>

* Less than 1%.

- (1) Unless otherwise indicated, the address of each of the persons listed who own more than 5% of the Company's Common Stock is 1500 West University Parkway, Sarasota, Florida 34243.

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- (2) Based on 4,000,000 shares of Common Stock outstanding prior to the Offering and 6,300,000 shares of Common Stock outstanding immediately after the Offering. Pursuant to the rules of the Commission, certain shares of Common Stock which a person has the right to acquire within 60 days of the date hereof pursuant to the exercise of stock options are deemed to be outstanding for the purpose of computing the percentage ownership of such person but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.
- (3) Includes 404,904 shares owned by the Christine L. Koski Irrevocable Trust, 404,904 shares owned by the Robert C. Koski Irrevocable Trust, 404,904 shares owned by the Thomas L. Koski Irrevocable Trust and 146,143 shares owned by the Koski Family Trust. Christine L. Koski, Robert C. Koski and Thomas L. Koski are the trustees of each of these trusts and share voting and dispositive power. Christine L. Koski, Robert C. Koski and Thomas L. Koski are all adult children of Robert E. Koski.
- (4) Includes 602,426 shares owned by Mr. Koski's spouse. Does not include any of the shares beneficially owned by Christine L. Koski, Robert C. Koski and Thomas L. Koski.
- (5) Includes 240,125 shares owned by the Robert S. Ferrell Trust, of which Robert S. Ferrell is the sole trustee, and 180,312 shares owned by the Ann R. Ferrell Trust, of which Ann R. Ferrell is the sole trustee. Robert S. Ferrell is the spouse of Ann R. Ferrell.
- (6) Includes 139,871 shares owned by the Robert J. Devereaux Trust, of which Robert J. Devereaux is the sole trustee, and 52,500 shares owned by the Christine C. Devereaux Trust, of which Christine C. Devereaux is the sole trustee. Robert J. Devereaux is the spouse of Christine C. Devereaux. Also includes 57,830 shares which will be subject to options exercisable by Mr. Devereaux within 60 days which the Company has granted or committed to grant immediately following the Offering in connection with the amendment of certain phantom stock compensation agreements. See "The Reorganization."
- (7) Includes 107,349 shares which are owned jointly by Mr. Nixon and his spouse. Also includes 104,289 shares which will be subject to options exercisable by Mr. Nixon within 60 days which the Company has committed to grant immediately following the Offering in connection with the amendment of certain phantom stock compensation agreements. See "The Reorganization."
- (8) Includes 3,920 shares which Mr. Timm has the right to acquire under currently exercisable options.
- (9) Represents shares which will be subject to options exercisable within 60 days which the Company has committed to grant immediately following the Offering in connection with the amendment of certain phantom stock compensation agreements. See "The Reorganization."

- (10) Shares are owned jointly by Dr. March and his spouse.
- (11) Includes 3,920 shares which Mr. Bodley has the right to acquire under currently exercisable options.
- (12) Includes 3,920 shares subject to currently exercisable options.
- (13) Includes 2,940 shares subject to currently exercisable options.

THE REORGANIZATION

The Company is a newly organized Delaware corporation formed for the purpose of acquiring all of the outstanding shares of capital stock of Sun Hydraulics Corporation, a Florida corporation ("SHC"), and Sun Hydraulik Holdings Limited, a private limited company organized under the Laws of England and Wales ("SHHL"), upon the consummation of the Offering in exchange for 4,000,000 shares of Common Stock (the "Reorganization"). SHC and SHHL (through subsidiaries in England and Germany) conduct all of the business and hold all of the assets described as the Company's in this Prospectus. Prior to the issuance of shares of Common Stock to the stockholders of SHC and SHHL and the purchasers of Common Stock in the Offering, only one share of Common Stock has been issued by the Company, which share was issued to Clyde G. Nixon at a price of \$10 per share. The Reorganization will be effective immediately prior to the consummation of the Offering.

In anticipation of the Reorganization, the Company issued to eight employees of SHC and SHHL, including four Executive Officers of the Company, Nonstatutory Options to purchase 305,260 shares of Common Stock in connection with the termination of certain individual phantom stock compensation agreements of SHC (the "Agreements"). The exercise prices for such Options range from \$3.00 to \$5.05, with a weighted average of \$3.95. Such Options are all immediately exercisable and have a term of 10 years. The Company also has committed to issue to such employees Incentive Stock Options to purchase 189,348 shares of Common Stock following the Offering at the initial public offering price of the Common Stock, and such Options will vest over varying periods of up to five years.

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SHC began operation in 1970 in Sarasota, Florida. SHHL began operations in England in 1982. Both companies were controlled by the same group of stockholders and were operated as a common enterprise. Unless otherwise specified herein, references to the "Company" mean Sun Hydraulics Incorporated after giving effect to the acquisition of SHC and SHHL in the Reorganization.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of (i) 20,000,000 shares of Common Stock, \$.001 par value per share, and (ii) 2,000,000 shares of preferred stock, \$.001 par value per share (the "Preferred Stock").

COMMON STOCK

Holders of shares of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to the prior rights of the holders of Preferred Stock, if any, holders of Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors from funds legally available therefor, and to share ratably in the assets of the Company legally available for distribution to the stockholders in the event of liquidation or dissolution. The Common Stock has no preemptive rights or redemption privileges. The Common Stock does not have cumulative voting rights, which means the holder or holders of more than half of the shares voting for the election of Directors can elect all the Directors then being elected. All the outstanding shares of Common Stock are, and the shares to be sold in the Offering when issued and paid for will be, fully paid and not liable for further call or assessment. After giving effect to the Reorganization, the Company will have 24 holders of record of Common Stock.

PREFERRED STOCK

The Company is authorized to issue 2,000,000 shares of Preferred Stock. The Preferred Stock may be issued from time to time in one or more series, and the Board of Directors is authorized to fix the dividend rights, dividend rates, conversion or exchange rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, the liquidation preferences and any other rights, preferences, privileges and restrictions of any series of Preferred Stock and the number of shares constituting such series and the designation thereof. The Company has no present plans to issue any shares of Preferred Stock.

Depending upon the rights of such Preferred Stock, the issuance of Preferred Stock could have an adverse effect on holders of Common Stock by delaying or preventing a change in control of the Company, making removal of

the present management of the Company more difficult or resulting in restrictions upon the payment of dividends and other distributions to the holders of Common Stock.

DIRECTORS' LIABILITY

As authorized by the Delaware General Corporation Law ("DGCL"), the Certificate of Incorporation of the Company (the "Certificate") limits the liability of Directors to the Company for monetary damages. The effect of this provision in the Certificate is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages from Directors for breaches of their fiduciary duties as Directors (including breaches resulting from negligent behavior), except in certain circumstances involving wrongful acts, such as the breach of a Director's duty of loyalty or acts or omissions which involve intentional misconduct or a knowing violation of law. Further,

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the Certificate contains provisions to indemnify the Company's Directors and Officers to the full extent permitted by the DGCL. These provisions do not limit or eliminate the rights of the Company or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a Director's fiduciary duty. These provisions will not alter the liability of Directors under federal securities laws. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as Directors.

SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW

The Company is subject to the provisions of Section 203 of the DGCL, which provides, with certain exceptions, that a Delaware corporation may not engage in a "business combination" with a person or an affiliate or associate of a person who is an "Interested Stockholder" for a period of three years from the date that such person became an Interested Stockholder unless: (a) the transaction resulting in a person's becoming an Interested Stockholder, or the business combination, is approved by the board of directors of the corporation before the person becomes an Interested Stockholder, (b) the Interested Stockholder acquires 85% or more of the outstanding voting stock of the corporation in the same transaction that makes such person an Interested Stockholder (excluding shares owned by persons who are both officers and directors of the corporation and shares held by certain employee stock ownership plans) or (c) on or after the date the person became an Interested Stockholder, the business combination is approved by the corporation's board of directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the Interested Stockholder. Generally, a "business combination" includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the Interested Stockholder. An "Interested Stockholder" is a person who, together with affiliates and associates, owns (or within three years prior, did own) 15% or more of the corporation's outstanding voting stock. This provision may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders.

ANTI-TAKEOVER EFFECTS OF PROVISIONS OF THE COMPANY'S CERTIFICATE AND BYLAWS

Certain provisions of the Certificate and the Bylaws of the Company (the "Bylaws") could have an anti-takeover effect. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors of the Company and in the policies formulated by the Board of Directors and to discourage certain types of transactions, described below, which may involve an actual or threatened change of control of the Company. The provisions are designed to reduce the vulnerability of the Company to an unsolicited proposal for a takeover of the Company that does not contemplate the acquisition of all of its outstanding shares or an unsolicited proposal for the restructuring or sale of all or part of the Company. The provisions are also intended to discourage certain tactics that may be used in proxy fights. The Board of Directors believes that, as a general rule, such takeover proposals would not be in the best interests of the Company and its stockholders.

Certificate of Incorporation

Classified Board of Directors. The Certificate provides for the Board of Directors to be divided into three classes of Directors serving staggered three-year terms. As a result, approximately one-third of the Board of Directors will be elected each year. The Board of Directors believes that a classified Board of Directors will help to assure the continuity and stability of the Board of Directors and the business strategies and policies of the Company as determined by the Board of Directors.

The classified board provision could have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of the Company, even though such an attempt might be beneficial to the Company and its stockholders. In addition, the classified board provision could delay stockholders who do not agree with the policies of the Board of Directors from removing a majority of the Board for two years, unless they can show cause and obtain the requisite vote.

Special Meetings of Stockholders. The Certificate provides that special meetings of stockholders of the Company may be called only by the Chairman, the President or by a majority of the members of the Board of Directors. The Certificate also prohibits the taking of stockholder action by written consent without a meeting if there are more than 30 stockholders of record. This provision will make it more difficult for stockholders to take action opposed by the Board of Directors.

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Amendment of Certain Provisions of the Certificate. The Certificate generally requires the affirmative vote of the holders of at least 80% of the outstanding voting stock in order to amend its provisions, including any provisions concerning (i) the classified board, (ii) the amendment of the Bylaws, (iii) any proposed compromise or arrangement between the Company and its creditors, (iv) the authority of stockholders to act by written consent, (v) the liability of Directors, (vi) the calling of special meetings of the stockholders, and (vii) the supermajority voting requirements described in this paragraph. These voting requirements will make it more difficult for stockholders to make changes in the Certificate which would be designed to facilitate the exercise of control over the Company. In addition, the requirement for approval by at least an 80% stockholder vote will enable the holders of a minority of the voting securities of the Company to prevent the holders of a majority or more of such securities from amending such provisions of the Certificate.

Number of Directors; Removal. The Certificate provides that the Board of Directors will consist of that number of Directors as shall be fixed from time to time by resolution adopted by a majority of the Directors then in office. Subject to the rights of the holders of any series of Preferred Stock then outstanding, the Certificate provides that Directors of the Company may be removed only for cause and only by the affirmative vote of holders of a majority of the outstanding shares of voting stock. This provision will preclude a stockholder from removing incumbent Directors without cause and simultaneously gaining control of the Board of Directors by filling the vacancies created by such removal with its own nominees.

Bylaws

Advance Notice Requirements for Stockholder Proposals and Director Nominations. The Bylaws establish an advance notice procedure for the nomination, other than by or at the direction of the Board of Directors or a committee thereof, of candidates for election as Director as well as for other stockholder proposals to be considered at stockholders' meetings.

Notice of stockholder proposals and Director nominations must be timely given in writing to the Secretary of the Company prior to the meeting at which the matters are to be acted upon or at which the Directors are to be elected. To be timely, notice must be received at the principal executive offices of the Company not less than 60 nor more than 90 days prior to the meeting of stockholders; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to the stockholders, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs.

A stockholder's notice to the Secretary with respect to a stockholder proposal shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting, (ii) the reasons for conducting such business at the meeting, (iii) the name and address of the stockholder proposing such business, (iv) the class or series and number of shares of stock of the Company which are owned beneficially or of record by such stockholder, (v) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (vi) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such

business before the meeting. A stockholder's notice to the Secretary with respect to a Director nomination shall set forth (i) certain information about the nominee, (ii) the consent of the nominee to serve as a Director if elected, (iii) the name and address of the nominating stockholder, (iv) the class or series and number of shares of stock of the Company which are beneficially owned by such stockholder, (v) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person pursuant to which the nominations are to be made, (vi) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named and (vii) certain other information.

The purpose of requiring advance notice is to afford the Board of Directors an opportunity to consider the qualifications of the proposed nominees or the merits of other stockholder proposals and, to the extent deemed necessary or desirable by the Board of Directors, to inform stockholders about those matters.

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TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's Common Stock is SunTrust Bank, Atlanta, Atlanta, Georgia.

SHARES ELIGIBLE FOR FUTURE SALE

In connection with the Reorganization, the Company will issue an aggregate of 4,000,000 shares of Common Stock to the stockholders of the companies being acquired by the Company. There will be 6,000,000 shares of Common Stock outstanding immediately following consummation of the Offering (6,300,000 shares if the Underwriters' over-allotment option is exercised in full). The 2,000,000 shares of Common Stock offered hereby (plus an additional 300,000 shares if the Underwriters' over-allotment option is exercised in full) will be fully tradeable without restriction or registration under the Securities Act by persons other than "affiliates" (as defined in the Securities Act) of the Company. The shares of Common Stock other than those offered hereby will be "restricted securities" under the Securities Act and may only be sold pursuant to an effective registration statement under the Securities Act or an applicable exemption from the registration requirements of the Securities Act. Pursuant to the exemption provided by Rule 144 under the Securities Act (as presently in effect), such shares of Common Stock may be sold after November 1998, in accordance with the volume limitations and manner of sale provisions set forth in Rule 144. In general, under Rule 144 as currently in effect, a person who has beneficially owned "restricted securities" for at least two years, including a person who may be deemed an affiliate of the Company, is entitled to sell within any three month period a number of shares of Common Stock that does not exceed the greater of 1% of the then outstanding shares of Common Stock of the Company and the average weekly trading volume of the Common Stock on the Nasdaq National Market during the four calendar weeks preceding such sale. Sales under Rule 144 are further subject to certain restrictions relating to manner of sale, notice and the availability of current public information about the Company. A person who is not an affiliate of the Company at any time during the 90 days preceding a sale and who has beneficially owned shares of Common Stock for at least three years, is entitled to sell such shares without regard to the volume limitations, manner of sale provisions, notice or other requirements of Rule 144. However, the transfer agent may require an opinion of counsel that a proposed sale of shares comes within the terms of Rule 144 prior to effecting a transfer of such shares.

Upon completion of the Offering, the Company intends to file a registration statement on Form S-8 to register up to 1,000,000 shares of Common Stock reserved for issuance pursuant to the Company's 1996 Stock Option Plan. See "Management - Stock Option Plan." There are no stockholders who have the right to require the Company to register any shares of Common Stock held by them. All holders of Common Stock and all Directors and Executive Officers have agreed with the Underwriters not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of their shares of Common Stock of the Company or any securities convertible into or exercisable or exchangeable for such Common Stock or in any other manner transfer all or a portion of the economic consequences associated with the ownership of such Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of A.G. Edwards & Sons, Inc.

No prediction can be made as to the effect, if any, that future sales of shares of Common Stock or the availability of shares for future sale will have on the market price of shares of Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock (including shares issuable upon the exercise of stock options), or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock.

UNDERWRITING

The Underwriters named below have severally agreed with the Company, subject to the terms and conditions of the Underwriting Agreement, to purchase the respective numbers of shares of Common Stock set forth opposite their names below:

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<TABLE>
<CAPTION>

UNDERWRITERS	NUMBER OF SHARES
----- <S> A.G. Edwards & Sons, Inc. Robert W. Baird & Co. Incorporated	----- <C>
Total	2,000,000 =====

</TABLE>

The Underwriting Agreement provides that the Underwriters are obligated to purchase all of the shares of Common Stock, if any are purchased.

The Company has been advised by A.G. Edwards & Sons, Inc. and Robert W. Baird & Co. Incorporated, the representatives of the Underwriters (the "Representatives"), that the Underwriters propose to offer the Common Stock to the public at the offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$_____ per share and that the Underwriters and such dealers may reallow a discount of not in excess of \$_____ per share to other dealers. The public offering price and the concession and discount to dealers may be changed by the Representatives after the Offering.

The Company has granted the Underwriters an option, expiring at the close of business on the 30th day subsequent to the date of the Underwriting Agreement, to purchase up to 300,000 additional shares of Common Stock at the public offering price, less the underwriting discount set forth on the cover page of this Prospectus. The Underwriters may exercise such option solely to cover over-allotments, if any, in the sale of the shares. To the extent the Underwriters exercise such option, each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage of the option shares as the number of shares set forth opposite each Underwriter's name in the preceding table bears to 2,000,000, and the Company will be obligated to sell such shares to the Underwriters.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

The Company and all Directors and Executive Officers of the Company have agreed that they will not, directly or indirectly, offer, sell or otherwise dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for, or any rights to purchase or acquire, Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of A.G. Edwards & Sons, Inc.

The Representatives have advised the Company that they do not intend to confirm sales to any account over which they exercise discretionary authority.

Prior to the Offering, there has been no public market for the Common Stock. The public offering price for the Common Stock was determined by negotiation among the Company and the Representatives. Among the factors considered in determining the public offering price was the history of and the future prospects for the Company and the industry in which it operates, the past and present operating results of the Company and the trends of such results, an assessment of the Company's management, the general condition for the securities markets at the time of the Offering and the prices for similar securities of comparable companies.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for the Company by Shumaker, Loop & Kendrick, LLP, Tampa, Florida. Counsel for the Underwriters is Nelson Mullins Riley & Scarborough, L.L.P., Atlanta, Georgia.

EXPERTS

The financial statements as of December 31, 1995 and 1994 and for each of the three years in the period ended December 31, 1995, included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent certified public accountants, given on the authority of such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

This Prospectus constitutes a part of a Registration Statement on Form S-1 filed by the Company with the Commission under the Securities Act through the Electronic Data Gathering and Retrieval ("EDGAR") system with respect to the Common Stock offered hereby. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits and schedules for further information with respect to the Company and the Common Stock offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and in each such instance reference is made to the copy of such document filed as an exhibit to the Registration Statement. Each such statement is qualified in its entirety by such reference. The Registration Statement and the exhibits and schedules forming a part thereof can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and should also be available for inspection and copying at the following regional offices of the Commission: 7 World Trade Center, Suite 1300, New York, New York 10048; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Registration statements, reports, proxy and information statements filed through the EDGAR system are publicly available through the Commission's Internet web site at "http://www.sec.gov".

As a result of the Offering, the Company will be subject to the informational requirements of the Exchange Act and, in accordance therewith, will file reports and other information with the Commission on a periodic basis. The Company intends to furnish to its stockholders annual reports, containing audited financial statements and a report thereon expressed by independent certified public accountants, and quarterly reports for the first three fiscal quarters of each fiscal year, containing certain unaudited interim financial information.

INDEX TO FINANCIAL STATEMENTS

COMBINED FINANCIAL STATEMENTS OF SUN HYDRAULICS INCORPORATED

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<S>	<C>
Report of Independent Certified Public Accountant	F-2
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Combined Statements of Income - Years Ended December 31, 1993, 1994 and 1995 and Unaudited Six Months Ended June 30, 1995 and 1996	F-4
Combined Statements of Changes in Shareholders' Equity - Years Ended December 31, 1993, 1994 and 1995 and Unaudited Six Months Ended June 30, 1996	F-5
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders

of Sun Hydraulics Corporation, Suninco, Inc.,
and Sun Hydraulik Holdings Limited,
(collectively "Sun Hydraulics Incorporated")

In our opinion, the accompanying combined balance sheets and the related combined statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Sun Hydraulics Incorporated (the "Company") at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
Tampa, Florida
September 30, 1996, except as to Note 16,
which is dated October 5, 1996

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Sun Hydraulics Incorporated

COMBINED BALANCE SHEETS
(IN THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	PRO FORMA			
	DECEMBER 31,	JUNE 30,	JUNE 30,	
	1994	1995	1996	1996
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 2,371	\$ 2,434	\$ 215
Accounts receivable, net of allowance for doubtful accounts of \$64, \$40 and \$59			3,095	3,574
Inventories	3,799	4,478	4,656	4,267
Income taxes receivable, net		91	-	-
Other current assets		438	222	122
		-----	-----	-----
Total current assets		9,794	10,708	9,260
Property, plant and equipment, net			18,051	23,129
Other assets		23	27	124
		-----	-----	-----
		\$27,868	\$33,864	\$38,358
		=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:				
Accounts payable		\$ 1,846	\$ 2,992	\$ 2,489
Accrued expenses		908	1,188	1,141
Long-term debt due within one year			551	495
Notes payable to related parties due within one year		516	574	610
Accrued distributions to shareholders			888	643
Income taxes payable, net		-	490	1,062
		-----	-----	-----
Total current liabilities		4,709	6,382	6,209
Long-term debt due after one year			3,821	2,553
Notes payable to related parties due after one year			3,137	2,564
Deferred income taxes, net		194	84	-

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

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Sun Hydraulics Incorporated

COMBINED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(IN THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

<S>	EQUITY ADJUSTMENT					TOTAL
	CAPITAL IN STOCK	CAPITAL EXCESS OF PAR VALUE	RETAINED EARNINGS	FOR FOREIGN CURRENCY TRANSLATION		
	<C>	<C>	<C>	<C>	<C>	
Balance, December 31, 1992	\$2,181	\$438	\$8,801	\$ (453)		\$10,967
Exercise of stock options		34			34	
Adjustment for foreign currency translation			(229)	(229)		
Net income		2,082		2,082		
Distributions to shareholders			(803)		(803)	
	-----	-----	-----	-----		
Balance, December 31, 1993	2,181	472	10,080	(682)		12,051
Exercise of stock options		105			105	
Adjustment for foreign currency translation			308	308		
Net income		5,403		5,403		
Distributions to shareholders			(2,514)		(2,514)	
Realized tax benefit on debt exchange (see Note 9)		271			271	
	-----	-----	-----	-----		
Balance, December 31, 1994	2,181	848	12,969	(374)		15,624
Exercise of stock options		149			149	
Adjustment for foreign currency translation			49	49		
Net income		8,861		8,861		
Distributions to shareholders			(3,154)		(3,154)	
	-----	-----	-----	-----		
Balance, December 31, 1995	2,181	997	18,676	(325)		21,529
Unaudited:						
Issuance of common stock		79			79	
Exercise of stock options		8			8	
Adjustment for foreign currency translation			(57)	(57)		
Net income		2,523		2,523		
Distributions to shareholders			(667)		(667)	
	-----	-----	-----	-----		
Balance, June 30, 1996 (unaudited)	<u>\$2,181</u>	<u>\$1,084</u>	<u>\$20,532</u>	<u>\$ (382)</u>		<u>\$23,415</u>

</TABLE>

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

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Sun Hydraulics Incorporated

COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF DOLLARS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,		
	1993	1994	1995	1995	1996	
			(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>	<C>	
Cash flows from operating activities:						
Net income	\$ 2,082	\$ 5,403	\$ 8,861	\$ 5,081	\$ 2,523	
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	2,112	2,197	2,556	1,071	1,723	
Other			79			
(Benefit from)/provision for deferred income taxes	(28)	57	(110)	76	(84)	
Realized tax benefit on debt exchange			271			
(Increase) decrease in:						
Accounts receivable	(245)	(937)	(479)	(1,846)	(693)	
Inventories	(303)	(765)	(679)	(734)	(178)	
Income tax receivable, net	(119)	101	91	91	-	
Other current assets	143	(161)	216	331	100	
Other assets	4	(11)	(4)	(6)	(97)	
Increase (decrease) in:						
Accounts payable	67	1,014	1,146	(195)	(503)	
Accrued expenses	(39)	(5)	280	667	(47)	
Income taxes payable, net			490	128	572	
Other liabilities	(138)	100	369	226	25	
	-----	-----	-----	-----	-----	
Net cash provided by operating activities	3,536	7,264	12,737	4,890	3,420	
	-----	-----	-----	-----	-----	
Cash flows from investing activities:						
Capital expenditures	(3,005)	(5,130)	(7,657)	(3,146)	(7,568)	
Proceeds from dispositions of equipment		281	-	23		
	-----	-----	-----	-----	-----	
Net cash used in investing activities	(2,724)	(5,130)	(7,634)	(3,146)	(7,568)	
	-----	-----	-----	-----	-----	
Cash flows from financing activities:						
Proceeds from long-term debt	2,727	1,850	3,337	2,987	6,403	
Repayment of long-term debt	(1,773)	(1,563)	(4,661)	(3,793)	(3,115)	
Proceeds from notes payable to related parties		355	1,940			
Repayment of notes payable to related parties		(381)	(2,386)	(515)		
Proceeds from exercise of employee stock options		34	105	149	7	8
Distributions to shareholders	(791)	(1,900)	(3,399)	(2,576)	(1,310)	
	-----	-----	-----	-----	-----	
Net cash provided by (used in) financing activities	171	(1,954)	(5,089)	(3,375)	1,986	
	-----	-----	-----	-----	-----	
Foreign currency translation adjustment		(229)	308	49	143	(57)
	-----	-----	-----	-----	-----	
Net increase (decrease) in cash and cash equivalents		754	488	63	(1,488)	(2,219)
Cash and cash equivalents, beginning of year		1,129	1,883	2,371	2,371	2,434
	-----	-----	-----	-----	-----	
Cash and cash equivalents, end of year		\$ 1,883	\$ 2,371	\$ 2,434	\$ 883	\$ 215
	=====	=====	=====	=====	=====	
Supplemental disclosure of cash flow information:						
Cash paid (received) during the year for:						
Interest (net of amount capitalized)		\$ 923	\$ 875	\$ 815	\$ 510	\$ 429
	=====	=====	=====	=====	=====	
Income taxes		\$ 169	\$ (223)	\$ 15	\$ (1)	\$ 50
	=====	=====	=====	=====	=====	

</TABLE>

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

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

1. ORGANIZATION

Sun Hydraulics Incorporated (the "Company"), a Delaware corporation was formed on September 27, 1996 in anticipation of a business combination (the "Reorganization"). The Company plans to issue approximately 4 million shares of stock (par value \$0.001) in exchange for all of the issued and outstanding stock of Sun Hydraulics Corporation ("Sun Hydraulics") and all of the issued and outstanding stock of Sun Hydraulik Holdings Limited ("Sun Holdings"). Sun Hydraulics completed a merger with Suninco, Inc. ("Suninco") on June 28, 1996 by exchanging shares of its common stock for all of the outstanding stock of Suninco. The financial statements presented represent the combined financial position and results of operations of Sun Hydraulics, Sun Holdings and Suninco. The combined financial statements represent the financial position and business activities of the Company subsequent to the Reorganization going forward.

The Reorganization will be accounted for in a manner similar to a pooling of interests as the entities were under common control. In conjunction with the Reorganization, the Company's Board of Directors approved an initial public offering of the Company's common stock. The Company intends to file a Registration Statement on Form S-1 with the Securities and Exchange Commission. The Reorganization will be effective immediately prior to the consummation of the initial public offering by the Company. The effects of the Reorganization, the S Corporation distribution (see Note 2), and a charge associated with the amendment of certain individual phantom stock compensation plans (see Note 16) are reflected in the unaudited pro forma balance sheet as of June 30, 1996.

The Company designs, manufactures and sells screw in cartridge valves and manifolds used in hydraulic systems, and has facilities in the United States, the United Kingdom and Germany. Sun Hydraulics, located in Sarasota, Florida, designs, manufactures and sells through independent distributors in the United States. Sun Holdings was formed to provide a holding company vehicle for the European market operations. Its subsidiaries are Sun Hydraulics Limited (a British corporation, "Sun Ltd.") and Sun Hydraulik GmbH (a German corporation, "GmbH"). Sun Ltd. was originally formed in 1985, and operates a manufacturing and distribution facility located in Coventry, England. GmbH was incorporated on January 1, 1991 as a wholly-owned subsidiary of Sun Holdings to market the Company's products in German-speaking European markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies followed in the preparation of the Company's combined financial statements is set forth below:

Principles of Combination

The combined financial statements include the accounts and operations of Sun Hydraulics and Sun Holdings. All significant intercompany accounts and transactions are eliminated in combination.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS (IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are valued at the lower of cost or market, cost being determined on a first-in, first-out basis.

Other Current Assets

Other current assets consist primarily of prepaid insurance and advances to suppliers.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Expenditures for repairs and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Repairs and maintenance are

expensed as incurred. Depreciation is computed using the straight line method over the following useful lives:

<TABLE>
<CAPTION>

YEARS

<S>	<C>
Machinery and equipment	4 - 12
Furniture and fixtures	4 - 10
Leasehold improvements	5 - 12
Land improvements	10 - 15
Buildings	40

</TABLE>

During 1995, the Company adopted Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. Management periodically evaluates long-lived assets for potential impairment, and will reserve for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. As of December 31, 1995, management does not believe that an impairment reserve is required.

Other Liabilities

Other liabilities consists of accrued compensation earned under the Company's phantom stock option plans (the "Plans"). Compensation cost is measured as the amount by which the market value, as defined in the Plans, of the stock on the measurement date exceeds the market value on the date the phantom stock options are granted. The market value is defined in the Plans as the higher of: the last arms length sale price of said stock between unrelated parties if there has been a sale in the preceding six months period or the book value of said stock. Compensation cost is accrued over the service period and is adjusted in periods

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS (IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

subsequent to the measurement date for changes in the market value of the stock (see Note 13).

Revenue Recognition

Sales are recognized when products are shipped. Sales incentives are granted to customers based upon the volume of purchases. These sales incentives are recorded at the time of sales as a reduction of gross sales.

Research and Development Expense

Included in selling, engineering and administrative expense are amounts incurred for research and development of the Company's manufacturing processes and related software which approximated \$1,061, \$1,276 and \$1,337 for the years ended December 31, 1993, 1994 and 1995, respectively.

Advertising Costs

The Company expenses the costs for advertising and promotional literature during the year incurred. Included in selling, engineering and administrative expense are amounts incurred for advertising and promotional literature which approximated \$562, \$791 and \$792 for the years ended December 31, 1993, 1994 and 1995, respectively.

Foreign Currency Translation and Transactions

The Company follows the translation policy provided by Statement of Financial Accounting Standards No. 52, Foreign Currency Translation. The Pound Sterling is the functional currency of Sun Ltd. The Deutsche Mark is the functional currency of GmbH. The U.S. Dollar is the functional currency for all other companies and the reporting currency for the combined group. The assets and liabilities of Sun Ltd. and GmbH are translated at the exchange rate in effect at the balance sheet date, while income and expense items are translated at the average annual rate of exchange for the period. The resulting unrealized translation gains and losses are included in the component of shareholders' equity designated "Equity Adjustment for Foreign

Currency Translation". Realized gains and losses from foreign currency transactions are included in miscellaneous income.

Income Taxes

The Company follows the income tax policy provided by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. This Statement provides for a liability approach under which deferred income taxes are provided based upon enacted tax laws and rates applicable to the periods in which the taxes become payable. These differences result from items reported differently for financial reporting and income tax purposes, primarily depreciation and phantom stock compensation.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS (IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

Sun Hydraulics elected to be taxed under the S Corporation provisions of the Internal Revenue Code. Historically, the shareholders of Sun Hydraulics included their pro rata share of income or loss in their individual returns. A portion of the distributions to shareholders was related to their individual income tax liabilities, resulting from S Corporation taxable earnings (see Note 10). Effective with the consummation of the Reorganization (see Note 1), Sun Hydraulics' S Corporation status will be converted to C Corporation status and Sun Hydraulics' subsequent earnings will be subject to corporate taxes. Accordingly, for informational purposes, the financial statements include an unaudited pro forma income tax provision which would have been recorded as if Sun Hydraulics had been an C Corporation, based on the tax laws in effect during those periods.

Stock-Based Compensation

The Company will adopt Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation during 1996. Upon adoption, the Company intends to retain the intrinsic value method of accounting for stock-based compensation and disclose pro forma net income.

Pro Forma Balance Sheet Information (unaudited)

The effects of the Reorganization, the S Corporation distribution and a charge associated with the amendment of certain individual phantom stock compensation plans (see Note 16) are reflected in the unaudited pro forma balance sheet as of June 30, 1996.

Pro Forma Net Income Per Share (unaudited)

The computation of primary pro forma earnings per share is based on the weighted average number of outstanding common shares during the period plus common stock equivalents, if dilutive, consisting of certain shares subject to stock options, after giving effect to the proposed Reorganization (see Notes 1 and 16). The assumed exercise of dilutive stock options less the number of treasury shares assumed to be purchased from the proceeds were calculated using the book value of the Company prior to 1994 and the appraised fair market value of the Company from 1995 forward. Additionally, the weighted average number of outstanding common shares includes the effects of the incremental number of shares required to fund the distribution to S Corporation shareholders.

Management Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS (IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

Interim Financial Information

The interim financial data is unaudited; however, in the opinion of the Company, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of the interim period and are prepared on the same basis as the audited annual financial statements.

3. FAIR VALUE OF INVESTMENTS

In 1995, the Company adopted Statement of Financial Accounting Standards 107, Disclosures about the Fair Value of Financial Instruments, which requires disclosure of information about the fair value of certain financial instruments for which it is practicable to estimate that value. For purposes of the following disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable, accrued expenses and other liabilities approximate fair value because of the short maturity of those instruments.

The carrying amount of long-term debt approximates fair value, as the interest rates on the debt approximate rates currently available to the Company for debt with similar terms and remaining maturities.

The fair value of the notes payable to related parties is estimated based on the current rates offered to the Company for similar debt. The estimated fair value of the Company's related party debt is \$3,572 at December 31, 1995.

4. INVENTORIES

The components of inventory are summarized as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, JUNE 30,		
	1994	1995	1996
	(UNAUDITED)		
<S>	<C>	<C>	<C>
Raw materials	\$ 81	\$ 127	\$ 223
Work in process	2,612	3,236	3,446
Finished goods	1,106	1,115	987
	-----	-----	-----
	\$ 3,799	\$ 4,478	\$ 4,656
	=====	=====	=====

</TABLE>

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

5. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are summarized as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, JUNE 30,		
	1994	1995	1996
	(UNAUDITED)		
<S>	<C>	<C>	<C>

Machinery and equipment	\$17,905	\$20,666	\$22,663
Furniture and fixtures	3,145	4,221	4,745
Buildings	4,819	4,861	6,189
Leasehold improvements	248	285	-
	-----	-----	-----
	26,117	30,033	33,597
Less-accumulated depreciation	(9,462)	(11,684)	(12,645)
	-----	-----	-----
	16,655	18,349	20,952
Construction in progress	920	3,414	1,476
Land	476	1,366	6,546
	-----	-----	-----
	\$18,051	\$23,129	\$28,974
	=====	=====	=====

</TABLE>

During 1995, the Company purchased land for \$461 and began construction of a new production facility in Sarasota, Florida. Management believes the aggregate cost of the new production facility will approximate \$9,300. As of December 31, 1995, the Company had capital expenditure purchase commitments outstanding of approximately \$1,500 related to the construction of the new facility.

Also during 1995, the Company purchased land in Erkelenz, Germany for approximately \$429 for construction of a new distribution facility. Management believes the aggregate cost of the facility will approximate \$2,600.

In April 1996, the Company signed a financing commitment in the amount of \$2,286 for the new distribution facility in Erkelenz. Construction contracts for structural components, building erection and roof construction in the total amount of \$1,306 have been entered into by the Company.

During 1996, the Company renegotiated existing bank financing to increase availability of funds by approximately \$9,500 at 8.25% for the construction of the new production facility in Sarasota.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

6. ACCRUED EXPENSES

The components of accrued expenses are summarized as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,	
	1994	1995	1996	
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Accrued compensation	\$ 746	\$ 863	\$ 808	
Accrued interest	134	111	107	
Other accrued expenses	28	214	226	
	-----	-----	-----	
	\$ 908	\$ 1,188	\$ 1,141	
	=====	=====	=====	

</TABLE>

Accrued compensation consists primarily of salaries and wages, commissions, employee 401(k) withholdings and employer 401(k) matching contributions.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

7. LONG-TERM DEBT

The components of long-term debt are summarized as follows:

<TABLE>

<CAPTION>

	DECEMBER 31, JUNE 30,		
	1994	1995	1996
	(UNAUDITED)		
<S>	<C>	<C>	<C>
Line of credits agreements, interest payable at lender determined rates (8.50%, 9.50% at December 31, 1995 and 1994 and 8.25% at June 30, 1996		\$1,345	\$ 38 \$ 202
Equipment line of credit agreement, secured by equipment, interest only payable monthly at 10.25% in 1995 and 1994 and 8.25% in 1996, converting to five year note on final draw down	-	443	3,036
9% mortgage note payable secured by real property due in monthly principal and interest installments of \$20 with The balance due in a balloon payment on January 9, 1997	1,797	1,714	-
8.25% mortgage note payable secured by real property due in monthly principal and interest installments of \$30 with the balance due in a balloon payment on December 1, 2006	-	-	2,448
Variable rate mortgage note (9.5% and 13% at December 31, 1995 and 1994) secured by real property, principal and interest payable in monthly installments of \$8 through 2007	562	511	-
Notes payable secured by equipment, payable in monthly principal and interest installments with interest rates varying from 4.90% to 5.60% with maturity dates from March 1996 to June 1998	585	277	134

</TABLE>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

<TABLE>

<S>

	<C>	<C>	<C>
Construction line of credit at 8.25% to be converted to a mortgage note payable at 8.25% with a 15 year amortization and a 10 year balloon payment upon issuance of the certificate of occupancy	-	-	796
Capital lease obligations at varying interest rates from 8.45% to 12.45% through 1999	83	65	-
	-----	-----	-----
	4,372	3,048	6,616

Less amounts due within one year	(551)	(495)	(907)
	-----	-----	-----
	\$3,821	\$ 2,553	\$5,709
	=====	=====	=====

</TABLE>

The remaining principal payments are due as follows: 1997 - \$299; 1998 - \$268; 1999 - \$284; 2000 - \$111; 2001 and thereafter - \$1,591.

The Company has an unsecured revolving credit agreement that provides for a two-year commitment by the lender for a maximum borrowing of \$1,700 with interest payable at prime. The agreement requires Sun Hydraulics to maintain certain financial ratios and places certain limitations on fixed asset expenditures. The Company was not in compliance with the limitation on fixed asset expenditures; however, a waiver of this limitation as of September 30, 1995 for the remainder of fiscal 1995 was obtained from the bank.

In January 1995, the Company obtained a loan for capital equipment expenditures with a limit of \$775 at a fixed interest rate of 10.25%, with interest only for the first year, converting to a five year amortization with monthly principal and interest payments of \$13. As of December 31, 1995, the Company had drawn \$443 on this equipment line of credit. During 1996, the Company drew down the balance of this line and renegotiated the interest rate to a fixed rate of 8.25%. Additionally, the agreement was converted to a general line of credit with the limit increased to \$3,036. The Company drew an additional \$2,593 to provide a portion of the financing for construction of the new production facility (see Note 5).

Additional financing was obtained subsequent to year end with an increase in the existing mortgage of approximately \$761 and a 10-year mortgage note of \$6,187 at a fixed interest rate of 8.25%. Terms on the new mortgage note are interest-only on the balance drawn down until construction is completed and then conversion to a 15-year amortization schedule.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

8. CAPITAL STOCK

At December 31, 1994 and 1995, prior to the effects of the Reorganization (see Note 1), the combined par value of common stock consisted of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1994	1995
<S>	<C>	<C>
Sun Hydraulics Corporation	\$ 3	\$ 3
Suninco, Inc.	3	3
Sun Hydraulik Holdings Limited	2,175	2,175
	-----	-----
	\$2,181	\$2,181
	=====	=====

</TABLE>

Other information by entity, prior to the effects of the Reorganization, is as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1994	1995
<S>	<C>	<C>
Sun Hydraulics Corporation		
Par value per share	\$ 0.01	\$ 0.01

Shares authorized	1,000,000	1,000,000
Shares issued	342,815	342,815
Shares outstanding	333,315	333,315

Suninco, Inc.

Par value per share	\$ 0.01	\$ 0.01
Shares authorized	1,000,000	1,000,000
Shares issued	302,735	302,735
Shares outstanding	293,235	293,235

Sun Hydraulik Holdings Limited

Par value per share	\$ 6.81	\$ 6.81
Shares authorized	421,052	421,052
Shares issued	319,315	319,315
Shares outstanding	319,315	319,315

</TABLE>

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

9. RELATED PARTIES

Notes Payable to Related Parties

Notes payable to related parties include the following:

<TABLE>

<CAPTION>

	DECEMBER 31,		JUNE 30,	
	1994	1995	1996	
	(UNAUDITED)			
	<C>	<C>	<C>	<C>
15% unsecured notes payable re-purchase and retirement of stock, quarterly principal and interest installments ranging from \$43 to \$142 through 2001	\$ 3,338	\$ 2,849	\$ 2,582	
10% unsecured notes payable for phantom compensation quarterly principal and interest payments of \$14 payable through 2002		315	289	275
	3,653	3,138	2,857	
Less amounts due within one year		(516)	(574)	(609)
	\$ 3,137	\$ 2,564	\$ 2,248	

</TABLE>

Other Related Party Transactions

During 1995, Sun Hydraulics Real Estate, Ltd. ("Sun Real Estate"), a limited partnership was formed to hold the real property and building for a manufacturing facility located in Sarasota, Florida. During 1995, land was purchased and construction on the facility was underway at year end. Upon completion, management anticipated that the land and building would be leased to Sun Hydraulics. Sun Hydraulics owned a 1% general partnership interest and a 99% limited partnership interest in Sun Real Estate at December 31, 1995. The financial position and results of operations of Sun Real Estate are included in the combined accounts of Sun Hydraulics at December 31, 1995. Subsequent to year end, Sun Real Estate was dissolved, and the net assets were distributed to Sun Hydraulics.

On October 31, 1995, Sun Hydraulics contributed certain intangible assets to SunOpTech Limited ("SunOpTech"), a limited partnership formed to further the development of manufacturing software used in the Company's production processes. In exchange for the contributed intangible assets, Sun Hydraulics received a 1% general partnership interest and a 65% limited

partnership interest in SunOpTech. This investment is accounted for under the equity method, and is included in other assets at a net balance of \$6 at December 31, 1995. The founders of SunOpTech, Inc., which owns the remaining 1% managing general partnership interest in SunOpTech, also own a 33% limited partnership interest in

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

SunOpTech. Subsequent to year end, Sun Hydraulics distributed its limited partnership interests to its individual shareholders. Effective July 1, 1996, the Company withdrew as general partner from SunOpTech.

During 1995, Sun Hydraulics entered into a 35 month agreement with SunOpTech for the development of computer software and computer support to Sun Hydraulics. In exchange, Sun Hydraulics will pay approximately \$955 over the three year period, provide office space and equipment and reimburse SunOpTech for reasonable expenses related to the software development. During 1995, \$90 was paid to SunOpTech under the agreement. Future payments are scheduled as follows: 1996 - \$510; 1997 - \$325 and 1998 - \$30. For the year ended December 31, 1995, Sun Hydraulics paid expenses of SunOpTech of \$25. Additionally, Sun Hydraulics provided certain administrative support to SunOpTech at no charge. All of these expenses are included in selling, engineering and administrative expenses.

Effective July 1, 1994, Sun Hydraulics and Suninco agreed to an exchange of debt instruments. The realized tax benefit on the transaction of \$271 was treated for financial statement purposes as a capital contribution, resulting in an increase to capital in excess of par value.

A Director of the Company is the President, Chief Executive Officer and controlling stockholder of a fluid power distributorship that purchases and sells the Company's products pursuant to one of the Company's standard distributor agreements. This distributorship purchased approximately \$1,060, \$1,250 and \$1,310 of products from the Company in fiscal 1993, 1994 and 1995, respectively.

10. DISTRIBUTIONS TO SHAREHOLDERS

The Company declared distributions of \$803, \$2,514 and \$3,154 to shareholders in 1993, 1994 and 1995, respectively, a portion of which was to fund shareholders' individual income tax liabilities related to the S Corporation taxable earnings.

In 1996, but prior to June 30, the Company declared additional distributions of \$667. Subsequent to June 30, 1996, the Company has paid \$1,716 in distributions. Approximately half of the distributions in 1996 have been to fund shareholders' individual income tax liabilities related to the S Corporation taxable earnings.

The Company plans to distribute all of Sun Hydraulics' previously undistributed retained earnings as of the consummation of the Reorganization (see Note 1).

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

11. INCOME TAXES

Pretax income from continuing operations for the years ended December 31, is taxed under the following jurisdictions:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1994	1995
<S>	<C>	<C>	<C>
United States	\$ 1,636	\$ 4,914	\$ 7,489
Foreign	298	897	2,005
	-----	-----	-----

Total	\$ 1,934	\$ 5,811	\$ 9,494
-------	----------	----------	----------

</TABLE>

The income tax provision (benefit) consists of the following:

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1994	1995
	<C>	<C>	<C>
Current tax expense (benefit):			
United States	\$ (146)	\$ 197	\$ (3)
State and local			
Foreign	26	154	746
Total current	(120)	351	743
Deferred tax expense (benefit):			
United States	(32)	(82)	(88)
State and local	(15)	(37)	(16)
Foreign	19	176	(6)
Total deferred	(28)	57	(110)
Total income tax provision (benefit)	\$ (148)	\$ 408	\$ 633

</TABLE>

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

The reconciliation between the effective income tax rate and the U.S. federal statutory rate is as follows:

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1994	1995
	<C>	<C>	<C>
U.S. federal taxes at statutory rate	\$ 658	\$ 1,976	\$ 3,228
Increase (decrease):			
Foreign income taxed at higher (lower) rates	(59)	12	28
Book/tax basis differences on disposed equipment	(61)	131	-
Taxable gain eliminated from book income	-	127	-
S Corporation income	(665)	(1,839)	(2,684)
Nondeductible items	8	45	46
State and local taxes, net	(15)	(37)	(16)
Other	(14)	(7)	31
Income tax provision (benefit)	\$(148)	\$ 408	\$ 633

</TABLE>

Deferred tax assets and liabilities at December 31 are as follows:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1994	1995
	<C>	<C>
Deferred taxes, non-current:		
Assets		
Phantom stock compensation	\$ 142	\$ 218
Florida NOL carryforward	14	15
Deferred tax asset, non-current	\$ 156	\$ 233

Liabilities			
Depreciation differences	\$ 346	\$ 317	
Other	4	-	
Deferred tax liability, non-current	\$ 350	\$ 317	
Net deferred tax liability, non-current	\$ 194	\$ 84	

</TABLE>

At December 31, 1995, the Company has a Florida income tax net operating loss carryforward of approximately \$413 available to offset future taxable income. These carryforwards expire through 2010 as follows: 2008 - \$176; 2009 - \$132; and 2010 - \$105.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

Utilization of these carryforwards may be limited in the event of certain ownership changes.

12. STOCK OPTION PLANS

Sun Hydraulics and Suninco have granted options under qualified incentive stock option plans to certain employees which are exercisable at a price equal to the fair market value, as defined in the agreement, on the date of the grant. No shares are available for granting at December 31, 1993, 1994 or 1995. The following reflects the combined activity of the plans, prior to the Reorganization (see Note 1), for the three years ended December 31, 1995:

<TABLE>
<CAPTION>

	1993		1994		1995	
	AVERAGE EXERCISE PRICE		AVERAGE EXERCISE PRICE		AVERAGE EXERCISE PRICE	
	SHARES	PRICE	SHARES	PRICE	SHARES	PRICE
Outstanding at January 1,	53,000	\$ 6.76	44,000	\$ 7.37	27,000	\$ 8.12
Exercised	(9,000)	3.81	(17,000)	6.17	(19,000)	7.83
Outstanding at December 31,	44,000	\$ 7.37	27,000	\$ 8.12	8,000	\$ 8.83
Exercisable at December 31,	24,000		13,000		24,000	

</TABLE>

At December 31, 1995, 4,000 options under the plans were outstanding to purchase shares at \$6.50 per share and 4,000 shares were outstanding under the plans to purchase shares at \$11.15.

Options become exercisable to purchase shares of stock subsequent to December 31, 1995 as follows: 1996 - 0 shares and 1997 - 3,000 shares.

During May 1996, the Board of Directors approved the acceleration of the 3,000 options which were to become exercisable in 1997 effective immediately. As of the end of July 1996, all qualified stock options have been exercised.

13.EMPLOYEE BENEFITS

The Company has a defined contribution requirement plan covering substantially all of its eligible United States employees. Employer contributions under the retirement plan amounted to approximately \$537, \$796 and \$901 during 1993, 1994 and 1995, respectively.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS (IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

The Company has a defined contribution retirement plan covering substantially all of its eligible United States employees. Employer contributions under the retirement plan amounted to approximately \$537, \$796 and \$901 during 1993, 1994 and 1995, respectively.

The Company has a medical benefit trust to provide for health care coverage to substantially all eligible United States employees. Employer contributions to the trust amounted to approximately \$991, \$1,242 and \$1,490 during 1993, 1994 and 1995, respectively. Long-term disability and life insurance benefits are also provided to employees, the premiums for which are paid directly by Sun Hydraulics. Payments amounted to approximately \$111, \$110 and \$132 for 1993, 1994 and 1995, respectively.

The Company provides supplemental pension benefits to its employees of foreign operations in addition to mandatory benefits included in local country payroll tax statutes. These supplemental pension benefits amounted to approximately \$33, \$43 and \$56 during 1993, 1994 and 1995, respectively.

The Company has phantom stock agreements with certain employees. Under these agreements, 92,801 phantom options are deemed vested, as defined in the agreements, at various dates from October 1, 1987 to July 1, 2005. At December 31, 1995, all phantom options remained outstanding and 60,951 phantom options were deemed vested at prices ranging from \$2.35 to \$24.72 per share. Approximately \$379 and \$732 is included in other liabilities under these agreements at December 31, 1994 and 1995, respectively. Compensation expense related to these phantom options of \$175, \$105 and \$353 is included in selling, engineering and administrative expense in 1993, 1994 and 1995, respectively.

Effective January 1, 1993, Suninco issued a 10 year note payable of \$355 at 10% interest, with principal and interest payments due quarterly beginning on April 1, 1993, in settlement of 10,000 phantom options which were deemed vested.

Subsequent to year end, the Company terminated these phantom stock agreements and issued stock options (see Note 16).

14.INFORMATION ABOUT THE COMPANY'S OPERATIONS IN DIFFERENT GEOGRAPHIC AREAS

The individual companies comprising the Company operate predominantly in a single industry as manufacturers and distributors of hydraulic components. The companies are multinational with operations in the United States, the United Kingdom and Germany. Intercompany transfers between geographic areas are accounted for based on sales prices that approximate those to third parties. In computing earnings from operations for the foreign companies, no allocations of general corporate expenses, interest or income taxes have been made.

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

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS (IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

Geographic information is as follows:

<TABLE>
<CAPTION>

UNITED	UNITED	GERMANY	ELIMINATION	COMBINED
--------	--------	---------	-------------	----------

	STATES	KINGDOM			
<S>	<C>	<C>	<C>	<C>	<C>
1993					
Sales to unaffiliated customers	\$ 25,692	\$ 4,457	\$ 2,282		\$ 32,431
Intercompany sales	3,686	767		\$(4,453)	0
Operating profits	2,739	133	242		3,114
Identifiable assets	15,097	3,851	878	(903)	18,923
Depreciation expense	1,729	356	27		2,112
Capital expenditures	2,592	331	82		3,005
1994					
Sales to unaffiliated customers	\$ 33,284	\$ 6,590	\$ 2,979		\$ 42,853
Intercompany sales	5,297	1,119		\$(6,416)	0
Operating profits	5,753	676	307		6,736
Identifiable assets	22,486	4,828	1,036	(482)	27,868
Depreciation expense	1,746	406	45		2,197
Capital expenditures	4,355	739	36		5,130
1995					
Sales to unaffiliated customers	\$ 43,099	8,300	\$ 3,989		\$ 55,388
Intercompany sales	5,940	1,470		\$(7,410)	0
Operating profits	8,090	1,446	693		10,229
Identifiable assets	27,212	5,414	1,813	(575)	33,864
Depreciation expense	1,961	531	64		2,556
Capital expenditures	6,230	700	727		7,657

</TABLE>

Total liabilities attributable to foreign operations were \$2,123, \$2,493 and \$2,674 at December 31, 1993, 1994 and 1995, respectively. Net foreign currency gains (losses) reflected in results of operations were \$10, (\$19) and (\$45) for the year ended 1993, 1994 and 1995, respectively. Operating income is total sales and other operating income less operating expenses. In computing geographic operating income, 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 \$3,092, \$4,589 and \$6,468 during 1993, 1994 and 1995, respectively.

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Sun Hydraulics Incorporated

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(IN THOUSANDS OF DOLLARS EXCEPT SHARE AND PER SHARE DATA)

15. COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

16. SUBSEQUENT EVENTS

Effective September 30, 1996, the Board of Directors of the Company approved a plan to replace the phantom stock agreements (see Note 13) by issuing approximately 305,000 nonqualified and 189,000 qualified stock options. Exercise prices of the nonqualified options will range from \$3.00 to \$5.05, assuming a public offering price of \$10.50 per share for the common stock of the Company (see Note 1). The employees will be immediately vested in their nonqualified options upon issuance. The qualified options will vest over periods up to five years. The Company will recognize a charge related to termination of the phantom stock agreements of approximately \$1,270.

Also effective September 30, 1996, the Company granted approximately 15,000 nonqualified stock options to four Directors. These options have an exercise price of \$3.00 per share, a term of 10 years and are immediately exercisable. The Company will recognize a charge of approximately \$110 in connection with the issuance of these options.

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<TABLE>

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NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY OTHER THAN THE SHARES OF COMMON STOCK OFFERED BY THIS PROSPECTUS, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY THE SHARES OF COMMON STOCK BY ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

2,000,000 Shares

[LOGO]

SUN HYDRAULICS
INCORPORATED

Common Stock

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PROSPECTUS

A.G. EDWARDS & SONS, INC.

ROBERT W. BAIRD & CO.
INCORPORATED

_____, 1996

UNTIL _____, 1996, (25 DAYS AFTER THE DATE OF THIS PROSPECTUS) ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

</TABLE>

PART II.
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The Company estimates that expenses payable by it in connection with the Offering described in this Registration Statement (other than the underwriting discount) will be as follows:

<TABLE>	
<S>	
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Securities and Exchange Commission registration fee	8,015
NASD filing fee	3,145
Nasdaq National Market listing fee	33,290
Printing expenses	130,000
Accounting fees and expenses	290,000
Legal fees and expenses	200,000
Fees and expenses (including legal fees) for qualifications under state securities laws	25,000
Registrar and Transfer Agent's fees and expenses	10,000
Miscellaneous	*

Total	*
	=====

</TABLE>

* To be included by amendment to the Registration Statement.

All amounts except the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq National Market listing fee are estimated.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law ("DGCL") empowers a corporation, subject to certain limitations, to indemnify its Directors and Officers against expenses (including attorneys' fees, judgments, fines and certain settlements) actually and reasonably incurred by them in connection with any suit or proceeding to which they are a party so long as they acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to a criminal action or proceeding, so long as they had no reasonable cause to believe their conduct to have been unlawful. The Company's Certificate of Incorporation and By-laws provide that the Company shall indemnify its Directors, Officers, employees and agents to the fullest extent permitted by Section 145 of the DGCL, as now existing or as may hereafter be amended.

Section 102 of the DGCL permits a Delaware corporation to include in its certificate of incorporation a provision eliminating or limiting a director's liability to a corporation or its stockholders for monetary damages for breaches of fiduciary duty. The enabling statute provides, however, that liability for breaches of the duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or knowing violation of the law, and the unlawful purchase or redemption of stock or payment of unlawful dividends or the receipt of improper personal benefits cannot be eliminated or limited in this manner. The Company's Certificate of Incorporation includes a provision which eliminates, to the fullest extent permitted by the DGCL, director liability for monetary damages for breaches of fiduciary duty. In addition, the Board of Directors of the Company has approved the execution by the Company of indemnification agreements with the Directors and certain Officers of the Company, the form of which has been filed as an exhibit to this Registration Statement.

The Company carries Directors' and Officers' liability insurance.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Between September 1, 1993 and the date of the filing of this Registration Statement, the Company issued the following securities that were not registered under the Act:

The Company was formed on September 27, 1996, and prior to the filing of this Registration Statement issued only one share of Common Stock, to Clyde G. Nixon for \$10 in cash. Immediately prior to the sale of the Common Stock covered by this Registration Statement, the Company intends to effect a reorganization (the "Reorganization"). In the Reorganization, pursuant to an Agreement and Plan of Share Exchange, the Company will acquire all of the 366,043 outstanding shares of capital stock of Sun Hydraulics Corporation ("SHC") and all of the 320,315 outstanding shares of Sun Hydraulik Holdings Limited ("SHHL") and will issue 4,000,000 shares of Common Stock to the stockholders of SHC and SHHL. Each share of SHC stock will be converted into 9.90373 shares of Common Stock and each share of SHHL stock will be converted into 1.17013 shares of Common Stock.

Between September 1, 1993 and the date of the filing of this Registration Statement, SHHL did not issue any securities.

SHC issued 25,212 shares of its common stock upon the exercise of employee stock options as follows: in 1993, 4,500 shares of SHC's common stock were purchased for \$.01 per share; in 1994, 6,500 shares were purchased for \$6.50 per share and 2,000 shares were purchased for \$.01 per share; in 1995, 7,500 shares were purchased for \$6.50 per share, and 1,000 shares were purchased for \$.01 per share; and in 1996, 3,712 shares of SHC's common stock were purchased for an average of \$16.64 per share. The board of directors of SHC deemed the exercise prices of these stock options to be the fair market value of the shares at the time of their issuance.

On June 28, 1996, pursuant to an agreement and plan of merger, Suninco, Inc. was merged with and into SHC. SHC and Suninco, Inc. were controlled by the same group of stockholders and were operated as a common enterprise. In the merger, all of the issued and outstanding shares of Suninco, Inc.'s common stock were cancelled, and the stockholders of Suninco, Inc. received 18,016 newly issued shares of SHC's common stock.

In January 1996, SHC and Suninco, Inc. each issued 1,000 shares of common stock, and in September 1996, SHHL issued 1,000 ordinary shares, to Curtis J. Timm. These companies were obligated to issue such shares to Mr. Timm prior to October 1993; however, they inadvertently were not issued. The shares had been granted in consideration for Mr. Timm's agreement at the time the companies were organized to serve as a member of the Board of Directors.

The Company relied upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, with respect to the issuance of the shares of Common Stock described in the above paragraphs and for the issuance of shares of Common Stock in the Reorganization. The certificates representing such shares are restricted as to transfer and are marked with restricted transfer legends. There were no underwriters involved in any of the foregoing transactions.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS:

<TABLE>
<CAPTION>

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
-----	-----
<S> <C>	
1.1*	Form of Underwriting Agreement.

</TABLE>

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<TABLE>
<CAPTION>

<S> <C>

2.1* Reorganization Agreement among Sun Hydraulics Incorporated, Sun Hydraulics Corporation and Sun Hydraulik Holdings Limited dated _____, 1996.

3.1 Certificate of Incorporation of the Company.

3.2 Bylaws of the Company.

4.1 Revolving Credit Agreement, dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida/Sarasota, N.A.

4.2 Modification Agreement, dated March 25, 1993, amending Revolving Credit Agreement dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A.

4.3 Second Modification to Revolving Credit Agreement, dated May __, 1995, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A.

4.4 Revolving Line of Credit Renewal Note, dated May __, 1995, in the amount of \$1,700,000.00 given by Sun Hydraulics Corporation to Northern Trust Bank of Florida, N.A.

4.5 Mortgage and Security Agreement, dated January 9, 1992, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A.

4.6 Loan Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A.

- 4.7 Security Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A.
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- 4.9 Consolidated Note, dated March 29, 1996, in the amount of \$2,475,000.00, given by Suninco, Inc. to Northern Trust Bank of Florida, N.A.
- 4.10 Loan Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A.
- 4.11 Security Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A.
- 4.12 Consolidated Note, dated May 20, 1996, in the amount of \$3,063,157.00, given by Sun Hydraulics Corporation to Northern Trust Bank of Florida, N.A.
- 4.13 Loan Agreement, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A.
- 4.14 Mortgage, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A.
- 4.15 Security Agreement, dated June 14, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A.
- 4.16 Promissory Note, dated June 14, 1996, in the amount of \$6,187,000.00, given by Sun Hydraulics Corporation and Suninco, Inc. to Northern Trust Bank of Florida, N.A.
- 4.17 Revolving Loan Facility letter agreement, dated July 30, 1996, in the amount of L.800,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc.

</TABLE>

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<TABLE>

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- 4.18 Overdraft and Other Facilities letter agreement, dated June 7, 1996, in an amount not to exceed L.250,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc.
- 4.19 Mortgage, dated April 11, 1996, between Sun Hydraulik GmbH and Dresdner Bank.
- 4.20* Specimen of the Company's Common Stock Certificate.
- 5.1* Opinion of Shumaker, Loop & Kendrick, LLP as to the Common Stock being registered.
- 10.1 Form of Distributor Agreement (Domestic).
- 10.2 Form of Distributor Agreement (International).
- 10.3 1996 Sun Hydraulics Incorporated Stock Option Plan.
- 10.4 Form of Indemnification Agreement.
- 21 Subsidiaries of the Company.
- 23.1* Consent of Shumaker, Loop & Kendrick, LLP (included in their opinion filed as Exhibit 5.1).
- 23.2 Consent of Price Waterhouse LLP, independent certified public accountants.
- 27.1 Financial Data Schedule for six months ended June 30, 1996.
- 27.2 Financial Data Schedule for year ended December 31, 1995.

</TABLE>

* To be filed by amendment.

(b) FINANCIAL STATEMENT SCHEDULES:

All schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements or notes thereto or the schedule is not required or inapplicable

under the related instructions.

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

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(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Company has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sarasota, State of Florida on October 5, 1996.

SUN HYDRAULICS INCORPORATED

By: /s/ Clyde G. Nixon

Clyde G. Nixon, President and
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Robert E. Koski and Clyde G. Nixon his true and lawful attorneys-in-fact and agents, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby

ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on October 5, 1996.

<TABLE>	
<CAPTION>	
SIGNATURE	TITLE
-----	-----
<S>	<C>
/s/ Robert E. Koski	

Robert E. Koski	Chairman of the Board of Directors
/s/ Clyde G. Nixon	

Clyde G. Nixon	President, Chief Executive Officer and Director
/s/ Richard J. Dobbyn	

Richard J. Dobbyn	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Arthur B. Bodley	

Arthur B. Bodley	Director
/s/ James G. March	

James G. March	Director
/s/ Curtis J. Timm	

Curtis J. Timm	Director
/s/ Taco van Tijn	

Taco van Tijn	Director
/s/ David N. Wormley	

David N. Wormley	Director

</TABLE>

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<TABLE>			
<CAPTION>			
		EXHIBIT INDEX	
EXHIBIT			SEQUENTIALLY
NUMBER	EXHIBIT DESCRIPTION		NUMBERED
-----	-----	----	
<S>	<C>		
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</TABLE>

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<TABLE>

<CAPTION>

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- 4.17 Revolving Loan Facility letter agreement, dated July 30, 1996, in the amount of L.800,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc.
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- 5.1* Opinion of Shumaker, Loop & Kendrick, LLP as to the Common Stock being registered.
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- 10.2 Form of Distributor Agreement (International).
- 10.3 1996 Sun Hydraulics Incorporated Stock Option Plan.
- 10.4 Form of Indemnification Agreement.
- 21 Subsidiaries of the Company.
- 23.1* Consent of Shumaker, Loop & Kendrick, LLP (included in their opinion filed as Exhibit 5.1).
- 23.2 Consent of Price Waterhouse LLP, independent certified public accountants.
- 27.1 Financial Data Schedule for six months ended June 30, 1996.
- 27.2 Financial Data Schedule for year ended December 31, 1995.

</TABLE>

* To be filed by amendment.

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

SUN HYDRAULICS INCORPORATED

The undersigned, desiring to organize a corporation (the "Corporation") under the General Corporations Law of the State of Delaware (the "GCL"), hereby states as follows:

1. NAME. The name of the Corporation is SUN HYDRAULICS INCORPORATED.

2. ADDRESS AND REGISTERED AGENT. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. PURPOSE. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the GCL.

4. AUTHORIZED SHARES. The total number of shares of all classes of Capital Stock which the Corporation shall have the authority to issue is 22,000,000 shares, consisting of (i) 20,000,000 shares of common stock, \$.001 par value per share (the "Common Stock"), and (ii) 2,000,000 shares of preferred stock, \$.001 par value per share (the "Preferred Stock"). The designation, powers, preferences and relative participating, optional or other special rights and the qualifications, limitations and restrictions thereof in respect of each class of Capital Stock of the Corporation are as follows:

A. COMMON STOCK. Each holder of record of shares of Common Stock shall be entitled to vote at all meetings of the stockholders and shall have one vote for each share held by him of record. Subject to the prior rights of the holders of all classes or series of stock at the time outstanding having prior rights as to dividends, the holders of shares of Common Stock shall be entitled to receive, when and as declared by the Board of Directors of the Corporation (the "Board of Directors"), out of the assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

B. PREFERRED STOCK. Subject to the terms contained in any designation of a series of Preferred Stock, the Board of Directors is expressly authorized, at any time and from time to time, to fix, by resolution or resolutions, the following provisions for shares of any class or classes of Preferred Stock of the Corporation or any series of any class of Preferred Stock:

(1) the designation of such class or series, the number of shares to constitute such class or series which may be increased or decreased (but not below the number of shares of that class or series then outstanding) by resolution of the Board of Directors, and the stated value thereof if different from the par value thereof;

(2) whether the shares of such class or series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(3) the dividends, if any, payable on such class or series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the

dividends payable on any shares of stock of any other class or any other series of the same class;

(4) whether the shares of such class or series shall be subject to redemption by the Corporation, and, if so, the times, prices and other conditions of such redemption;

(5) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such class or series in, the voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets, of the Corporation;

(6) whether the shares of such class or series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such class or series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(7) whether the shares of such class or series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of the same class or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(8) the limitations and restrictions, if any, to be effective while any shares of such class or series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of the same class;

(9) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such class or series or of any other series of the same class or of any other class;

(10) the ranking (be it *pari passu*, junior or senior) of each class or series vis-a-vis any other class or series of any class of Preferred Stock as to the payment of dividends, the distribution of assets and all other matters; and

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(11) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof, insofar as they are not inconsistent with the provisions of this Certificate of Incorporation, to the full extent permitted in accordance with the laws of the State of Delaware.

The powers, preferences and relative, participating, optional and other special rights of each class or series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

5. NAME AND MAILING ADDRESS OF INCORPORATOR. The name and mailing address of the incorporator is Gregory C. Yadley, 101 E. Kennedy Blvd., Suite 2800, Tampa, Florida 33602.

6. NAMES AND MAILING ADDRESSES OF DIRECTORS. The powers of the incorporator of the Corporation shall terminate upon the filing of this Certificate of Incorporation with the Secretary of State of the State of Delaware and the names of the persons who are to serve as directors of the

Corporation until the first annual meeting of stockholders or until their successors are elected and qualify are as follows:

Arthur B. Bodley
1000 North Main Street
Akron, OH 44310

Robert E. Koski
1500 West University Parkway
Sarasota, Florida 34243-2290

James G. March
837 Tolman Drive
Stanford, CA 94305

Clyde G. Nixon
1500 West University Parkway
Sarasota, Florida 34243-2290

Curtis J. Timm
1424 Westbrook Drive
Sarasota, FL 34231

Taco Van Tijn
71-73 Carter Lane
London
England EC4 5EQ

David Wormley
101 Hammond Building
University Park, PA 16802

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7. MANAGEMENT OF THE CORPORATION. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and its directors and stockholders:

A. NUMBER, CLASS AND TERM. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The number of Directors shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. Immediately following the filing of this Certificate of Incorporation with the Secretary of State of the State of Delaware, Messrs. Bodley, Koski and March shall be designated to serve as Class I directors for a one-year term, Messrs. Nixon and Timm shall be designated to serve as Class II directors for a two-year term and Messrs. Van Tijn and Wormley shall be designated to serve as Class III directors for a three-year term. At each annual meeting of stockholders beginning in 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

B. VACANCIES. Subject to the rights of holders of any series of Preferred Stock then outstanding, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum is present, or by

a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

C. REMOVAL. Subject to the rights of holders of any series of Preferred Stock then outstanding, any director or the entire Board of Directors, may be removed from office at any time, but only for cause by an affirmative vote of the holders of a majority of the then outstanding shares of voting stock.

D. RIGHTS OF PREFERRED STOCK. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this

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Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Section 7 unless expressly provided by such terms.

E. BALLOT. Election of directors need not be by ballot unless the By-Laws so provide.

F. POWERS. In addition to the powers and authorities hereinabove or by statute expressly conferred upon them, the directors hereby are empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Certificate of Incorporation, and to any By-Laws from time to time made by the stockholders; provided, however, that no By-Law so made shall invalidate any prior act of the directors which would have been valid if such By-Law had not been made.

G. BY-LAWS. Except to the extent prohibited by law, the Board of Directors shall have the power to make, alter, amend, change, add to or repeal the By-Laws of the Corporation and to establish the rights, powers and procedures that from time to time shall govern the Board of Directors and each of its members and that from time to time shall affect the Board of Directors' powers to manage the business and affairs of the Corporation, and no By-Law shall be adopted by the stockholders of the Corporation which shall impair or impede the implementation of the foregoing.

8. COMPROMISE. Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware, may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of Title 8 of the GCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under Section 279 of Title 8 of the GCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

9. SPECIAL STOCKHOLDER MEETINGS. Special meetings of the

stockholders of the Corporation for any purpose or purposes may be called at any time by the Chairman of the Board, the President or by a majority of the members of the Board of Directors. Special meetings may not be called by any other person or persons.

10. WRITTEN ACTION. If the outstanding shares of the Common Stock are held of record by more than thirty (30) shareholders, then no action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken by written consent without a meeting of such stockholders.

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11. LIABILITY FOR MONETARY DAMAGES. No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the GCL, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Section 11 shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omission of such director occurring prior to such amendment.

12. INDEMNIFICATION. The Corporation shall, to the full extent permitted by Section 145 of the GCL, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto. The indemnification provided by this Section 12 shall not limit or exclude any rights, indemnities or limitations of liability to which any person may be entitled, whether as a matter of law, under the By-Laws of the Corporation, by agreement, vote of the stockholders or disinterested directors of the Corporation or otherwise.

13. AMENDMENTS. The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation or in the By-Laws of the Corporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; provided, however, that subject to the powers and rights provided for herein with respect to Preferred Stock issued by the Corporation, if any, but notwithstanding anything else contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least eighty percent (80%) of the then outstanding shares of the voting stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, Section 7, 8, 9, 10, 11, 12 or this Section 13 of this Certificate of Incorporation.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Incorporation this 26th day of September, 1996.

/s/ Gregory C. Yadley

Gregory C. Yadley
Incorporator

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EXHIBIT 3.2

BY-LAWS

OF

SUN HYDRAULICS INCORPORATED

Set forth below are the Bylaws of Sun Hydraulics Incorporated, a Delaware corporation (the "Corporation"), as adopted by the Board of Directors of the Corporation effective as of September 27, 1996.

ARTICLE I

Offices

Section 1. Registered Office. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

Meetings of Stockholders

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 3. Special Meeting. Special Meetings of Stockholders shall be called as provided for by the Certificate of Incorporation. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. Business transacted at all special meetings shall be confined to the objects stated in the call.

Section 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled

to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereof, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-laws (i) any question brought before any meeting of stockholders shall be decided by the vote of the holders

of a majority of the stock represented and entitled to vote thereat and (ii) each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Notice of Business. At any annual meeting of stockholders, only such business shall be conducted as shall have been (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or to the direction of the Board of Directors, or (c) otherwise properly brought before the annual meeting by a stockholder who is a stockholder of record at the time of the giving of the notice provided for in this Section 8 of this Article II and who shall be entitled to vote at such meeting. If the outstanding shares of the Common Stock are held by more than thirty (30) shareholders, then no action required or permitted to be taken at any annual

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or special meeting of stockholders of the Corporation may be taken by written consent without a meeting of such stockholders.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the reasons for conducting such business at the meeting, (iii) the name and record address of the stockholder proposing such business, (iv) the class or series and number of shares of the Corporation which are owned beneficially or of record by the stockholder, (v) a description of all arrangements or understandings between the stockholder and any other person or persons (including their names) in connection with the proposal of such business by the stockholder and any material interest of the stockholder in

such business, and (vi) a representation that the stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

Notwithstanding anything in these By-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 8 of this Article II; provided, however, that nothing in this Section 8 of this Article II shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with said procedure.

The officer of the Corporation presiding at the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 8 of this Article II, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 8 of this Article II, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 8 of this Article II.

ARTICLE III

Directors

Section 1. Number of Directors. The number of Directors shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total

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number of directors constituting the entire Board of Directors. Each director shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director.

Section 2. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors at the annual meeting may be made at a meeting of stockholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Article III. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended, and (v) the consent of the

person to serve as a director of the Corporation, if so elected; and (b) as to the stockholder giving the notice (i) the name and record address of stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder, (iii) a description of all arrangements or understandings between the stockholder and each proposed nominee and any other person pursuant to which the nominations are to be made, (iv) a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the persons named and (v) certain other information. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The officer of the Corporation presiding at the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Subject to the rights of holders of any series of Preferred Stock then outstanding, any vacancy on the Board of Directors that results from an increase in the number of directors

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may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum is present, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

Subject to the rights of holders of any series of Preferred Stock then outstanding, any director or the entire Board of Directors, may be removed from office at any time, but only for cause by an affirmative vote of the holders of a majority of the then outstanding shares of voting stock.

Section 3. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President or by a majority of the Board of Directors. Notice of a special meeting must be given at least two (2) days prior to the date of the meeting by written notice delivered personally, by mail, telegram, telecopy or nationally recognized overnight courier service (such as Federal Express, Airborne, UPS, Emory or Purolator) to each Director at his address. Such notice shall be effective upon the earliest of (a) receipt, (b) five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed, or (c) the day after its deposit with such an overnight courier service, marked for next day delivery. Such written notice shall include the date, time and place of the meeting. The notice of a special meeting need not describe the purpose of the special meeting.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these

By-laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of the Board. Unless otherwise provided by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing,

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and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 of Article III shall constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at such meeting of the Board of Directors and/or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 10. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than

a quorum, (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholder entitled to vote thereon, and to the

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contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

Officers

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman and a Vice Chairman of the Board of Directors (each of whom must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman and Vice Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after such Annual Meeting of Stockholders shall elect the officers of the Corporation, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such actions as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman. The Chairman, if present, shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-laws or by the Board of Directors.

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Section 5. Vice Chairman. In the absence or disability

of the Chairman, or if there be none, the Vice Chairman shall preside at all meetings of the stockholders and the Board of Directors. The Vice Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-laws or by the Board of Directors.

Section 6. President. The President shall be the chief executive officer of the Corporation unless the Board of Directors shall resolve otherwise, and, as such, shall have general supervision and direction of the business and affairs of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. In the absence or disability of the Chairman and the Vice Chairman, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-laws or by the Board of Directors.

Section 7. Vice President. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman or Vice Chairman of the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there is no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all powers of and be subject to the restrictions upon the President.

Section 8. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties of the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the President or the Board of Directors, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the President or the Board of Directors may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

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Section 9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and either valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office

and for the restoration to the Corporation in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 10. Assistant Secretaries. Except as may be otherwise provided in these By-laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers from time to time may be assigned to them by the President or the Board of Directors, as the case may be. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

Stock

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman or

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Vice Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Signatures. Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to

advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

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ARTICLE VI

Notices

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by electronic facsimile, or telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

General Provisions

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper

purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed or signed by facsimile by each officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

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ARTICLE VIII

Indemnification

Section 1. Power to Indemnify in Actions, Suits or Proceedings Other Than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner in which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be

made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer or other person is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made

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(i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful in the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 of this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 of this Article VIII shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination of such court that indemnification of the director or officer is proper in the circumstances because he has met the applicable standards of conduct as set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 of this Article VIII shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding

upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII. Such expenses (including attorney's fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, but as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors and officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such indemnification relates to his acts while serving in any of the foregoing capacities, of such constituent corporation, as he would have with respect to such constituent corporation if this separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to

be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or

granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article VIII by the stockholders of the Corporation shall not adversely affect any rights to indemnification and advancement of expenses existing pursuant to this Article VIII with respect to any acts or omissions occurring prior to such repeal or modification.

Section 11. Limitation on Indemnification.

Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

EXHIBIT 4.1

REVOLVING CREDIT AGREEMENT

Dated as of March 9, 1992

SUN HYDRAULICS CORPORATION, a corporation organized under the laws of the state of Florida (the "Borrower"), and NORTHERN TRUST BANK OF FLORIDA/SARASOTA, N.A., a Florida banking corporation (the "Lender"), agree as follows:

SECTION 1 LOANS

SECTION 1.1 LOANS. Subject to the terms and conditions of this Agreement, the Lender agrees to make loans to the Borrower, from time to time from the date of this Agreement through March 1, 1994, at such times and in such amounts, not to exceed ONE MILLION SEVEN HUNDRED THOUSAND UNITED STATES DOLLARS (\$1,700,000.00) (the "Commitment") at any one time outstanding, as the Borrower may request (the "Loan(s)"). During such period, the Borrower may borrow, repay and reborrow hereunder.

SECTION 1.2 NOTE. The Loans shall be evidenced by a promissory note (the "Note"), substantially in the form of Exhibit "A", with appropriate insertions, dated the date hereof, payable to the order of the Lender, in the principal amount of the Commitment, and with the amounts borrowed and repaid and the balance indorsed on the grid by the Lender. As long as the Lender is the holder of the Note it may, at its option, in lieu of endorsing the grid, record the amounts borrowed and repaid under and the balance due on the Note in its books and records, which books and records may treat each borrowing as a separate Loan; such indorsement or recording by the Lender shall be rebuttably presumptive evidence of the principal balance due on the Note. The principal of the Note shall be payable on March 1, 1994.

SECTION 2 INTEREST AND FEES

SECTION 2.1 INTEREST. The unpaid principal amount from time to time outstanding hereunder shall bear interest at the following rates per year: (a) before maturity of the Loans, whether by acceleration or otherwise, at a rate equal to the Prime Rate (as hereinafter defined); and (b) after maturity, until paid, at a rate equal to two percent in addition to the rate determined pursuant to (a) (but not less than the Prime Rate in effect at maturity). "Prime Rate" shall mean that rate of interest per year announced from time to time by the Lender called its prime rate, which may not at any time be the lowest rate of interest charged by the Lender. Changes in the rate of interest resulting from a change in the Prime Rate shall take effect on the date set forth in each announcement.

SECTION 2.2 BASIS OF COMPUTATION. 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.

SECTION 2.3 INTEREST PAYMENT DATES. Accrued interest shall be paid on the first day of each month at maturity and upon payment in full, beginning with the first of such dates to occur after the date of the first loan hereunder. After maturity, whether by acceleration or otherwise, accrued interest shall be paid upon demand.

SECTION 3 PAYMENTS AND PREPAYMENTS

SECTION 3.1 FUNDS. All payments and prepayments of principal, interest and Commitment Fee shall be made in immediately available funds to the Lender at its main banking office at 1515 Ringling Boulevard, Sarasota, Florida 34236.

SECTION 4 REPRESENTATIONS AND WARRANTIES

To induce the Lender to make each of the Loans, the Borrower represents and warrants to the Lender that:

SECTION 4.1 ORGANIZATION. The Borrower is a corporation existing and in good standing under the laws of the state indicated in the heading; any subsidiary or any affiliate is a corporation or partnership duly existing and in good standing under the laws of the state of its formation as indicated on Exhibit "B"; the Borrower and any subsidiary are duly qualified, in good standing and authorized to do business in each jurisdiction where, because of the nature of their activities or properties, such qualification is required; and the Borrower and any subsidiary have the power and authority to own their properties and to carry on their businesses as now being conducted.

SECTION 4.2 AUTHORIZATION; NO CONFLICT. The borrowing hereunder, the execution and delivery of the Note and the performance by the Borrower of its obligations under this Agreement and the Note are within the Borrower's corporate powers, have been authorized by all necessary corporate action, have received all necessary governmental approval (if any shall be required) and do not and will not contravene or conflict with any provision of law or of the charter or by-laws of the Borrower or any subsidiary or of any agreement binding upon the Borrower or any subsidiary.

SECTION 4.3 FINANCIAL STATEMENTS. The Borrower and any subsidiary and any affiliates reviewed combined financial statements as at December 31, 1990 and its unaudited combined financial statements as at September 30, 1991, copies of which have been furnished to the Lender, have been prepared in conformity with generally accepted accounting principals applied on a basis consistent with that of the preceding fiscal year, and accurately present the financial condition of the Borrower and any subsidiary

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and any affiliate as of such dates and the results of their operations for the respective periods then ended. Since the date of those financial statements, no material adverse change in the business, properties, assets, operations, conditions or prospects of the Borrower or any subsidiary and any affiliate has occurred of which the Lender has not been advised in writing before this Agreement was signed. There is no known contingent liability of the Borrower or any subsidiary or any affiliate which is known to be in an amount in excess of \$100,000.00 which is not reflected in such financial statements or of which the Lender has not been advised in writing before this Agreement was signed.

SECTION 4.4 TAXES. Federal income tax returns for the Borrower and any subsidiary have been examined and closed by the Internal Revenue Service for all years including the year ended December 31, 1990. The Borrower and any subsidiary have filed or caused to be filed all federal, state and local tax returns which, to the knowledge of the Borrower or any subsidiary, are required to be filed, and have paid or have caused to be paid all taxes as shown on such returns or on any assessment received by them, to the extent that such taxes have become due (except for current taxes not delinquent and taxes being contested in good faith and by appropriate proceedings for which adequate reserves have been provided on the books of the Borrower or the appropriate subsidiary, and as to which no foreclosure, distraint, sale or similar proceedings have been commenced). The Borrower and any subsidiary have set up reserves which are adequate for the payment of additional taxes for years which have not been audited by the respective tax authorities.

SECTION 4.5 LIENS. None of the assets of the Borrower or any subsidiary are subject to any mortgage, pledge, title retention lien, or any other lien, encumbrance or security interest, except for: (a) current taxes not delinquent or taxes being contested in good faith and by appropriate proceedings; (b) liens arising in the ordinary course of business for sums not due or sums being contested in good faith and by appropriate proceedings, but not involving any deposits or advances or borrowed money or the deferred purchase price of property or services; and (c) to the extent specifically shown in the financial statements referred to above.

SECTION 4.6 ADVERSE CONTRACTS. Neither the Borrower nor any subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction, nor is it subject to any judgment, decree or order of any court or governmental body, which may have a material and adverse effect on the business, assets, liabilities, financial condition, operations or business prospects of the Borrower and its subsidiaries taken as business pros, the ability of the Borrower to perform its obligations under this Agreement or the Note. Neither the Borrower or any subsidiary has, nor with reasonable diligence should have had, knowledge of or

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notice that it is in default of the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any such agreement, instrument, restriction, judgment, decree or order.

SECTION 4.7 REGULATION U. The Borrower is not engaged principally in, nor is one of the Borrower's important activities, the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereinafter in effect.

SECTION 4.8 LITIGATION AND CONTINGENT LIABILITIES. No litigation (including derivative actions), arbitration proceedings or governmental proceedings are pending or threatened against the Borrower which would (singly or in the aggregate), if adversely determined, have a material and adverse effect on the financial condition, continued operations or prospects of the Borrower or any subsidiary, except as set forth (including estimates of the dollar amounts involved) in a schedule furnished by the Borrower to the Lender before this Agreement was signed.

SECTION 4.9 SUBSIDIARIES AND AFFILIATES. Attached hereto as Exhibit "B" is a correct and complete list of all subsidiaries and affiliates of the Borrower.

SECTION 5 COVENANTS

Until all obligations of the Borrower hereunder and under the Note are paid and fulfilled in full, the Borrower agrees that it shall, and shall cause any subsidiary to, comply with the following covenants, unless the Lender consents otherwise in writing:

SECTION 5.1 CORPORATE EXISTENCE, MERGERS, ETC. The Borrower and any subsidiary shall preserve and maintain its corporate existence, rights, franchises, licenses and privileges, and will not liquidate, dissolve, or merge, or consolidate with or into any other corporation, or sell, lease, transfer or otherwise dispose of all or a substantial part of its assets, except that:

- (a) Any subsidiary may merge or consolidate with or into the Borrower or any one or more wholly-owned subsidiaries; and
- (b) Any subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Borrower or one or more wholly-owned subsidiaries.

SECTION 5.2 REPORTS, CERTIFICATES AND OTHER INFORMATION. The Borrower shall furnish to the Lender:

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- (a) Interim Reports. Within 60 days after the end of each quarter of each fiscal year of the Borrower, a copy of a financial statement of the Borrower and any subsidiary and any affiliate prepared on a combined basis consistent with the combined financial statements of the Borrower and any subsidiary and any affiliate referred to above, signed by an authorized officer of the Borrower and consisting of at least (i) a balance sheet as of the close of each quarter and (ii) a

statement of earnings and source and application of funds for each quarter and for the period from the beginning of such fiscal year to the close of such quarter.

- (b) **Reviewed Report.** Within 120 days after the end of each fiscal year of the Borrower, a copy of an annual reviewed report of the Borrower and any subsidiary and any affiliate prepared on a combined basis and in conformity with generally accepted accounting principles applied on a basis consistent with the reviewed combined financial statements of the Borrower and any subsidiary and any affiliate referred to above, reviewed by independent certified public accountants of recognized standing satisfactory to the Lender.
- (c) **Certificates.** Contemporaneously with the furnishing of a copy of each annual report and of each quarterly statement provided for in this Section, a certificate dated the date of such annual report or such quarterly statement and signed by either the President, the Chief Financial Officer or the Treasurer of the Borrower, to the effect that no Event of Default or Unmatured Event of Default has occurred and is continuing, or, if there is any such event, describing it and the steps, if any, being taken to cure it, and containing (except in the case of the certificate dated the date of the annual report) a computation of, and showing compliance with, any financial ratio or restriction contained in this Agreement.
- (d) **Reports to SEC and to Shareholders.** Copies of each filing and report made by the Borrower or any subsidiary with or to any securities exchange or the Securities and Exchange Commission, except in respect of any single shareholder, and of each communication from the Borrower or any subsidiary to shareholders generally, promptly upon the filing or making thereof.
- (e) **Notice of Default, Litigation and ERISA Matters.** Immediately upon learning of the occurrence of any of the following, written notice describing the same and the steps being taken by the Borrower or any subsidiary affected in respect thereof:
 - (i) the Event of a

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Default; or (ii) the institution of, or any adverse determination in, any litigation, arbitration or governmental proceeding which is material to the Borrower or any subsidiary on a consolidated basis; or (iii) the occurrence of a reportable event under, or the institution of steps by the Borrower or any subsidiary to withdraw from, or the institution of any steps to terminate, any employee benefit plans as to which the Borrower or any of its subsidiaries may have any liability.

- (f) **Subsidiaries.** Promptly from time to time a written report of any changes in the list of its subsidiaries and any affiliates.
- (g) **Other Information.** From time to time such other information, financial or otherwise, concerning the Borrower or any subsidiary as the Lender may reasonably request.

SECTION 5.3 INSPECTION. The Borrower and any subsidiary shall permit the Lender and its agents at any time during normal business hours to inspect their properties and to inspect and make copies of their books and records.

SECTION 5.4 FINANCIAL REQUIREMENTS. The Borrower and any subsidiary and any affiliate on a combined basis shall:

- (a) **Working Capital.** Maintain at all times combined net working capital in an amount equal to at least \$1,250,000.00 through

December 31, 1993 and at least \$1,700,000.00 thereafter.
Working Capital shall mean the sum of all current assets less all current liabilities.

- (b) Current Ratio. Maintain at all times a combined current ratio of current assets to current liabilities of not less than 1.20:1 through December 31, 1993 and 1.35:1 thereafter.
- (c) Net Worth to Debt. Maintain at all times a combined tangible net worth of at least \$6,750,000.00 and a ratio of consolidated debt to tangible net worth of not more than 1.80:1.
- (d) Fixed Charge Coverage Ratio: Maintain at all times a fixed charge coverage ratio of at least 1.75:1. This ratio is determined by earnings before interest expense and taxes, plus depreciation, divided by all interest expense, current maturities of all long term debt and current capital lease obligations.

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- (e) Fixed Asset Expenditures. Not make combined expenditures for fixed assets in any fiscal year in an amount greater than \$1,750,000.00.

SECTION 5.5 INDEBTEDNESS, LIENS AND TAXES. The Borrower and any subsidiary shall:

- (a) Indebtedness. Not incur, permit to remain outstanding, assume or in any way become committed for indebtedness in respect of borrowed money, except indebtedness incurred hereunder or to the Lender and indebtedness existing on the date of this Agreement shown on the financial statements furnished to the Lender before this Agreement was signed.
- (b) Liens. Not create, suffer or permit to exist any lien or encumbrance of any kind or nature upon any of their assets now or hereafter owned or acquired, or acquire or agree to acquire any property or assets of any character under any conditional sale agreement or other title retention agreement, but this Section shall not be deemed to apply to: (i) liens existing on the date of this Agreement of which the Lender has been advised in writing before this Agreement was signed; liens of landlords, contractors, laborers or suppliers, tax liens, or liens securing performance arising out of the Borrower's business, provided that tax liens are removed before related taxes become delinquent and other liens are promptly removed, in either case unless contested in good faith and by appropriate proceedings, and as to which adequate reserves have been established; and (iii) liens securing borrowings or advances from the Borrower by wholly-owned subsidiaries.
- (c) Taxes. Pay and discharge all taxes, assessments and governmental charges or levies imposed upon them, upon their income or profits or upon any properties belonging to them, prior to the date on which penalties attach thereto, and all lawful claims for labor, materials and supplies when due, except that no such tax, assessment, charge, levy or claim need be paid which is being contested in good faith by appropriate proceedings and to which adequate reserves have been established, and as to which no foreclosure, distraint, sale or similar proceedings have commenced.
- (d) Keep Well Agreements. Not assume, guarantee, indorse or otherwise become or be responsible in any manner (whether by agreement to purchase any obligations, stock, assets, goods or services, or to supply or advance any funds, assets, goods or services, or otherwise) with respect to the obligation of any

other person or entity, except by

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the indorsement of negotiable instruments for deposit or collection in the ordinary course of business and except as permitted by this Agreement.

SECTION 5.6 INVESTMENTS AND LOANS. Neither the Borrower or any subsidiary shall make any loan, advance,, extension of credit or capital contribution to, or purchase or otherwise acquire for a consideration, evidences of indebtedness, capital stock or other securities of any legal entity, except that the Borrower and any subsidiary may:

- (a) purchase or otherwise acquire and own short-term money market items;
- (b) extend credit upon customary terms to their customers in the ordinary course of their business; and
- (c) extend credit to officers and employees in accordance with policies in effect on the date of this Agreement of which the Lender has been advised in writing.

SECTION 5.7 CAPITAL STRUCTURE AND DIVIDENDS. Without Lender's prior written consent, which consent shall not be unreasonably withheld, neither the Borrower nor any subsidiary shall purchase or redeem, or obligate itself to purchase or redeem, any shares of the Borrower's capital stock, of any class, issued and outstanding from time to time; or declare or pay any dividends in excess of reported net income and depreciation charge for the year reported (other than dividends payable in its own common stock or to the Borrower) or make any other distribution in respect of such shares other than to the Borrower. The Borrower shall continue to own, directly or indirectly, the same (or greater) percentage of the stock of each subsidiary that it held on the date of this Agreement, and no subsidiary shall issue any additional securities other than to the Borrower.

SECTION 5.8 MAINTENANCE OF PROPERTIES. The Borrower and any subsidiary shall maintain, or cause to be maintained, in good repair, working order and condition, all their properties (whether owned or under lease), and from time to time make or cause to be made all needed and appropriate repairs, renewals, replacements, additions, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

SECTION 5.9 INSURANCE. The Borrower and any subsidiary shall maintain insurance in responsible companies in such amounts and against such risks as is required by the Lender and, at a minimum, insurance on their business, fixed assets, inventory and other properties, workmen's compensation or similar insurance as required by law, and adequate public liability (including product liability) insurance against claims for personal injury, death or

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property damage arising out of its products, facilities or operations, as is usually carried by similar businesses conducting operations in similar areas.

SECTION 5.10 USE OF PROCEEDS.

- (a) General. The Borrower and any subsidiary shall not use or permit any proceeds of the Loans to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock" within the meaning of Regulations U or X of the Board of Governors of the Federal Reserve System, as amended from time to time. If requested by the Lender, the Borrower and any subsidiary will furnish to the Lender a statement in

conformity with the requirements of Federal Reserve Form U-1 to the foregoing effect. No part of the proceeds of the Loans will be used for any purpose which violates or is inconsistent with the provisions of Regulation U or X of the Board of Governors.

- (b) Tender Offers and Going Private. Neither the Borrower nor any subsidiary shall use (or permit to be used) any proceeds of the Loans to acquire any security in any transaction which is subject to Section 13 and 14 of the Securities Exchange Act of 1934, as amended, or any regulations or rulings thereunder.

SECTION 6 CONDITIONS OF LENDING

The obligation of the Lender to make each of the Loans is subject to the following conditions precedent:

SECTION 6.1 DOCUMENTATION; FIRST LOAN. In addition to the conditions precedent set forth in Section 6.2, the obligation of the Lender to make the first Loan is subject to the conditions precedent that the Lender shall have received all of the following, each duly executed and dated the date of the first Loan, in form and substance satisfactory to the Lender and its counsel, at the expense of the Borrower, and in such number of signed counterparts as the Lender may request (except for the Note, of which only the original shall be signed):

- (a) Note. The Note in the form of Exhibit "A" with appropriate insertions;
- (b) Resolution. A copy of a resolution of the Board of Directors to the Borrower authorizing or ratifying the execution, delivery and performance, respectively, of this Agreement, the Note and the other documents provided for in this Agreement, certified by the Secretary of the Borrower;
- (c) Articles of Incorporation and By-laws. A copy of the articles of incorporation and by-laws of the Borrower, certified by the Secretary of the Borrower;
- (d) Certificate of Incumbency. A certificate of the Secretary of the Borrower certifying the names of the officer or the officers of the Borrower authorized to sign this Agreement, the Note and the other documents provided for in the Agreement, together with a sample of the true signature of each such officer (the Lender may conclusively rely on such certificate until formally advised by a like certificate of any changes therein);
- (e) Certificate of No Default. A certificate signed by the President, the Chief Financial Officer or the Treasurer of the Borrower to the effect that: (i) no Event of Default or Unmatured Event of Default has occurred and is continuing or will result from the making of the first Loan; and (ii) the representations and warranties of the Borrower contained herein are true and correct as at the date of the first Loan as though made on that date;
- (f) Opinion of Counsel to the Borrower. An opinion of counsel to the Borrower to such effect as the Lender may require; and
- (g) Miscellaneous. Such other documents and certificates as the Lender may request.

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SECTION 6.2 REPRESENTATION AND WARRANTIES; NO DEFAULT.

- (a) Representations and Warranties. At the date of each Loan the Borrower's representations and warranties set forth herein shall be true and correct as at such date with the same effect

as though those representations and warranties had been made on and as at such date.

- (b) No Default. At the time of each Loan, and immediately after giving effect to each Loan, the Borrower shall be in compliance with all the terms and provisions set forth herein on its part to be observed or performed, and no Event of Default or Unmatured Event of Default shall have occurred and be continuing at the time of any Loan, or would result from the making of any Loan.

SECTION 6.3 SUCCEEDING LOANS. The application by the Borrower for any Loan other than the first shall be deemed a representation and warranty by the Borrower that the statements in Section 6.2 are true and correct on and as of the date of each such Loan.

SECTION 7 DEFAULT

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SECTION 7.1 EVENTS OF DEFAULT. Each of the following occurrences is hereby defined as an "Event of Default":

- (a) Nonpayment. The Borrower shall fail to make any payment of principal, interest, or other amounts payable hereunder when and as due; or
- (b) Default under Related Documents. Any default, event of default, or similar event shall occur or continue under any instrument, document, note, agreement, or guaranty delivered to the Lender in connection with the Loans, 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) Cross-Default.
 - (i) There shall occur any default or event of default, or any event which might become such with notice or the passage of time or both, or any similar event, or any event which 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 the Borrower or any subsidiary 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;
 - (ii) There shall occur any default or event of default by Suninco, Inc., a Florida corporation, under that certain Promissory Note dated January 9, 1991, in favor of Lender in the original principal balance of \$2,000,000.00 or the Mortgage securing the indebtedness of like date, which is recorded in O.R. Book 2358, Page 2881, Public Record of Sarasota County, Florida.
- (d) Dissolutions, etc. The Borrower shall fail to comply with any provision concerning its existence or that of any subsidiary or any prohibition against dissolution, liquidation, merger, consolidation or sale of assets; or
- (e) Warranties. Any representation, warranty, schedule, certificate, financial statement, report, notice or other writing furnished by or on behalf of the Borrower to the 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

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- (f) Change in Control. Any person or entity presently not in control of the Borrower shall obtain control directly or indirectly of the Borrower, whether by purchase or gift of stock or assets, by contract, or otherwise; or
- (g) ERISA. Any reportable event shall occur under the Employee Retirement Income Security Act of 1974, as amended, in respect of any employee benefit plan maintained for employees of the Borrower or any subsidiary; or
- (h) Litigation. Any suit, action or other proceeding (judicial or administrative) commenced against the Borrower or any subsidiary, or with respect to any assets of the Borrower or any subsidiary, shall threaten to have a material and adverse affect on the future operations of the Borrower or any subsidiary; or a final judgment or settlement in excess of \$100,000.00 in excess of insurance shall be entered in, or agreed to in respect of, any such suit, action or proceeding; or
- (i) Noncompliance with this Agreement. The Borrower shall fail to comply with any provision hereof, which failure does not otherwise constitute an Event of Default, and such failure shall continue for ten days after notice thereof to the Borrower by the Lender or any other holder of the Note; or
- (j) Guaranty. Any guaranty of the Loans shall be repudiated or become unenforceable or incapable of performance; or
- (k) Bankruptcy. Any bankruptcy, insolvency, reorganization, arrangement, readjustment, liquidation, dissolution, or similar proceeding, domestic or foreign, is instituted by or against the Borrower or any subsidiary, or the Borrower or any subsidiary shall take a step toward, or to authorize, such a proceeding; or
- (l) Insolvency. The Borrower or any subsidiary 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.

SECTION 7.2 REMEDIES. Upon the occurrence of any Event of Default set forth in Section 7.1 and during the continuance thereof, the Lender or any other holder of the Note may declare the Note and any other amounts owed to the Lender to be immediately due and payable, whereupon the Note and any other amounts owed to the

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Lender shall forthwith become due and payable. Upon the occurrence of any Event of Default, any obligation of the Lender to make Loans shall immediately and automatically terminate without action of any kind on the part of the Lender. The Borrower expressly waives presentment, demand, notice or protest of any kind in connection herewith. The Lender shall promptly give the Borrower notice of any such declaration, but failure to do so shall not impair the effect of such declaration. No delay or omission on the part of the Lender or any holder of the Note in exercising any power or right hereunder or under the Note shall impair such right or power or be construed to be a waiver of any Event of Default or any acquiescence therein, nor shall any single or partial exercise of any power or right hereunder preclude other or further exercise thereof, or the exercise of any other power or right.

SECTION 8 DEFINITIONS

SECTION 8.1 GENERAL. As used herein:

- (a) The term "affiliate" means any corporation of which the Borrower owns directly or indirectly 20% or more, but less than 50%, of the outstanding voting stock, or any partnership, joint venture, trust or other legal entity of which the Borrower has effective control, by contract or as otherwise listed on Exhibit "B".
- (b) The term "subsidiary" means any corporation, partnership, joint venture, trust or other legal entity of which the Borrower owns directly or indirectly 50% or more of the outstanding voting stock or interest, or of which the Borrower has effective control, by contract or otherwise or as otherwise listed on Exhibit "B".
- (c) The term "Unmatured Event of Default" means an event or condition which would become an Event of Default with notice or the passage of time or both.
- (d) Except as and unless otherwise specifically provided herein, all accounting terms in this Agreement shall have the meanings given to them by generally accepted accounting principals and shall be applied and all reports required by this Agreement shall be prepared, in a manner consistent with the audited financial statements referred to in Section 4.3.

SECTION 8.2 APPLICABILITY OF SUBSIDIARY AND AFFILIATE REFERENCES.

Terms hereof pertaining to any subsidiary or affiliate shall apply only during such times as the Borrower has any subsidiary or affiliate.

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SECTION 9 MISCELLANEOUS

SECTION 9.1 WAIVER OF DEFAULT. The Lender may, by written notice to the Borrower, at any time and from time to time, waive any Event of Default or Unmatured Event of Default, 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, the Lender and the Borrower shall be restored to their former position and rights hereunder and under the Note, respectively, 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 right consequent thereon or to any subsequent or other Event of Default or Unmatured Event of Default.

SECTION 9.2 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:

- (a) if to the Lender to 1515 Ringling Boulevard, Sarasota, Florida 34236 (Attention: Kevin McKenney)
- (b) if to the Borrower to Sun Hydraulics Corporation, 1500 University Parkway, Sarasota, Florida 34243 (Attention: Ms. Cynthia Loadman)

or to such other address as may be hereafter designated in writing by the respective parties hereto.

SECTION 9.3 NONWAIVER; CUMULATIVE REMEDIES. No failure to exercise, and no delay in exercising, on the part of the 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 the Lender herein provided are cumulative and not exclusive of any

rights or remedies provided by law.

SECTION 9.4 SURVIVAL OF AGREEMENTS. All agreements, representations and warranties made herein shall survive the delivery of the Note and the making of the Loans.

SECTION 9.5 SUCCESSORS. This Agreement shall, upon execution and delivery by the Borrower and acceptance by the Lender in Chicago, Illinois, become effective and shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower may not transfer or assign any of its rights or interest hereunder without the prior written consent of the Lender.

SECTION 9.6 CAPTIONS. Captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. References herein to Sections or

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provisions without reference to the document in which they are contained are references to this Agreement.

SECTION 9.7 SINGULAR AND PLURAL. 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 others where appropriate.

SECTION 9.8 COUNTERPARTS. This Agreement may be executed by the parties on any number of separate counterparts, and by each party on separate counterparts; each counterpart shall be deemed an original instrument; and all of the counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 9.9 FEES. The Borrower agrees to pay or reimburse the Lender for all costs and expenses of preparing; seeking advice in regard to, and enforcing this Agreement or the Note, or preserving its rights hereunder or under any document or instrument executed in connection herewith (including legal fees and reasonable time charges of attorneys who may be employees of the Lender, whether in or out of court, in original or appellate proceedings or in bankruptcy).

SECTION 9.10 CONSTRUCTION. This Agreement, the Note and any document or instrument executed in connection herewith shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Florida, and shall be deemed to have been executed in the State of Florida.

SECTION 9.11 SUBMISSION TO JURISDICTION; VENUE. To induce the Lender to make the Loans, as evidence by the Note and this Agreement, the Borrower irrevocable agrees that, subject to the Lender's sole and absolute election, all suits, actions or other proceedings in any way, manner or respect, arising out of or from or related to this Agreement, the Note or any document executed in connection herewith, shall be subject to litigation in courts having situs within Sarasota, Florida. The Borrower hereby consents and submits to the jurisdiction of any local, state or federal court located within said city and state. The Borrower hereby waives any right it may have to trial by jury, to transfer or change the venue of any suit, action or other proceeding brought against the Borrower by the Lender in accordance with this Section or to claim that any such proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the parties have executed this Agreement on March 9, 1992.

WITNESSES: SUN HYDRAULICS CORPORATION
a Florida Corporaiton

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/s/ Cynthia C. Loadman By: /s/ Clyde G. Nixon

(Name Cynthia C. Loadman) Name: Clyde G. Nixon

/s/ Peter L. Biegel As President

(Name Peter L. Biegel)

NORTHERN TRUST BANK OF
FLORIDA/SARASOTA, N.A.

/s/ Cynthia C. Loadman By: /s/ Kevin M. McKenney

(Name Cynthia C. Loadman) Name: Kevin M. McKenney

/s/ Peter L. Biegel As Vice President

(Name Peter L. Biegel)

STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me on March 9, 1992,
by Clyde G. Nixon as President of SUN HYDRAULICS CORPORATION, a Florida
Corporation, on behalf of the corporation, who is (are) personally known to me
or who has produced as _____ identification and who
did (did not) take an oath.

/s/ Audrey J. Evers

(Name

Notary Public
Serial Number (if any)

Commission Expiration Date
Notary Public, State of Florida
My Commission Expires Sept. 8, 1993

STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me on March 9, 1992,
by Kevin M. McKenney as _____ President of NORTHERN TRUST BANK OF
FLORIDA/SARASOTA, N.A., a national association on behalf of the association,
who is (are) personally known to me or who has produced Florida Driver License
as identification and who did (did not) take an oath.

/s/ Audrey J. Evers

(Name

Notary Public
Serial Number (if any)

Commission Expiration Date
Notary Public, State of Florida
My Commission Expires Sept. 8, 1993

EXHIBIT 4.2

MODIFICATION AGREEMENT

THIS AGREEMENT MADE this 25th day of March, 1993, by and between NORTHERN TRUST BANK OF FLORIDA, N.A., formerly known as Northern Trust Bank of Florida/Sarasota, N.A. ("Lender"), whose address is 1515 Ringling Boulevard, Sarasota, Florida 34236 and SUN HYDRAULICS CORPORATION, a Florida corporation ("Borrower") whose address is 1500 West University Parkway, Sarasota, FL.

RECITALS:

WHEREAS, Borrower executed a certain Renewal and Replacement Revolving Line of Credit Note in the original principals sum of \$1,700,000 ("Note"), dated March 9, 1992, and a certain Revolving Credit Agreement ("Credit Agreement") of like date.

WHEREAS, by this Agreement, Lender and Borrower intend to modify certain provisions of the Credit Agreement.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and in consideration of the premises and of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged among the parties, it is agreed as follows:

1. RECITALS. The above recitals are true and correct and are incorporated herein by reference.

2. SECTION 5.2(a) and (b) of the Credit Agreement are hereby deleted in their entirety and the following is substituted in their place:

(a) Interim Reports.

(i) Within 60 days after the end of each quarter of each fiscal year of the Borrower, a copy of a financial statement of the Borrower and any subsidiary prepared on a combined basis consistent with the combined financial statements of the Borrower and any subsidiary referred to above, signed by an authorized officer of the Borrower and consisting of at least (a) a balance sheet as of the close of each quarter and (b) a statement of earnings and source of application of funds for each quarter and for the period for the beginning of such fiscal year to the close of such quarter.

(ii) Within 60 days after the end of each quarter of each fiscal year of the Borrower, a copy of a financial statement of any affiliate of Borrower ("Affiliate") prepared on a consolidated basis with proper intercompany eliminations of Borrower, any subsidiary and any affiliate signed by an authorized officer of the Affiliate and consisting of at least (a) a balance sheet as of the close of each quarter and (b) a statement of

earnings and source and application of funds for each quarter and for the period of the beginning of such fiscal year to the close of such quarter.

(b) Reviewed Report.

(i) Within 120 days after the end of each fiscal year of the Borrower, a copy of an annual reviewed report of the Borrower and any subsidiary on a combined basis and in conformity with generally accepted accounting principals, applied on a basis consistent with the reviewed combined financial statements of the Borrower and any subsidiary referred to above, reviewed by independent certified public accounts of recognized standing satisfactory to the Lender.

(ii) Within 120 days after the end of each fiscal year of the Borrower, a copy of an annual reviewed report of any affiliate of the Borrower in conformity with generally accepted accounting principals and reviewed by independent certified public accounts of recognized standing satisfactory to the Lender.

3. SECTION 5.4 of the Credit Agreement is hereby deleted in its entirety and the following is substituted in its place:

FINANCIAL REQUIREMENTS. The Borrower and any subsidiary on a combined basis shall:

- (a) Working Capital. Maintain at all times combined net working capital in an amount equal to at least \$1,100,000 through December 31, 1993 and at least \$1,250,000 thereafter. Working Capital shall mean the sum of all current assets less all current liabilities and less all intercompany eliminations.
- (b) Current Ratio. Maintain at all times a combined current ratio of current assets to current liabilities, less intercompany eliminations, of not less than 1.20:1 through December 31, 1993 and 1.35:1 thereafter.
- (c) Net Worth to Debt. Maintain at all times a combined tangible net worth of at least \$2,800,000 and a ratio of consolidated debt to tangible net worth of not more than 2.75:1 through December 31, 1993 and 2.50:1 thereafter.
- (d) Fixed Charge Coverage Ratio. Maintain at all times a fixed charge coverage ratio of at least 2.25:1. This ratio is determined by earnings before interest expense and taxes, plus depreciation, divided by all interest expense, current maturities of all long term debt and current capital lease obligations.

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- (e) Fixed Asset Expenditures. Not make combined expenditures for fixed assets in any fiscal year in an amount greater than \$1,750,000.

4. RATIFICATION. Except as herein modified and amended, the terms and conditions of the Note and Credit Agreement are hereby ratified and confirmed and shall remain in full force and effect.

5. COSTS. Borrower shall pay all costs of this Modification, to include without limitation attorneys' fees. In the event it is determined after the execution of this Agreement that additional costs relating to this transaction are due, Borrower agrees to pay such costs immediately upon demand.

IN WITNESS WHEREOF, the parties hereto have executed this Modification Agreement.

WITNESSES: SUN HYDRAULICS CORPORATION

/s/ Philomene Staffeld ----- (Name Philomene Staffeld) ----- As	By /s/ Clyde G. Nixon ----- Name Clyde G. Nixon ----- President
--	---

/s/ Cynthia C. Loadman

 (Name Cynthia C. Loadman)

EXHIBIT 4.3

SECOND MODIFICATION TO REVOLVING CREDIT AGREEMENT

THIS MODIFICATION AGREEMENT made this _____ day of May, 1995, by and between NORTHERN TRUST BANK OF FLORIDA ("Lender") whose post office address is 1515 Ringling Boulevard, Sarasota, FL 34236, and SUN HYDRAULICS CORPORATION, a Florida corporation ("Borrower"), whose post office address is 1500 University Parkway, Sarasota, FL 34235.

R E C I T A L S:

A. Lender has extended to Borrower a revolving line of credit loan in the amount of \$1,700,000.00 ("Line of Credit"), currently evidenced by Renewal and Replacement Revolving Line of Credit Note dated March 1, 1994.

B. In connection with the Line of Credit, Borrower and Lender executed a Revolving Credit Agreement dated March 9, 1992, which was previously amended by Modification Agreement dated March 25, 1993.

C. Borrower has requested Lender to extend the maturity date of the Line of Credit to March 1, 1997, and Lender is willing to do so.

D. The Line of Credit has been renewed on even date herewith as evidenced by Revolving Line of Credit Renewal Note in the original principal amount of \$1,700,000.00 ("Note").

E. As a condition of the renewal of the Line of Credit, Borrower has agreed to modify the terms of the Credit Agreement.

NOW, THEREFORE, in consideration of the agreement by Lender to extend the maturity date of the Line of Credit, and further good and valuable considerations, the receipt of which is hereby acknowledged, Borrower and Lender hereby amend the Credit Agreement in the following particulars:

1. Sections 1.1 and 1.2 are amended to extend the maturity date to March 1, 1997.

2. Section 1.3 is added to read as follows:

SECTION 1.3 LIMITATIONS ON LOANS. Borrower must maintain Accounts and Inventory (as those terms are used and defined in the Security Agreement executed by Borrower in favor of Lender dated March 9, 1992) in such quantities so that at all times 75% of the face amount of Borrower's qualified Accounts plus 50% of the cost or wholesale market value, whichever is lower, of Borrower's Inventory shall be at least equal to the outstanding principal balance of the Note. Borrower must pay to Lender, in reduction of the outstanding principal balance of the Note, such sums as may be necessary from time to time to maintain such ratio. The term

"qualified Account" means any Account which has been due less than sixty (60) days.

3. The term "Note" wherever appearing in the Credit Agreement as previously modified shall refer to the Note.

4. Sections 4.1 and 4.9 are amended to substitute the Exhibit "B" which is attached to this Modification for the Exhibit "B" attached to the original Credit Agreement.

5. Section 4.3 is amended to delete the first sentence in its entirety, and to substitute therefor the following: "All financial statements of the Borrower, any subsidiary, or any affiliate of Borrower heretofore furnished to Lender have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year, and accurately represent the financial condition of the Borrower, subsidiary, and affiliate (as the case may be) as of the date of such financial statements and the results of their respective operations for the respective periods then ended."

6. The first sentence of Section 4.4 is hereby amended to delete the clause "... the year ended December 31, 1990" and to substitute therefor the following "... the year most recently ended."

7. Section 5.2(h) is added to read as follows:

- (h) Income Tax Returns. Within 30 days after filing each year, an executed copy of Borrower's Federal income tax return.

8. Section 5.4 is hereby deleted in its entirety and the following is substituted in its place:

SECTION 5.4 FINANCIAL REQUIREMENTS. The Borrower and its subsidiaries, on a combined basis, shall:

- (a) Working Capital. Maintain at all times combined net working capital in an amount equal to at least \$1,700,000.00. Working capital shall mean the sum of all current assets less all current liabilities and less all intercompany eliminations.
- (b) Current Ratio. Maintain at all times a combined current ratio of current assets to current liabilities, less intercompany eliminations, of not less than 1.5:1.
- (c) Liabilities to Net Worth Ratio. Maintain at all times a ratio of consolidated total liabilities to consolidated tangible net worth of not more than 2.50:1.
- (d) Tangible Net Worth. Maintain at all times a combined tangible net worth at a minimum amount which will equal the greater of (i) \$5,500,000.00, or (ii) consolidated

net income, less distributions by Borrower to shareholders of Borrower for shareholder income tax liability for the then current year, less \$500,000.00.

- (e) Minimum Fixed Charge Coverage Ratio. Maintain at all times a fixed charge coverage ratio of at least 2.25:1, said ratio being calculated as follows: earnings before interest expense and taxes, plus depreciation, divided by all interest expense plus current maturities of all long term debt plus current capital lease obligations.
- (f) Capital Expenditures. Not make combined expenditures for fixed assets in any fiscal year in an amount greater than \$4,000,000.00.
- (g) Debt Service Coverage Ratio. Maintain a minimum consolidated debt service coverage ratio of 1.25:1, calculated for each fiscal year as follows: net profits, plus interest, plus depreciation, all divided by interest plus current maturities of long term debt and capitalized leases, plus disbursements, advances and loans made to officers, shareholders, directors, and other insiders of Borrower, excluding consideration of all intercompany eliminations.
- (h) Loans and Advances to Shareholders. Not make any loans or advances to its shareholders in excess of the total of individual tax liabilities of all of its shareholders for the then current fiscal year, plus \$500,000.00.

9. Section 5.6(c) is deleted in its entirety, and the following substituted in its place:

- (c) extend credit to officers and employees of Borrower, subject to the approval of Lender, provided that the amount of indebtedness to any single officer or employee shall not exceed \$50,000.00, and further provided that copies of the notes evidencing such

indebtedness shall be furnished to Lender.

10. Section 5.6(d) is added to read as follows:

- (d) Capital contributions of up to \$1,500,000.00 to SunOpTech Corporation

11. Section 5.7 is amended to add the following: "Robert Koski and the members of his immediate family must maintain majority ownership and control of Borrower, and may not sell, transfer or otherwise assign their ownership interest in Borrower without Lender's prior written consent. Mr. and Mrs. Robert Koski shall finalize (by the end of calendar year 1995) their respective estate plans with respect to ownership succession of their

respective interests in Borrower and affiliates and subsidiaries of Borrower."

12. Section 7.1(c)(iii) and (iv) are added to read as follows:

- (iii) there shall occur any default or event of default by Borrower or Sun Hydraulics Real Estate, Ltd., a Florida limited partnership ("Partnership") under that certain loan in the original principal amount of \$1,000,000.00 committed to be made by Lender pursuant to commitment letter dated May 2, 1995.
- (iv) there shall occur any default or event of default by the Partnership under that certain loan in the original principal amount of \$3,500,000.00 committed to be made by Lender pursuant to commitment letter dated May 2, 1995.

13. Section 9.12 is added to read as follows:

SECTION 9.12 NO WAIVER, DEFENSES OR SETOFFS. Borrower acknowledges, warrants, and covenants to Lender that Borrower has absolutely no defenses, avoidances, setoffs, or counterclaims of any kind that would or could avert or diminish (i) Borrower's absolute obligation to pay the Note, or (ii) Lender's unequivocal right to enforce the Note, this Credit Agreement, or any other loan documents executed in connection therewith. Borrower shall and does hereby unconditionally and unequivocally release, acquit and discharge forever Lender and Lender's respective affiliates and all of their respective officers, directors, shareholders, agents, representatives, attorneys, employees, sureties, trustees, receivers, and members from any and all claims, debts, demands, bonds, obligations, actions, causes of action, liabilities, responsibilities, and duties of every nature (whether at law or in equity, statutory or regulatory, disputed or undisputed, known or unknown, foreseen or unforeseen, fixed or contingent, liquidated or unliquidated, expressed or implied, assumed or imputed, in contract or in tort, negligent or intentional, permissive or compulsory, related or unrelated, direct or derivative, matured or unmatured, compensatory or punitive) that Borrower has ever had or now has.

14. In the event of any conflict between the terms of this Modification Agreement and those of the Credit Agreement as previously modified, the terms of this Modification Agreement shall control. Except as amended hereby, all of the terms, covenants and conditions of the Credit Agreement, as previously modified, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Modification Agreement to be executed as of the date first above written.

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

BORROWER

NORTHERN TRUST BANK OF FLORIDA

By:

Terence E. McGannon
As its Vice President

LENDER

EXHIBIT "B"

SUBSIDIARIES AND AFFILIATES OF SUN HYDRAULICS CORPORATION

Affiliates

Sun Hydraulics Real Estate, Ltd., a Florida limited partnership
Suninco, Inc., a Florida corporation
Sun Hydraulik Holdings Ltd., a United Kingdom corporation

Subsidiaries

None

EXHIBIT 4.4

REVOLVING LINE OF CREDIT
RENEWAL NOTE

\$1,700,000.00

May , 1995

FOR VALUE RECEIVED, SUN HYDRAULICS CORPORATION, a Florida corporation ("Maker"), hereby promises, jointly and severally, to pay to the order of NORTHERN TRUST BANK OF FLORIDA ("Lender") at 1515 Ringling Boulevard, Sarasota, Florida 34236, or at such other place as the holder hereof may from time to time designate in writing, the principal sum of One Million Seven Hundred Thousand and 00/100 Dollars (\$1,700,000.00), or so much thereof as may be disbursed by Lender to Maker or for Maker's account from time to time, together with interest at the rate hereinafter specified on such indebtedness as shall from time to time remain unpaid, until paid in full, such principal and interest being payable in lawful money of the United States which shall be legal tender in payment of all debts at the time of payment. Interest will be calculated on the basis of a 365/360 method, which computes a daily amount of interest for a hypothetical year of 360 days, then multiplies such amount by the actual number of days elapsed in an interest calculating period.

Interest on the unpaid principal sum outstanding from time to time shall accrue at a variable rate equal to the prime rate of Northern Trust Bank of Florida, as announced by Lender from time to time. The interest rate will adjust accordingly on each effective date of change in that prime rate. The prime rate is not necessarily the lowest rate of interest charged by Lender.

Interest shall be payable in arrears on the first day of each calendar month, with the first payment being due and payable June 1, 1995. The entire unpaid principal balance, together with accrued interest shall be due and payable March 1, 1997.

All payments made hereunder shall be applied first to accrued interest then due and owing; next to amounts expended by Lender to cure any default under this Note, the Mortgage (as hereinafter defined), or any other loan documents executed in connection herewith; next to charges, costs, expenses, or attorneys' fees then due and payable to Lender under this Note, the Mortgage, or any other loan documents; and the balance, if any, to principal.

This Note may be prepaid, in whole or in part, at any time without penalty. All prepayments made hereunder shall be applied in the same manner as other payments made hereunder, as set forth above. The making of any prepayment shall not relieve Maker from the obligation to make the payments next due hereunder on a timely basis.

If any payment to be made by Maker to Lender according to the terms hereof shall be due on a Saturday, Sunday or other day which is a legal holiday under the laws of the State of Florida, the due date for such payment shall be extended to the next business day

and the amount of such payment shall include interest accrued during such extension.

If any payment is more than fifteen (15) days late, Maker agrees to pay to Lender a late charge equal to five percent (5%) of the payment.

This Note is secured by a security agreement (the "Security Agreement") dated March 9, 1993, made by Maker in favor of Lender encumbering personal property described therein (the "Collateral").

This Note evidences a loan in the original principal amount of \$1,700,000.00; however, the actual indebtedness from time to time evidenced hereby shall be the sum of all advances made by Lender to Maker, less the aggregate amount of all principal repayments made under this Note by Maker to Lender. It is the intention hereof and the purpose of this Note to evidence a revolving line of credit against which Maker may draw and from which Lender will advance from time to time. Maker may repay the principal amount outstanding, in whole or in part, from time to time, and again draw against the line of credit, so that the principal amount outstanding hereunder may fluctuate in accordance with such advances and repayments, but the aggregate principal amount outstanding under this Note shall not at any time exceed the

principal sum of \$1,700,000.00. Maker's right to draw principal amounts under this Note is subject to the terms of that certain Revolving Credit Agreement entered into by Maker and Lender dated March 9, 1992 ("Credit Agreement") as modified by agreements dated March 25, 1993 and May _____, 1995, and is further conditioned upon Maker not being in default under this Note, the Security Agreement, the Credit Agreement, or any other loan document executed in connection therewith ("Loan Documents").

The entire unpaid principal balance hereof together with all accrued interest due shall, at Lender's sole option, become immediately due and payable in the event of the sale or transfer of (i) all or any part of the Collateral, or any interest therein, except as specifically permitted by the Security Agreement, or (ii) any beneficial or ownership interest in Maker, whether held or owned directly or indirectly, except as specifically permitted by the Credit Agreement.

Each and every party to this Note, whether as Maker, endorser, surety, guarantor, or otherwise ("Obligor"), hereby waives all rights of homestead and other exemptions granted by the constitution or laws of Florida, and further waives presentment, demand, protest, notice of dishonor, notice of nonpayment, notice of protest, and diligence in collection, and assents to the terms hereof and to any extension or postponement of the time for payment or any other indulgence. It is further specifically agreed that this Note or any part of the principal or interest due hereon may be renewed, modified or extended, in whole or in part, such

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modification to include but not be limited to changes in payment schedules and interest rates, from time to time by the holder of this Note, at the request of the then owners of all or part of the Collateral, or at the request of any party bound hereon or who has assumed or may hereafter assume payment hereof, without the consent of or notice to other parties bound hereon and without releasing them from any liabilities then existing.

Each and every obligor hereby consents that the real or personal property securing this Note, or any part of such security, may be released, exchanged, added to or substituted for by Lender, without in any way modifying, altering, releasing, affecting or limiting their respective liabilities or the lien of the Security Agreement, and further agrees that Lender shall not be required first to institute any suit, or to exhaust any of its remedies against Maker or any other person or party liable or to become liable hereunder, in order to enforce payment of this Note, and further agrees that Maker or any other party liable hereunder may be released by Lender from any or all liability under this Note and such release shall in no way affect or modify the liability of the remaining parties hereto.

Each and every Obligor hereby consents and agrees that he is bound, jointly and severally, under the terms hereof and is subject to all of the provisions set forth herein as fully as though each was an undersigned hereof, and further consents and agrees that any Obligor may be sued by Lender without joining any other Obligor, whether primarily or secondarily liable.

Notwithstanding anything contained herein to the contrary or in the Security Agreement, Credit Agreement, or other Loan Documents, no payee or holder of this Note shall ever be entitled to receive, collect or apply as interest on the obligation evidenced hereby any amount in excess of the maximum rate of interest permitted to be charged by applicable law and, in the event Lender or any holder hereof ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the principal sum; and, if the principal sum is paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, Maker and Lender shall, to the maximum extent permitted under applicable law: (a) characterize any non-principal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) spread the total amount of interest, or charges in the nature of interest, pursuant to applicable law.

As used herein, "Event of Default" shall mean the occurrence of any of the following events or conditions: (a) failure or omission to pay within fifteen (15) days after payment is due this

Note (or any installment of principal or interest hereunder); (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 this Note, or any other Loan Document, or upon the existence or occurrence of any circumstance or event deemed a default under this Note or any other Loan Document; (c) any warranty, representation or statement made or furnished to Lender for the purpose of inducing Lender to make the loan evidenced by this Note, proves to have been false in any material respect when made or furnished; (d) a default under any other security interest in the Collateral (whether such other security interest be held by Lender or by a third party); (e) the institution of foreclosure proceedings of another security interest or lien of any kind on the Collateral (whether such other security interest or lien be held by Lender or by a third party); (f) the default by Maker or any affiliate or subsidiary of Maker in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, security agreement, note, obligation or agreement held by Lender, specifically including but not limited to: (i) that certain existing mortgage loan in the original principal amount of \$2,000,000.00 obtained by Suninco, Inc. from Lender evidenced by promissory note dated January 9, 1992, (ii) a new loan in the original principal amount of \$1,000,000.00 committed to be made by Lender to Maker or Sun Hydraulics Real Estate, Ltd., a Florida limited partnership ("Partnership") pursuant to commitment letter dated May 2, 1995, and (iii) a new mortgage loan in the original principal amount of \$3,500,000.00 committed to be made by Lender to the Partnership, as evidenced by commitment letter dated May 2, 1995 (collectively "Cross-Collateralized and Cross-Defaulted Credits"); (g) the death, dissolution, termination of existence, insolvency, or business failure of any obligor; (h) the appointment of a receiver of any part of the Collateral; (i) the assignment for the benefit of Creditors or the commencement of any proceedings in bankruptcy or insolvency by or against any obligor; (j) the determination by Lender that a material adverse change has occurred in the financial condition of any Obligor from the conditions set forth in the most recent financial statement of such Obligor heretofore furnished to Lender or from the condition of such Obligor as heretofore most recently disclosed to Lender in any manner; (k) falsity in any material respect of, or any material omission in, any representation or statement made to Lender by or on behalf of any Obligor in connection with the loan evidenced by this Note. Upon the occurrence of any such default or at any time thereafter, Lender may, at its option, declare the whole amount of principal and interest provided for in and by this Note, and any and all other indebtedness owed by Maker, or any subsidiary or affiliate of Maker, to Lender (specifically including but not limited to the Cross-Collateralized and Cross-Defaulted Credits), immediately due and payable without demand or notice of any kind to any person, and the same thereupon shall become immediately due, payable and collectible (by enforcement of Lender's security interest in the

Collateral or otherwise) at once and without notice to Maker. Any default hereunder shall constitute a default under any other mortgage, security agreement, note, obligation or agreement of Maker or any affiliate of Maker held by Lender, specifically including but not limited to the Cross-Collateralized and Cross-Defaulted Credits. The agreements contained in this paragraph to create cross-defaults under all mortgages, security agreements, notes, obligations and agreements between Maker, Maker's affiliates and subsidiaries, and Lender, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, security agreements, notes, obligations or agreements are a material and specific inducement and consideration for the making by Lender of the loan evidenced by this Note.

It is expressly agreed that upon the occurrence of an Event of Default, or if Lender shall deem itself insecure (because the prospect of timely payments is impaired, because the value of Lender's security is

impaired, because the prospect of performance of any covenant or agreement under this Note, the Security Agreement, or any other loan document is impaired, because of any change of circumstance which adversely affects any matters originally considered by Lender in making the loan, or otherwise), then or at any time thereafter at the option of Lender, the whole of the principal sum remaining unpaid hereunder, together with all accrued and unpaid interest thereon, shall become due and payable immediately without notice, anything contained herein to the contrary in any way notwithstanding, and in any such event Lender shall have the right to set-off against this Note all money owed by Lender in any capacity to any Obligor, whether or not due, and Lender shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of an Event of Default although made or entered on the books subsequent thereto. From and after an Event of Default, the interest rate on the entire outstanding principal balance hereunder shall accrue at a rate equal to the lesser of: (i) a variable rate of two percent (2.0%) above the rate announced from time to time by Northern Trust Bank of Florida as its "prime rate", or (ii) the highest rate permitted to be charged by applicable law. In the event the default rate of interest set forth in the foregoing sentence shall be applicable and Lender has not accelerated this Note, the amount of each payment otherwise due hereunder shall be increased to an amount equal to the regular amount of the principal installment due hereunder, if any, plus accrued interest at the default rate.

Each Obligor shall be obligated to pay as part of the indebtedness evidenced by this Note all costs of collection, whether or not a suit is brought, including any reasonable attorneys' fees that may be incurred in the collection or enforcement hereof. The term "attorneys' fees" shall include but not be limited to any such fees incurred in any appellate or related ancillary or supplementary proceedings, whether before or

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after final judgment related to the enforcement or defense of this Note.

If at any time any federal, state, county or municipal government or agency thereof shall impose any documentary stamp tax, intangible tax, or any other type of tax upon this Note or the Security Agreement, or upon the indebtedness evidenced hereby (other than any federal, state or local income tax imposed upon Lender), then Maker shall pay same within fifteen (15) days after demand by Lender, together with any interest and penalties thereon.

Time is of the essence of this Note. The remedies of Lender as provided herein or in the Security Agreement, or any other Loan Document, shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall arise. No act or omission of Lender, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of such right, remedy or recourse, and any waiver or release may be effected only through a written document executed by Lender and then only to the extent specifically recited therein. A waiver or release with respect to any one event shall not be construed as continuing as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to any subsequent event.

The term "Lender" where used herein shall include Lender's successors and assigns. The term "Maker" shall include each person signing this Note, jointly and severally, and their respective heirs, successors and assigns. The term "Obligor" shall include Maker and every person who is an endorser, guarantor, or surety of this Note, or who is otherwise a party hereto, and their respective heirs, successors and assigns. The terms "person" and "party" shall include individuals, firms, associations, joint venturers, partnerships, estates, trusts, business trusts, syndicates, fiduciaries, corporations, and all other groups or combinations. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. This Note shall be construed under Florida law.

This is a renewal note of that certain Renewal and Replacement Revolving Line of Credit Note dated March 1, 1994 in the original principal amount of \$1,700,000.00. The principal balance of this Note is equal to the

outstanding principal balance of the note it renews. State of Florida documentary stamps in the amount required by law were affixed to that certain Time Note dated January 11, 1991 which evidenced the revolving line of credit in the amount of \$1,700,000.00 which, by virtue of mesne renewal notes, is being renewed hereby, and were cancelled pursuant to law. No further State documentary stamps are required.

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For and in consideration of Lender's agreement to accept this renewal note, Maker hereby waives any and all claims, causes of action, and defenses which it may have against Lender arising in connection with or prior to the execution of this Note and agrees to hold Lender, its employers, officers, and agents harmless from all matters, claims, and liabilities existing or arising on or prior to the date hereof. Maker acknowledges, represents and warrants to Lender that Maker has no right of offset against the indebtedness evidenced by this Note nor defenses or claims against Lender with respect to this Note, the Security Agreement, the Credit Agreement, or any other Loan Document, or any other transaction or course of dealing between Maker and Lender arising out of or relating in any way to same.

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed and delivered as of the date first above written.

Maker's Address:

1500 University Parkway
Sarasota, Florida 34235

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

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MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE, made this 9th day of January, 1992, by and between SUNINCO, INC., a Florida corporation (f/k/a SUN HYDRAULICS CORPORATION, a Florida corporation), ("Mortgagor"), whose address is 1500 University Parkway, Sarasota, FL 34342 and NORTHERN TRUST BANK OF FLORIDA/SARASOTA, N.A. ("Mortgagee"), whose address is 1515 Ringling Boulevard, Sarasota, Florida 34236.

WITNESSETH:

WHEREAS, Mortgagor is indebted to Mortgagee in the principal sum of \$2,000,000.00 together with interest thereon, as evidenced by that certain promissory note of even date herewith, executed by Mortgagor and delivered to Mortgagee (the "Note"), a copy of which is attached hereto as EXHIBIT "A".

NOW, THEREFORE, to secure the performance and observance by Mortgagor of all covenants and conditions in the Note and in this Mortgage and in all other instruments securing the Note, and in order to charge the properties, interests and rights hereinafter described with such payment, performance and observance, and for and in consideration of the sum of One Dollar (\$1.00) paid by Mortgagee to Mortgagor this date, and for other valuable considerations, the receipt of which is acknowledged, Mortgagor does hereby convey and mortgage unto Mortgagee, its successors and assigns forever:

THE FOLLOWING PROPERTY
(herein "Mortgaged Property")

(A) The Land. All the land located in the County of Sarasota, State of Florida (the "Land") described in EXHIBIT "B" attached hereto and made a part hereof;

(B) The Improvements. TOGETHER WITH all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land, and all fixtures, machinery, appliances, equipment, furniture, and personal property of every nature whatsoever now or hereafter owned by Mortgagor and located in or on, or attached to, or used or intended to be used in connection with or with the operation of, the Land, buildings, structures or other improvements, including all extensions,

This instrument prepared by:
Stephen B. Keyser, Esq.
Ferguson, Skipper, Shaw, Keyser,
Baron & Tirabassi, P.A.
P. O. Box 3018
Sarasota, FL 34230
File No. 1892/1107

additions, improvements, betterments, renewals and replacements to any of the foregoing and all of the right, title and interest of Mortgagor in and to any such personal property or fixtures subject to any lien, security interest or claim together with the benefit of any deposits or payments now or hereafter made by Mortgagor or on its behalf (the "Improvements");

(C) Easements or Other Interests. TOGETHER WITH all easements, rights-of-way, gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating or appertaining to any of the property hereinabove, described, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Mortgagor, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, at law as well as in equity, of Mortgagor of, in and to the same, including but not limited to all judgments, awards of damages and settlements hereafter made resulting from condemnation proceedings or the taking of the property described

in paragraphs (A), (B) and (C) hereof or any part thereof under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the property described in paragraphs (A), (B) and (C) hereof or any part thereof, or to any rights appurtenant thereto, and all proceeds of any sales or other dispositions of the property described in paragraphs (A), (B) and (C) hereof or any part thereof.

(D) Assignment of Rents. TOGETHER WITH all rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof to be applied against the indebtedness and other sums secured hereby, provided, however, that permission is hereby given to Mortgagor, so long as no default has occurred hereunder, to collect, receive, take, use and enjoy such rents, royalties, issues, profits, revenue, income and other benefits as they become due and payable but not in advance thereof. The foregoing assignment shall be fully operative without any further action on the part of either party and specifically Mortgagee shall be entitled, at its option upon the occurrence of a default hereunder after any applicable grace period, to all rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof whether or not Mortgagee takes possession of the property described in paragraphs (A), (B) and (C) hereof. Upon any such default hereunder, the permission hereby given to Mortgagor to collect such rents, royalties, issues, profits, revenue, income and other benefits from the property described in paragraphs (A), (B) and (C) hereof shall terminate and such permission shall not be reinstated upon a cure of the default without Mortgagee's specific consent. Neither the exercise of any

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rights under this paragraph by Mortgagee nor the application of any such rents, royalties, issues, profits, revenue, income or other benefits to the indebtedness and other sums secured hereby, shall cure or waive any default or notice or default hereunder or invalidate any act done pursuant hereto or any such notice, but shall be cumulative of all other rights and remedies.

(E) Assignment of Leases TOGETHER WITH all right, title and interest of Mortgagor in and to any and all leases now or hereafter on or affecting the property described in paragraphs (A), (B) and (C) hereof, together with all security therefor and all monies payable thereunder, subject, however, to the conditional permission hereinabove given to Mortgagor to collect the rentals under any such lease. The foregoing assignment of any lease shall not be deemed to impose upon Mortgagee any of the obligations or duties of Mortgagor provided in any such lease, and Mortgagor agrees to fully perform all obligations of the lessor under all such leases. Upon Mortgagee's request, Mortgagor agrees to send to Mortgagee a list of all leases covered by the foregoing assignment and as any such lease shall expire or terminate or as any new lease shall be made, Mortgagor shall so notify Mortgagee in order that all times Mortgagee shall have a current list of all leases affecting the property described in paragraphs (A), (B) and (C) hereof. Mortgagee shall have the right, at any time and from time to time, to notify any lessee of the rights to Mortgagee as provided by this paragraph. From time to time, upon request of Mortgagee, Mortgagor shall specifically assign to Mortgagee as additional security hereunder, by an instrument in writing in such form as may be approved by Mortgagee, all right, title and interest of Mortgagor in and to any and all leases now or hereafter on or affecting the Mortgaged Property, together with all security therefor and all monies payable thereunder, subject to the conditional permission hereinabove given to Mortgagor to collect the rentals under any such lease. Mortgagor shall also execute and deliver to Mortgagee any notification, financing statement or other document reasonably required by Mortgagee to perfect the foregoing assignment as to any such lease.

This instrument constitutes an absolute and present assignment of the rents, royalties, issues, profits, revenue, income and other benefits from the Mortgaged Property, subject however, to the conditional permission given to Mortgagor to collect, receive, take, use and enjoy the same as provided hereinabove; provided, further, that the existence or exercise of such right of Mortgagor shall not operate to subordinate this assignment to any subsequent assignment, in whole or in part, by Mortgagor, and any such subsequent assignment by Mortgagor shall be subject to the rights of Mortgagee hereunder.

(F) Fixtures and Personal Property. TOGETHER WITH a security

interest in (i) all property and fixtures affixed to or located on the property described in paragraphs (A), (B) and (C) hereof which,

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to the fullest extent permitted by law shall be deemed fixtures and a part of the real property, (ii) all articles of personal property and all materials delivered to the property described in paragraphs (A), (B) and (C) hereof for use in any construction being conducted thereon, and owned by Mortgagor, (iii) and all contract rights, general intangibles, actions and rights of action relating to paragraphs (A), (B) and (C) including all rights to insurance proceeds; (iv) all proceeds, products, replacements, additions, substitutions, renewals and accessions of any of the foregoing. Mortgagor (Debtor) hereby grants to Mortgagee (Creditor) a security interest in all fixtures, rights in action and personal property described herein. This Mortgage is a self-operative security agreement with respect to such property, but Mortgagor agrees to execute and deliver on demand such other security agreements, financing statements and other instruments as Mortgagee may request in order to perfect its security interest or to impose the lien hereof more specifically upon any of such property. Mortgagee shall have all the rights and remedies in addition to those specified herein of a secured party under the Uniform Commercial Code.

Everything referred to in paragraphs (A), (B), (C), (D), (E) and (F) hereof and any additional property hereafter acquired by Mortgagor and subject to the lien of this mortgage or intended to be so is herein referred to as the "Mortgaged Property." The words Personal Property as used in this Mortgage and Security Agreement do not include and specifically exempt equipment, furniture and appliances.

TO HAVE AND TO HOLD, the Mortgaged Property and all parts thereof unto Mortgagee, its successors and assigns, to its own proper use and benefit forever, subject, however, to the terms and conditions herein:

PROVIDED, HOWEVER, that if Mortgagor shall promptly pay or cause to be paid to Mortgagee the principal and interest payable under the Note, at the times and in the manner stipulated therein, herein, and in all other instruments securing the Note, all without any deduction or credit for taxes or other similar charges paid by Mortgagor, and shall keep, perform and observe all the covenants and promises in the Note, and any renewal, extension or modification thereof, and in this Mortgage and in all other instruments securing the Note, to be kept, performed or observed by Mortgagor, then this Mortgage, and all the properties, interest and rights hereby granted, conveyed and assigned shall cease and be void.

ARTICLE ONE

COVENANTS OF MORTGAGOR

Mortgagor covenants and agrees with Mortgagee as follows:

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1.01 Performance of Note, Mortgage, etc. Mortgagor shall perform, observe and comply with all provisions hereof, of the Note and of every other instrument securing the Note, and will promptly pay to Mortgagee the principal with interest thereon and all other sums required to be paid by Mortgagor under the Note and pursuant to the provisions of this Mortgage and of every other instrument securing the Note when payment shall become due, all without deduction or credit for taxes or other similar charges paid by Mortgagor.

1.02 Warranty of Title. Mortgagor covenants and warrants that it is seized of an indefeasible estate in fee simple in the Land and real property hereby mortgaged, has good and absolute title to all existing personal property

hereby mortgaged or made subject to the security interest hereby created and has good, right full power and lawful authority to convey, mortgage and encumber the same as provided herein; that Mortgagor may at all times peaceably and quietly enter upon, hold, occupy and enjoy the Land and real property hereby mortgaged and every part thereof; that the Land, real property and all existing personal property hereby mortgaged or made subject to the security interest hereby created is free and clear of all liens, security interests, charges and encumbrances whatsoever, except for the lien for property taxes not yet due and payable and those permitted encumbrances, if any, described in Exhibit "C", Mortgagor shall and will make such further assurances to perfect Mortgagee's fee simple title to the land and the real property hereby mortgaged, and the title to the personal property hereby mortgaged or made subject to the security interest hereby created as may reasonably be required. Mortgagor fully warrants the title to the Land, real property and all existing personal property hereby mortgaged or made subject to the security interest hereby created and every part thereof, and will forever defend the same against the claims of all persons whomsoever.

1.03 Zoning. Mortgagor covenants and warrants that all applicable zoning laws, ordinances and regulations affecting the Land permit the use and occupancy of the Improvements.

1.04 Taxes and Liens.

(a) Mortgagor shall pay promptly, when and as due, and shall promptly exhibit to Mortgagee receipts for the payment of all taxes, assessments, rates, dues, charges, fees, levied, fines, impositions, liabilities, obligations and encumbrances of every kind whatsoever now or hereafter imposed, levied or assessed upon or against the Mortgaged Property or any part thereof, or upon or against this Mortgage or the indebtedness of other sums secured hereby, or upon or against the interest of Mortgagee in the Mortgaged Property, as well as all assessments and other governmental charges levied and imposed by the United States of America or any state, county, municipality, borough or other taxing authority upon or against Mortgagee or in respect to the Mortgaged

Property or any part thereof, and any charge which, if unpaid, would become a lien or charge upon the Mortgaged Property prior to or equal to the lien of this Mortgage before they become delinquent and before any interest attaches or any penalty is incurred.

(b) Mortgagor shall not permit or suffer any mechanics', laborers', materialmen's, statutory or other lien which might or could be prior or equal to the lien of this Mortgage to be created or to remain a lien upon any of the Mortgaged Property.

(c) If any state, federal, municipal or other governmental law, order, rule or regulation, passes subsequent to the date hereof, in any manner changes or modifies existing laws governing the taxation of mortgages or debts secured by mortgages, or the manner of collecting taxes so as to adversely affect Mortgagee, the entire balance of the sums secured by this Mortgage and all interest accrued thereof shall without notice become due and payable forthwith at the option of Mortgagee.

(d) Mortgagee may, at its option, require Mortgagor to deposit with Mortgagee on the first day of each month, in addition to making any required payments of principal and interest, until the Note is fully paid, an amount equal to one-twelfth (1/12) of the yearly taxes and assessments as estimated by Mortgagee to be sufficient to enable Mortgagee to pay at least 30 days before they become due all taxes, assessments and other similar charges against the Mortgaged Property or any part thereof. Such deposits shall not be, nor be deemed to be, trust funds, but may be co-mingled with the general funds of Mortgagee, and no interest shall be payable in respect thereof. Upon demand by Mortgagee, Mortgagor shall deliver to mortgagee such additional monies as are required to make up any deficiencies in assessments and similar charges. In the event of a default under any of the terms, covenants and conditions in the Note, this Mortgage or any other instrument securing the Note

to be kept, performed, or observed by Mortgagor, Mortgagee may apply to the reduction of the sums secured hereby, in such manner as Mortgagee shall determine, any amount under this Paragraph 1.04(d) of Article One remaining to Mortgagor's credit.

(e) Mortgagor shall not claim, demand or be entitled to receive any credit or credits on the principal or interest payable under the terms of the Note or on any other sums secured hereby, for so much of the taxes, assessments, or similar impositions assessed against the Mortgaged Property or any part thereof by reason of the Note, this Mortgage or any other instrument securing the Note.

1.05 Insurance.

(a) Mortgagor shall at its sole expense obtain for, deliver to and maintain for the benefit of Mortgagee, during the life of this Mortgage, insurance policies in such amounts as Mortgagee may

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require, insuring the Mortgaged Property against fire, extended coverage and such other insurable hazards, casualties and contingencies as Mortgagee may require, and shall pay promptly, when due, any premiums on such insurance policies and on any renewals thereof. The form of such policies and the companies issuing them shall be acceptable to Mortgagee. All such policies and renewals thereof shall be held by Mortgagee and shall contain a non-contributory mortgagee endorsement making losses payable to Mortgagee. The coverage under such policies shall be limited to the improvements now or hereafter located on the Mortgaged Property. At least 15 days prior to the expiration date of all such policies, renewals thereof satisfactory to the Mortgagee shall be delivered to the Mortgagee. Mortgagor shall deliver to Mortgagee receipts evidencing the payment of all premiums on such insurance policies and renewals. Delivery of the insurance policies and renewals thereof shall constitute an assignment to Mortgagee, as further security, of all unearned premiums. In the event of loss, Mortgagor will give immediate written notice to Mortgagee and Mortgagee may make proof of loss if not made promptly by Mortgagor. In the event of the foreclosure of this Mortgage or any other transfer of title to the Mortgaged Property in extinguishment of the indebtedness and other sums secured hereby, all right, title and interest of Mortgagor in and to all insurance policies and renewals thereof then in force shall pass to the purchaser or grantee.

(b) Mortgagor hereby assigns to Mortgagee all proceeds from any insurance policies, and Mortgagee is hereby authorized and empowered at its option, to adjust or compromise any loss under any insurance policies on the Mortgaged Property, and to collect and receive the proceeds from any such policy or policies. Each insurance company is hereby authorized and directed to make payment for all such losses directly to Mortgagee alone, and not to Mortgagor and Mortgagee jointly. After deducting from such insurance proceeds any expenses incurred by Mortgagee in the collection or handling of such funds, Mortgagee may apply the net proceeds, at its option, and subject to the provisions herein set forth, either toward restoring the improvements or as a credit on any portion of the indebtedness and other sums secured hereby, whether then matured or to mature in the future, or at the option of Mortgagee such sums either wholly or in part may be paid over to Mortgagor to be used to repair such improvements or to build new improvements in their place or for any other purpose or object satisfactory to Mortgagee, without affecting the lien of this Mortgage for the full amount secured hereby before such payment took place. Mortgagee shall not be responsible for any failure to collect any insurance proceeds due under the terms of any policy regardless of the cause of such failure. Provided, however, that notwithstanding anything set forth herein to the contrary, the insurance proceeds shall be applied to the reconstruction of the improvements if the proceeds are sufficient to cover all costs of reconstruction.

(c) Mortgagor shall, at its sole expense, obtain for, deliver to and maintain for the benefit of Mortgagee, during the life of this Mortgage, liability insurance policies relating to the Mortgaged Property, in such amounts, with such companies and in such form as may be required by Mortgagee. Mortgagee may require such policies to contain an endorsement, in form satisfactory to Mortgagee, naming Mortgagee as an additional insured thereunder. Mortgagor shall pay promptly, when due, any premiums on such insurance policies and renewals thereof.

(d) Mortgagee may, at its option, require Mortgagor to deposit with Mortgagee on the first day of each month, in addition to making payments of regular installments of principal and interest, until the Note is fully paid, an amount equal to one-twelfth (1/12) of the yearly premiums for all insurance. Such deposits shall not be, nor be deemed to be, trust funds, but may be co-mingled with the general funds of Mortgagee, and no interest shall be payable in respect thereof. Upon demand by Mortgagee, Mortgagor shall deliver to Mortgagee such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable Mortgagee to pay such premiums when due. In the event of a default under any of the terms, covenants and conditions in the Note, this Mortgage or any other instrument securing the Note to be kept, performed or observed by Mortgagor, Mortgagee may apply to the reduction of the sums secured hereby, in such manner as Mortgagee shall determine, any amount under this paragraph remaining to Mortgagor's credit and any return premium received from cancellation of any insurance policy by Mortgagee upon foreclosure of this Mortgage.

1.06 Condemnation. Mortgagor shall notify Mortgagee immediately of any condemnation proceedings against the Mortgaged Property or any portion thereof. Mortgagee shall have the right to participate in any such proceedings as provided by law, and Mortgagor, from time to time, will deliver to Mortgagee all instruments requested by it to permit such participation. Mortgagee shall be entitled to receive the award or proceeds of any eminent domain proceedings. The Mortgagor shall continue, notwithstanding any taking by eminent domain, alteration of the grade of any street, or other injury to or decrease in value of the Mortgaged Property by any public or quasi-public authority or corporation, to make payments as provided in the Note and any reduction in the principal sum resulting from the application by Mortgagee of such award or payment, as hereinafter set forth, shall be deemed to take effect only on the date of such receipt by Mortgagee. Said award or payment may be applied, in such proportions and priority as Mortgagee in Mortgagee's sole discretion may elect, to the payment of principal, whether or not then due and payable, or any other sums secured by this Mortgage and/or to payment to Mortgagor to be used for the purpose of altering, restoring or rebuilding any portion of the Mortgaged Property which may have been altered, damaged or destroyed as a

result of any such taking, alteration of grade, or other injury to the Mortgaged property or for such purpose as is specifically and reasonably authorized and on such terms as may be agreed to by Mortgagee. Provided, however, that notwithstanding anything contained herein to the contrary, the award shall be applied to reconstruction or repair of the Mortgaged Property if the award is sufficient to pay all costs of reconstruction and repair. If prior to the receipt by Mortgagee of such award or payment, the Mortgaged Property shall have been sold on foreclosure of this Mortgage, Mortgagee shall have the right to receive said award or payment to the extent of (i) the Mortgage debt remaining unsatisfied after such sale of the Mortgaged Property, with interest thereon at the default rate specified in the Note, whether or not a deficiency judgment on this Mortgage shall have been sought or recovered or denied, and (ii) reasonable attorneys' fees, out-of-pocket costs, and disbursements incurred by Mortgagee in connection with the collection of such award or payment of mortgage debt.

1.07 Care of Property.

(a) Mortgagor shall preserve and maintain the Mortgaged Property

in good condition and repair. Mortgagor shall not materially remove, demolish, alter or change the use of any building, structure or other improvement presently or hereafter on the Land owned by Mortgagor without the prior written consent of Mortgagee. Mortgagor shall not permit, commit or suffer any waste, impairment or deterioration of the Mortgaged Property or to any part thereof.

(b) Except as otherwise provided in this Mortgage, no fixture, personal property or other part of the Mortgaged Property owned by Mortgagor shall be removed, demolished or altered, without the prior written consent of Mortgagee. Mortgagor may sell or otherwise dispose of, free from lien of this Mortgage, furniture, furnishings, equipment, tools, appliances, machinery, fixtures or appurtenances, subject to the lien hereof, with may become worn out, undesirable or obsolete only if they are replaced immediately with similar items of at least equal value which shall, without further action, become subject to the lien of this Mortgage.

(c) Mortgagee may enter upon and inspect the Mortgaged Property at any reasonable time during the life of this Mortgage.

(d) Mortgagor will promptly comply with all present and future laws, ordinances rules and regulations of any governmental authority affecting the Mortgaged Property or any part thereof.

(e) If all or any part of the Mortgaged Property shall be lost, damaged or destroyed by fire or other cause, Mortgagor will give immediate written notice thereof to Mortgagee and shall promptly restore the Mortgaged Property to the equivalent of its original condition regardless of whether or not there shall be any

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insurance proceeds therefor. If a part of the Mortgaged Property shall be lost, physically damaged or destroyed through condemnation, Mortgagor will promptly resort, repair or alter the remaining property in a manner satisfactory to Mortgagee.

(f) If any work required to be performed under this paragraph involves an estimated expenditure of more than one percent (1%) of the amount of the Note, no such work shall be undertaken until plans and specifications therefor, prepared by an architect or engineer satisfactory to Mortgage, have been submitted to and approved by Mortgagee.

1.08 Acceleration Upon Transfer of Mortgaged Property. If all or any part of the Mortgaged Property or an interest therein is sold or transferred by Mortgagor without Mortgagee's prior written consent, Mortgagee may, at Mortgagee's option, declare all the sums secured by this Mortgage to be immediately due and payable.

Mortgagor shall not, without the prior written consent of the Mortgagee, mortgage, pledge, hypothecate or otherwise voluntarily encumber all or any portion of the Mortgaged Property and any violation of this prohibition shall give to Mortgagee the immediate right to accelerate the maturity of the Note without notice or demand.

If Mortgagee exercises such option to accelerate, Mortgagee shall mail Mortgagor notice of acceleration in accordance with Section 3.02 of Article Three hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Mortgagor may pay the sums declared due. If Mortgagor fails to pay such sums prior to the expiration of such period, Mortgagee may, without further notice or demand on Mortgagor, invoke any remedies permitted by this Mortgage.

1.09 Further Assurances. At any time and from time to time, upon Mortgagee's request, Mortgagor shall make, execute and deliver or cause to be made, executed and delivered to Mortgagee and, where appropriate, shall cause to be recorded or filed and from time to time thereafter to be re-recorded or refiled at such time and in such offices and places as shall be deemed desirable by Mortgagee, any and all such further mortgages, instruments of further assurances, certificates and other documents as Mortgagee may consider

necessary or desirable in order to effectuate, complete, enlarge or perfect, or to continue and preserve the obligations of Mortgagor under the Note and this Mortgage, and the lien of this Mortgage as a first and prior lien upon all of the Mortgaged Property, whether now owned or hereafter acquired by Mortgagor. Upon any failure by Mortgagor to do so, Mortgagee may make, execute, record, file re-record or refile any and all such mortgages, instruments, certificates and documents for and in the name of Mortgagor, and Mortgagor hereby irrevocably appoints Mortgagee the agent and attorney-in-fact of Mortgagor to do so.

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1.10 After Acquired Property. The lien of this Mortgage will automatically attach, without further act, to all after acquired property located in or on, or attached to, or used or intended to be used in connection with or with the operation of, the Mortgaged Property or any part thereof if owned by Mortgagor.

1.11 Leases Affecting Mortgaged Property. Mortgagor shall comply with and observe its obligations as landlord under all leases affecting the Mortgaged Property or any part thereof. Mortgagor, if required by Mortgagee, shall furnish promptly to Mortgagee executed copies of all such leases now existing or hereafter created, all of which shall be in form and substance subject to the approval of Mortgagee. Mortgagor shall not, without the express written consent of Mortgagee, modify, surrender, terminate or extend any such lease now existing or hereafter created, or permit or suffer an assignment or sublease. Mortgagor shall not accept payment of rent more than two months in advance without prior written consent of Mortgagee.

1.12 Mortgagor Liable for Expenses and Collection Costs. Mortgagor shall pay for or reimburse Mortgagee for all costs, charges and expenses, including reasonable attorney's fees (whether such fees are incurred prior to the institution of legal proceedings or thereafter and whether at trial or appellate level, in pre and postjudgment proceedings, in bankruptcy or otherwise) and disbursements and costs incurred or paid by Mortgagee in any threatened, pending or completed action, proceeding or dispute in which Mortgagee is or might be made a party or appears as a party plaintiff or party defendant and which affects or might affect the Note, or the Mortgaged Property or any part thereof, or the interests of Mortgagor or Mortgagee therein, including but not limited to the foreclosure of this Mortgage, condemnation involving all or part of the Mortgaged Property or any action to protect the security hereof. All costs, charges and expenses so incurred or paid by Mortgagee shall become due and payable immediately, whether or not there be notice, demand, attempt to collect suit pending. The amounts so incurred or paid by Mortgagee, together with interest thereon at the Default Rate as hereinafter defined from the date incurred until paid by Mortgagor, shall be added to the indebtedness and secured by the loan of this Mortgage.

1.13 Mortgagee's Performance of Defaults. If Mortgagor defaults in the payment of any tax, assessment, encumbrance or other imposition in its obligation to furnish insurance hereunder or in the performance or observance of any other covenant, condition or term in this Mortgage or in any other instrument securing the Note, Mortgagee may at its option perform or observe the same, and all payments made (whether such payments are regular or accelerated payments) and costs and expenses incurred or paid by Mortgagee, together with interest thereon at the Default Rate as hereinafter defined from the date incurred until paid by Mortgagor, shall be added to the indebtedness and secured by the lien of this

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Mortgage. Nothing contained herein shall be construed as requiring Mortgagee to advance or expend monies for any purposes mentioned in this paragraph, or for any other purpose. Mortgagee is hereby empowered to enter and to authorize

others to enter upon the Mortgaged property or any part thereof for the purpose of performance or observing any such defaulted covenant, condition or terms, without thereby becoming liable to Mortgagor to any person in possession holding under Mortgagor.

1.14 Books and Records. mortgagor shall keep and maintain at all times complete, true and accurate books of accounts and records reflecting the results of the operation of the Mortgaged Property. If requested by Mortgagee, Mortgagor shall furnish to Mortgagee within 90 days after the end of each fiscal year of Mortgagor a balance sheet and a statement of income and expenses, both in reasonable detail, prepared in accordance with generally accepted accounting principles, and if any of the Mortgaged Property is rented or leased, a rent schedule of the Mortgaged Property, certified by an accounting officer of Mortgagor, showing the name of each tenant and the space occupied, the lease expiration date and the rent paid.

1.15 Estoppel Affidavits. Mortgagor, within ten days after written request from Mortgagee, shall furnish a written statement, duly acknowledged setting forth the unpaid sums secured hereby, and whether or not any offsets or defenses exist against such principal and interest or other sums.

ARTICLE TWO

DEFAULTS

2.01 Event of Default. The term Event of Default or Default, wherever used in this Mortgage, shall mean any one or more of the following events:

(a) Failure by Mortgagor to pay within 15 days after payment is due, any installments of principal or interest due under the Note, or any deposits for taxes and assessments or insurance premiums due hereunder, or any other sums to be paid by Mortgagor hereunder or under any other instrument securing the Note.

(b) If Mortgagor breaches any of the covenants, agreement and conditions contained herein or in the Note or any other instrument or document evidencing or securing the debt evidenced by the Note and such default shall continue for a period in excess of 30 days after notice by Mortgagee to Mortgagor of the default; provided, however if such default cannot, with due diligence, be cured within said 30 day period, then the 30 day period shall be extended for such period as may be necessary to complete the curing of the same with all due diligence and continuity.

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(c) If either (A) Mortgagor or any guarantor or endorser of the Note: (i) files a voluntary petition in bankruptcy, or (ii) is adjudicated as a bankrupt or insolvent, or (iii) files any petition or answer seeking or acquiescing in any reorganization, management, corporation, readjustment, liquidation, dissolution or similar relief for itself under any law relating to bankruptcy, insolvency, or similar relief for debtors, or (iv) seeks or consents to or acquiesces in the appointment of any trustee, receiver, or liquidator of itself or of all or any substantial part of the Mortgaged property or of any or all of the rents, revenues, issues, earnings, profits or income thereof, or (v) makes any general assignment, for the benefit of creditors, or (iv) makes any admission in writing of its inability to pay its debts generally as they become due; or (B) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Mortgagor or any guarantor or endorser of the Note, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, which order, judgment or decree remains unvacated and unstayed for an aggregate of 60 days (whether or not consecutive) from the date of entry thereof; or (C) any trustee, receiver or liquidator of Mortgagor or of all or any substantial part of the Mortgaged Property or of any or all of the rents, revenues, issues, earnings, profits or income thereof, is appointed without the prior written consent of Mortgagee, which appointment shall remain unvacated and unstayed for

an aggregate of 60 days (whether or not consecutive).

(d) The entry by any court of last resort of a decision that an undertaking by Mortgagor as herein provided to pay taxes, assessments, levies, liabilities, obligations and encumbrances is legally inoperative or cannot be enforced, or in the event of the passage of any law changing in any way or respect the laws now in force for the taxation of mortgages or debts secured thereby for any purpose, or the manner of collection of any such taxes, so as to affect adversely this Mortgage or the indebtedness or other sums secured hereby.

(e) Default by Sun Hydraulics Corporation under any agreement or obligation of Sun Hydraulics Corporation, (specifically that certain Promissory Note dated January 11, 1991, in the original principal amount of \$1,700,000.00 in favor of Mortgagee herein), if such default is not cured within any grace period permitted therein and if such default permits the holder to cause such obligation to become due prior to its stated maturity.

(f) Material breach of any warranty or material untruth of any representation of Mortgagor contained in the Note, this Mortgage or any other instrument securing this Note.

2.02 Acceleration of Maturity. If an Event of Default shall

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have occurred, Mortgagee may declare the outstanding principal amount of the Note and the interest accrued thereon, and all other sums secured hereby, to be due and payable immediately, and upon such declaration such principal and interest and other sum shall immediately become and be due and payable without demand or notice.

2.03 Mortgagee's Power of Enforcement. If an Event of Default shall be occurred, Mortgagee may, either with or without entry or taking possession as hereinabove provided or otherwise, proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy: (a) to enforce payment of the Note or the performance of any term hereof or any other right; (b) to foreclose this Mortgage and sell, as an entity or in separate lots or parcels, the Mortgaged Property, under the judgment or decree of a court or courts of competent jurisdiction; and (c) to pursue any other remedy available to it. Mortgagee shall take action either by such proceedings or by the exercise of its powers with respect to entry or taking possession, or both, as the Mortgagee may determine.

2.04 Mortgagee's Right to Enter and Take Possession, Operate and Apply Income.

(a) If an Event of Default shall have occurred, Mortgagor, upon demand of Mortgagee, shall forthwith surrender to Mortgagee the actual possession, and if to the extent permitted by law, Mortgagee, itself, or by such officers or agents as it may appoint, may enter and take possession of all the Mortgaged Property, and may exclude Mortgagor and its agents and employees wholly therefrom, and may have joint access with Mortgagor to the books, papers and accounts of Mortgagor.

(b) If Mortgagor shall for any reason fail to surrender or deliver the Mortgaged Property or any part thereof after Mortgagee's demand, Mortgagee may obtain a judgment or decree conferring on Mortgagee the right to immediate possession or requiring Mortgagor to deliver immediate possession of all or part of the Mortgaged Property to Mortgagee, to the entry of which judgment or decree Mortgagor hereby specifically consents.

(c) Mortgagor shall pay to Mortgagee, upon demand, all costs and expenses of obtaining such judgment or decree and reasonable compensation to Mortgagee, its attorneys and agents and all such costs, expenses and compensation shall, until paid, be secured by the lien of this Mortgage.

(d) Upon every such entering upon or taking of possession, Mortgagee may hold, store, use, operate, manage and control the Mortgaged

Property and conduct the business thereof, and, from time to time:

- (i) make all necessary and proper maintenance, repairs,

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renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property;

- (ii) insure or keep the Mortgaged Property insured;

(iii) manage and operate the Mortgaged Property and exercise all the rights and powers of Mortgagor in its name or otherwise, with respect to the same;

(iv) enter into agreements with others to exercise the powers herein granted to Mortgagee;

all as Mortgagee from time to time may determine; and Mortgagee may collect and receive all the income, revenues, rents, issues and profits of the same, including those past due as well as those accruing thereafter; and shall apply the monies so received by Mortgagee in such priority as Mortgagee may determine to (1) the payment of accrued interest on the Note, (2) the deposits for taxes and assessments and insurance premiums due, (3) to the payment of overdue installments of principal, and (4) to the cost of insurance, taxes, assessments and other proper charges upon the Mortgaged Property or any part thereof; and (5) the reasonable compensation, expenses and disbursements of the agents, attorneys and other representatives of Mortgagee.

Mortgagee shall surrender possession of the Mortgaged Property to Mortgagor only when all that is due upon such interest, tax and insurance deposits and principal installments, and under any of the terms of the Mortgage, shall have been paid and all defaults made good. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing.

2.05 Leases. Mortgagee, at its option, is authorized to foreclose this Mortgage subject to the rights of any tenants of the Mortgaged Property, and the failure to make any such tenants parties defendant to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted by Mortgagor to be, a defense to any proceedings instituted by Mortgagee to collect the sums secured hereby or to collect any deficiency remaining unpaid after the foreclosure sale of the Mortgaged Property.

2.06 Principal and Interest and Other Sums Become Due. Upon commencement of a suit of foreclosure of this Mortgage, the unpaid principal of the Note, if not previously declared due, and the interest accrued thereon, and all other sums secured hereby, shall at once become and be immediately due and payable.

2.07 Purchase by Mortgagee. Upon any foreclosure sale, Mortgagee may bid for and purchase the Mortgaged Property and, upon

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compliance with the terms of sale, may hold, retain and possess and dispose of such property in its own absolute right without further accountability.

2.08 Application of Indebtedness Toward Purchase Price. Upon any such foreclosure sale, Mortgagee may, if permitted by law, after allowing for the proportion of the total purchase price required to be paid in cash and for all costs and expenses of the sale, apply in lieu of cash, any portion of or all sums of the purchase price due to Mortgagee under the Note, this Mortgage

or any other instrument securing the Note, to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon.

2.09 Waiver of Appraisalment, Valuation, Stay, Extension and Redemption Laws. Mortgagor agrees to the full extent permitted by the law that in case of a default on its part hereunder, neither Mortgagor nor anyone claiming through or under it shall or will set up, claim or seek to take of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property or the final and absolute putting into possession thereof, immediately after such sale of the purchasers thereat, and Mortgagor, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising the Mortgaged Property marshalled upon any foreclosure of the lien hereof and agrees that Mortgagee or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property in part or as an entirety.

2.10 Receiver. If any Event of Default shall have occurred, Mortgagee, to the extent permitted by law and without regard to the value or occupancy of the security, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of the Mortgaged Property and to collect all rents, revenues, issues, income, products and profits thereof and apply the same as the court may direct. The receiver shall have all rights and powers permitted under the laws of the state where the Land is located and such other powers as the court making such appointment shall confer. The expenses, including receiver's fees, reasonable attorney's fees, costs and agent's compensation, incurred pursuant to the powers herein contained shall be secured by this Mortgage. The right to enter and take possession of and to manage and operate the Mortgaged Property, and to collect the rents, issues and profits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. Mortgagee shall be liable to account only for such rents, issues and profits actually received by Mortgagee, whether received pursuant to this Section or Section

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2.03. Notwithstanding the appointment of any receiver or other custodian, Mortgagee shall be entitled to the possession and control of any cash, deposits or instruments at the time held by, payable or deliverable under the terms of this Mortgage to Mortgagee.

2.11 Suits to Protect the Mortgaged Property. Mortgagee shall have the power and authority to institute and maintain any suits and proceedings as Mortgagee may deem advisable (a) to prevent any impairment of the Mortgaged Property by any acts which may be unlawful or any violation of this Mortgage, (b) to preserve or protect its interest in the Mortgaged Property, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order might impair the security hereunder or be prejudicial to Mortgagee's interest.

2.12 Mortgagor to Pay the Note on Any Default in Payment; Application of Monies by Mortgagee.

(a) If default shall be made in the payment of any amount due under the Note, this Mortgage or any other instrument securing the Note, then, upon Mortgagee's demand, Mortgagor will pay to Mortgagee the whole amount due and payable under the Note and all other sums secured hereby; and if Mortgagor shall fail to pay the same forthwith upon such demand, Mortgagee shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid together with costs and expenses, including the reasonable compensation, expenses and disbursement of Mortgagee's agent, attorneys and other representatives; Mortgagee shall be entitled to sue and recover judgment as aforesaid either before, after or during the pendency of any proceedings for the enforcement of this Mortgage, and the right of Mortgagee to recover such judgment shall not be affected by any taking, possession or foreclosure sale

hereunder, or by the exercise of any other right, power or remedy for the enforcement of the terms of this Mortgage, or the foreclosure of the lien hereof.

(b) In the case of a foreclosure sale of all or any part of the Mortgaged Property and of the application of the proceeds of sale to the payment of the sums secured hereby, Mortgagee shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid and to recover judgment for any portion thereof remaining unpaid, with interest.

(c) Mortgagor hereby agrees, to the extent permitted by law, that no recovery of any such judgment by Mortgagee and no attachment or levy of any execution upon any of the Mortgaged Property or any part thereof or any lien, rights, powers or remedies of Mortgagee hereunder, but such lien, rights, powers and remedies shall continue unimpaired as before.

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(d) Any monies collected or received by Mortgagee under this Section 2.12 shall be applied as follows:

(i) First to the payment of reasonable compensation, expenses and disbursement of the agents, attorneys and other representatives of Mortgagee; and

(ii) Second to payment of amounts due and unpaid under the Note, this Mortgage and all other instruments securing the Note.

2.13 Delay or Omission No Waiver. No delay or omission of Mortgagee or of any holder of the Note to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such Event of Default or to constitute acquiescence therein. Every right, power and remedy given to Mortgagee may be exercised from time to time and as often as may be deemed expedient by Mortgagee.

2.14 No Waiver of One Default to Affect Another. No waiver of any Event of Default hereunder shall extend to or affect any subsequent or any other Event of Default then existing, or impair any rights, powers or remedies consequent thereon. If Mortgagee (a) grants forbearance or an extension of time for the payment of any sums secured hereby; (b) takes other or additional security for the payment thereof; (c) waives or does not exercise any right granted in the Note, this Mortgage or any other instrument securing the Note; (d) releases any part of the Mortgaged Property from the lien of this Mortgage or otherwise changes any of the terms of the Note, this Mortgage or any other instrument securing the Note; (e) consents to the filing of any map, plat or replat of Land; (f) consents to the granting of any easement on the Land; or (g) makes or consents to any agreement changing the terms of this Mortgage or subordinating the lien or any charge hereof, no such act or omission shall release, discharge, modify, change or affect the original liability under the Note, this Mortgage or otherwise of Mortgagor, or any subsequent purchaser of the Mortgaged Property or any part thereof or any make, co-signer, endorser, surety or guarantor. No such act or omission shall preclude Mortgagee from exercising any right, power or privilege herein granted or intended to be granted in case of any Event of Default then existing or of any subsequent Event of Default nor, except as otherwise expressly provided in an instrument or instruments executed by Mortgagee, shall the lien of this Mortgage be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Mortgaged Property, Mortgagee, without notice to any person, firm or corporation, is hereby authorized and empowered to deal with any such vendee or transferee with reference to any of the terms or conditions hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any of the liabilities or undertakings

hereunder.

2.15 Discontinuance of Proceedings; Position of Parties Restored.

If Mortgagee shall have proceeded to enforce any right or remedy under this Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Mortgagee, then and in every such case Mortgagor and Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Mortgagee shall continue as if no such proceeding had occurred or had been taken.

2.16 Remedies Cumulative. No right, power or remedy conferred upon or reserved to Mortgagee by the Note, this Mortgage or any other instrument securing the Note is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Note or any other instrument securing the note, or now or hereafter existing at law, in equity or by statute.

2.17 Default Rate of Interest. After maturity of the Note, whether by the terms thereof or by the Mortgagee accelerating the payment of the entire unpaid principal balance of the Note, accrued interest and all other sums due hereunder, interest shall accrue on the principal balance at the highest lawful rate of interest allowable under Florida law or the United States of America, whichever is higher or unlimited, or if no maximum rate is prescribed by law, at eighteen percent (18%) per annum (the "Default Rate").

ARTICLE THREE

MISCELLANEOUS PROVISIONS

3.01 Heirs, Successors and Assigns Included in Parties. Wherever one of the parties hereto is named or referred to herein, the heirs, successors and assigns of such party shall be included and all covenants and agreements contained in this Mortgage, by or on behalf of Mortgagor or Mortgagee, shall bind and inure to the benefit of their respective heirs, successors and assigns, whether so expressed or not.

3.02 Addresses for Notices, Etc.

(a) Any notice, report, demand or other instrument authorized or required to be given or furnished under this Mortgage or Mortgagor or Mortgagee shall be deemed given or furnished when addressed to the party intended to receive the same, at the address of such party on the first page hereof, and delivered at such address or deposited in the United States or Canadian mail as first class certified mail, or its equivalent, return receipt requested,

postage paid, whether or not the same is actually received by such party.

(b) Either party may change the address to which any such notice, report, demand or other instrument is to be delivered or mailed, by furnishing written notice of such change to the other party, but no such notice of change shall be effective unless and until received by such other party.

3.03 Headings. The headings of the articles, sections, paragraphs and subdivisions of this Mortgage are for convenience of reference only, are not to be considered a part hereof, and shall not limit or expand or otherwise affect any of the terms hereof.

3.04 Invalid Provisions to Affect No Others. In the event that any of the covenants, agreements, terms or provisions contained in the Note, this Mortgage or any other instruments securing the Note shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein and in the Note and any other

instrument securing the Note shall be in no way affected, prejudiced or disturbed thereby.

3.05 Changes, Etc. Neither this Mortgage nor any term hereof may be changed, waived, discharged or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement hereafter made by Mortgagor and Mortgagee relating to this Mortgage shall be superior to the rights of the holder of any intervening lien or encumbrance.

3.06 Governing Law. This Mortgage is made by Mortgagor and accepted by Mortgagee in the State of Florida, with reference to the laws of such State, and shall be construed, interpreted, enforced and governed by and in accordance with such laws (excluding the principals thereof governing conflicts of law).

3.07 Subrogation of Mortgagee to Rights of Lienors. To the extent of the indebtedness of Mortgagor to Mortgagee described herein or secured hereby, Mortgagee is hereby subrogated to the lien or liens and to the rights of the owners and holders of each and every mortgage, lien or other encumbrance on the Mortgaged Property which is paid and/or satisfied, in whole or in part, out of the proceeds of the loan described herein or secured hereby or other sums advanced by Mortgagee for the purpose of paying or satisfying any such mortgage, lien or other encumbrance. Notwithstanding the fact that the same may be satisfied and cancelled of record, the respective liens of said mortgages, liens or other encumbrances shall be and the same and each of the hereby is preserved and shall pass to and be held by Mortgagee herein as

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security for the indebtedness to Mortgagee herein described or hereby secured to the same extent that it would have been preserved and would have been passed to and been held by Mortgagee had it been duly and regularly assigned, transferred, set over, and delivered unto Mortgagee by separate deed of assignment.

3.08 Maximum Interest Rate. Nothing contained in this Mortgage shall be deemed to establish or require the payment of a rate of interest in excess of the rate (whether limited or unlimited) that may legally be charged under the laws (whether modified or not) of the State of Florida or of the United States, whichever is applicable and higher as they exist on the date hereof or as they may hereafter lawfully be increased by subsequent legislation including legislation which would eliminate any ceiling on interest rates ("Maximum Rate"). In the event that the rate of interest so contracted to be paid should exceed the Maximum Rate, whether as a result of its fluctuation, acceleration of the maturity hereof or otherwise, the rate of interest to be paid hereunder shall be automatically reduced to the Maximum Rate and so much of any interest reserved, charged or taken as would cause the same to exceed the Maximum Rate shall be deemed not to be a credit against interest but rather a payment on account of and be automatically credited against the outstanding principal of the obligations secured by this Mortgage, regardless of how the same may appear on Mortgagor's or Mortgagee's books or records or any memorandum of whatever nature evidencing the same.

3.09 Environmental Law Compliance and Indemnification. That: (a) the Premises (or any adjacent property by way of lateral subsurface migration or otherwise from the Premises) is not now polluted and is not presently being polluted or in any way detrimentally affected by pollutants (including elevated radon levels), toxic materials, petroleum oil and/or waste oil, any "hazardous substance" (as that term is defined in Section 101(14) of the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") 42 USC 9601 (1986) or any "hazardous waste" (as that term is defined in Chapter 403 (Part IV) of the Florida Statutes), and has not in the past been used and is not presently being used for the handling, storage, treatment, generation, transportation or disposal of pollutants, toxic materials, petroleum oil and/or waste oil, any hazardous substance or any hazardous waste, including, but not limited to, solid, liquid, gaseous or thermal irritant or contaminant, such as smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste (including

materials to be recycled, reconditioned or reclaimed); (b) neither asbestos nor asbestos-containing materials (which for the purpose hereof shall be deemed a toxic material) have been installed, used or disposed of, on, or incorporate into, the Premises; (c) no underground storage tanks are located on the Premises or were located on the Premises and subsequently removed or filled; (d) the Premises and Mortgagor's operations at the Premises are in compliance with all applicable federal, state, county and local

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statutes, laws and regulations concerning or related to environmental protection and regulation, including, but not limited to, CERCLA, the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Public Law No. 99-499, 100 Stat. 1613 and Chapter 403 of the Florida Statutes; (e) Mortgagor is not aware of any environmental condition, situation or incident on, at, or concerning the Premises or any adjacent property that may give rise to an action or to liability under any law, rule, ordinance or common law theory and that there are no pending actions thereunder against the Mortgagor and the Mortgagor has not received notice in any form of such action; and (f) the Premises is not contained on the "National Priority List" ("NPL") maintained by the United States Environmental Protection Agency ("EPA") nor is the Premises contained on the EPA's "Comprehensive Environmental Response Compensation and Liability Information System" ("CERCLIS") nor is the Premises, in whole or in any part, adjacent to any site contained on the NPL or CERCLIS. Mortgagor hereby indemnifies Mortgagee against and agrees to protect, save and keep harmless Mortgagee (even after the payment in full of the Promissory Note and the satisfaction of this Mortgage) from any and all liabilities, obligations, charges, losses, damages, penalties, claims, actions, suits, judgments, injuries, costs, disbursements and expenses of any kind whatsoever, including, without limitation, all costs of removal or remedial actions and any other liabilities which may arise under CERCLA, SARA or any other federal, state, county or local law, regulation or ordinance, title insurance costs and premiums, engineers' and professional fees, soil tests and chemical analysis, court costs, legal fees and expenses through all trial, appellate and administrative levels of whatsoever kind and nature imposed on, incurred by or asserted against Mortgagee, in any way relating to, arising out of or in connection with any such past, present or future use, handling, storage, transportation or disposal of pollutants, toxic materials, petroleum oil and/or waste oil, any hazardous substance or any hazardous waste. Mortgagor further warrants and represents that it will promptly notify Mortgagee in writing of any change in the nature or extent of any pollutants, toxic materials, petroleum oil and/or waste oil, any hazardous substances or any hazardous waste maintained on, in or under the Premises or used in connection therewith, and will transmit to Mortgagee within five (5) days of Mortgagor's receipt or knowledge thereof, copies of any citations, orders, notices or other material governmental or other communication received with respect thereto or other environmentally regulated substances affecting the Premises. Mortgagee, at Mortgagee's sole option, now and in the future, may obtain, at Mortgagor's expense, a report and/or audit from an environmental consultant of Mortgagee's choice stating whether the Premises, or any part thereof, has been or is being polluted with pollutants, toxic materials, petroleum oil and/or waste oil, any hazardous substance or any hazardous waste or is being used for the use, handling, storage, treatment, generation, transportation or disposal of same. If any such report and/or audit indicates such past or present pollution, use,

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handling, storage, treatment, generation, transportation or disposal of pollutants, toxic materials, petroleum oil and/or waste oil, any hazardous substance or any hazardous waste, Mortgagee may require that all violations of law with respect thereto be corrected and/or that Mortgagor obtain all necessary environmental permits and approvals. A failure to correct any such violations of law and/or obtain such necessary environmental permits and approvals within a reasonable time, to be determined by Mortgagee, after demand from Mortgagee, shall be a default hereunder. Mortgagee shall also have the

option to require appropriate mortgagee title insurance (if available), in an amount determined by Mortgagee, to cover potential liens and actions resulting from pollutants, toxic materials, petroleum oil and/or waste oil, any hazardous substance or any hazardous waste used, handled, stored, treated, generated, transported, polluted or disposed of in connection with the Premises or any part thereof. This paragraph shall survive the satisfaction of this Mortgage, the foreclosure of this Mortgage or the delivery by Mortgagor to Mortgagee of a deed in lieu of foreclosure.

3.10 JURY TRIAL WAIVER: MORTGAGEE AND MORTGAGOR HEREBY KNOWINGLY VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE MORTGAGEE ENTERING INTO THIS AGREEMENT.

IN WITNESS WHEREOF, this Mortgage and Security Agreement has been executed the day and year first above written.

WITNESSES: SUNINCO, INC., a Florida corporation
By: /s/ Clyde G. Nixon

CLYDE G. NIXON, as President

/s/

STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me on the 9th day of January, 1992, by Clyde G. Nixon, as President of Suninco, Inc., a Florida Corporation, on behalf of the Corporation, who is (are) personally known to me or who has produced Fl. Dr. Lic. N250-107-35-170 as identification and who did (did not) take an oath.

/s/ Sandra K. Ward

(Print or Stamp Name) SANDRA K. WARD
Notary Public State of Florida
My Commission Exp. Dec. 27, 1992

EXHIBIT "B"

A PART OF SECTION 6, TOWNSHIP 36 S. RANGE 18 EAST, SITUATED IN SARASOTA COUNTY, FLORIDA, DESCRIBED AS FOLLOWS,

BEGINNING AT THE NW CORNER OF SAID SECTION 6: THENCE EAST ALONG THE NORTH LINE OF SAID SECTION 6 1438.52 FEET; THENCE SOUTH 50.00 TO AN IRON PIPE AS A POINT OF BEGINNING; THENCE SOUTH 0#21'30" EAST, PARALLEL WITH THE CENTER LINE OF THE SEABOARD AIRLINE RAILROAD RIGHT OF WAY AND 75 FEET EASTERLY THEREFROM AT RIGHT ANGLES, A DISTANCE OF 300.00 FT. THENCE EAST 1400.00 FT.; THENCE N 0#21'30" WEST 300.00 FT.; THENCE WEST, ALONG THE SOUTH RIGHT OF WAY LINE OF STATE ROAD 683, 1400.00 FT. TO THE P.O.B.

EXHIBIT 4.6

LOAN AGREEMENT

THIS AGREEMENT made on March 29, 1996, by and between SUNINCO, INC., a Florida corporation ("Borrower"), NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender"), and SUN HYDRAULICS CORPORATION, a Florida corporation ("Guarantor").

WITNESSETH:

WHEREAS, Borrower has requested Lender to modify an existing loan outstanding from Borrower to Lender in the current principal amount of \$1,692,194.38, and to make an additional advance to Borrower in the amount of \$782,805.62, for a total consolidated loan amount of \$2,475,000.00 ("Loan"), and Lender is willing to modify the Loan on the conditions herein and in other Loan Documents, and

WHEREAS, the Loan is evidenced by a consolidated promissory note of even date herewith ("Note") and secured by a real estate mortgage ("Mortgage") encumbering property located in Sarasota County, Florida, which is described on Exhibit "A" attached hereto ("Property"), and

WHEREAS, the Loan is guaranteed by Guarantor pursuant to a continuing guaranty agreement of even date herewith ("Guaranty"),

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

1. REPRESENTATIONS AND WARRANTIES. To induce Lender to modify the Loan, Borrower and Guarantor make the following representations and warranties:

A. The financial information furnished to Lender is complete and accurate and neither Borrower nor Guarantor have any undisclosed direct or contingent liability.

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. Guarantor 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.

D. The obtaining and performing of the Loan do 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 or Guarantor pursuant to any instrument, order, or other agreement to which Borrower or Guarantor is a party or by which Borrower, Guarantor, any of their officers as such, or any of their respective properties are bound.

E. There are no judgments, liens, encumbrances, or other security interests outstanding against Borrower, Guarantor, or any of their respective properties other than those disclosed to Lender in connection with Borrower's request for the Loan.

F. Neither Borrower nor Guarantor has incurred any debts, liabilities, or obligations and has not committed itself 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.

G. There are no actions, suits or proceedings pending or, threatened against or affecting Borrower, Guarantor, the Property, or involving the validity or enforceability of the Mortgage or the priority of the liens thereof, at law or in equity, or before or by any governmental authorities, and neither Borrower nor Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

2. AFFIRMATIVE COVENANTS OF BORROWER. 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 an annual profit and loss statement and balance sheet on Borrower reviewed by an independent certified public accountant who is satisfactory to Lender; and (ii) such other information reflecting the financial condition of Borrower as Lender may request from time to time.

C. Maintain with financially sound and reputable insurance companies insurance of the kinds, covering the risks, and in the amounts usually carried by companies engaged in businesses similar to that of Borrower. Borrower will also exhibit or deliver

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such policies of insurance to Lender upon request of Lender and provide appropriate loss payable or mortgagee clauses in the insurance policies in favor of Lender, as its interest may appear, when requested by Lender.

D. Maintain executive personnel and management reasonably satisfactory to Lender.

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

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

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

3. AFFIRMATIVE COVENANTS OF GUARANTOR. Guarantor 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 Guarantor or against Guarantor'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 an annual consolidated profit and loss statement and balance sheet on Guarantor audited by an independent certified public accountant who is satisfactory to Lender, and consolidated financial statements prepared by Guarantor; (ii) within 30 days after filing each year, an executed copy of Guarantor'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 Guarantor as Lender may request from time to time.

C. Maintain with financially sound and reputable insurance companies insurance of the kinds, covering the risks, and in the

amounts usually carried by companies engaged in businesses similar to that of Guarantor. Guarantor will also exhibit or deliver such policies of insurance to Lender upon request of Lender and provide appropriate loss payable or mortgagee clauses in the insurance policies in favor of Lender, as its interest may appear, when requested by Lender.

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D. Maintain executive personnel and management reasonably satisfactory to Lender.

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

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

G. Maintain Guarantor's property and equipment in a state of good repair.

H. Maintain Guarantor's net working capital ("Net Working Capital") in an amount not less than \$1,300,000.00 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 Guarantor's current assets over current liabilities, which shall be determined in accordance with generally accepted accounting principles as consistently applied in the preparation of Guarantor's previous financial statements, and Current Ratio shall mean the quotient of current assets divided by current liabilities.

I. Maintain Guarantor's tangible net worth ("Tangible Net Worth") in an amount not less than \$9,000,000.00 for fiscal year 1996, but increasing the minimum level of Guarantor's Tangible Net Worth to the following levels as of December 31, for each of the following fiscal years: (i) \$11,000,000 minimum Tangible Net Worth by December 31, 1996; (ii) \$10,875,000 minimum Tangible Net Worth by December 31, 1997 [Lender acknowledges that this is a decrease over the previous fiscal year minimum level]; (iii) \$12,775,000 minimum Tangible Net Worth by December 31, 1998; (iv) \$13,270,000 minimum Tangible Net Worth by December 31, 1999; and (v) \$16,875,000 for fiscal years 2000 through 2006, inclusive. For the purposes of this Agreement, Tangible Net Worth shall mean (i) the aggregate amount of assets shown on the balance sheet of Guarantor 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.

J. Maintain Guarantor's ratio of total liabilities to equity throughout the term of the Loan at a maximum of 2.5:1.

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K. Maintain Guarantor's fixed asset coverage throughout the term of the Loan at a minimum of 2.25:1.0. For purposes of this Agreement, the term "Fixed Asset Coverage" shall be computed as follows: Earnings before interest and taxes, plus depreciation, all divided by interest expense plus current maturities of long term debt and capitalized leases.

L. Maintain Guarantor's debt service coverage ("Debt

Service Coverage") ratio throughout the term of the Loan at a minimum of 1.45:1 on a calendar year basis for all operations of the Guarantor, computed as follows: net profits plus interest, plus depreciation, all divided by interest plus current maturities of long term debt and capitalized leases.

4. NEGATIVE COVENANTS OF BORROWER. Borrower will not, without prior written consent of Lender:

A. Assign, mortgage, pledge, encumber, grant any security interest in, or transfer any of Borrower's assets, whether now owned or hereafter acquired, except in the ordinary course of Borrower's business.

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.

F. Make any loans or advances to any stockholder of Borrower.

G. Execute any guarantees or assumptions of any debt, or endorse any obligation.

H. Enter into any asset sale/leaseback arrangement.

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

5. NEGATIVE COVENANTS OF GUARANTOR. Guarantor will not, without prior written consent of Lender:

A. Assign, mortgage, pledge, encumber, grant any security interest in, or transfer any of Guarantor's assets, whether now owned or hereafter acquired, except in the ordinary course of Guarantor's business.

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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.

F. Make any loans or advances to any stockholder of Guarantor; except that Guarantor may make annual distributions to its stockholders which do not exceed the total of all Federal income tax liability of the individual shareholders of Guarantor which is the direct result of the pass-through of gains or losses from Guarantor to the shareholders, plus \$500,000.00.

G. Cause or permit Guarantor's capital expenditures to exceed \$5,000,000.00 per year.

H. Execute any guarantees or assumptions of any debt, or endorse any obligation; except, however, that Guarantor may guarantee up to a maximum of \$8,000,000.00 of debt incurred by non-U.S. affiliates of Guarantor.

I. Enter into any asset sale/leaseback arrangement.

J. Cause or permit any change in management of Guarantor's operations.

6. 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. Any payment of principal or interest on the Loan is not made when due.

B. Any other default occurs under the Note, Mortgage, this Agreement or any other document executed by Borrower and Guarantor in connection with the Loan.

C. Any provision of the Note, Mortgage, this Agreement, or any other document executed or furnished in connection with the Loan, proves to be untrue or misleading in any material respect.

D. Any warranty, representation, or statement made or furnished the Lender by Borrower and/or Guarantor in connection with the Loan and this Agreement (including any warranty, representation, or statement in the Borrower's and Guarantor's financial statement(s)) or to induce the Lender to extend the Loan, is untrue or misleading in any material respect.

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E. Any default occurs under any agreement now or hereafter existing between Borrower and/or Guarantor and another financial institution which default is not corrected within the cure period provided in such agreement, if any.

F. Any voluntary or involuntary bankruptcy, reorganization, insolvency, arrangement, receivership, or similar proceeding is commenced by or against Borrower and/or Guarantor under any federal or state law, or Borrower or Guarantor makes any assignment for the benefit of creditors.

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

H. Borrower or Guarantor defaults in the payment of any principal or interest on any obligation to Lender or any other creditor.

I. Borrower or Guarantor suffers or permits any lien, encumbrance, or security interest to arise or attach to any of their respective properties, or any judgment is entered against Borrower or Guarantor that is not satisfied or appealed within 30 days.

7. 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 or Guarantor 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.

8. ATTORNEYS' FEES AND COSTS. Borrower and Guarantor promise and

agree 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.

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9. 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 or Guarantor 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 or Guarantor 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.

10. BENEFIT. This Agreement shall be binding upon and inure to the benefit of Borrower, Guarantor and Lender and their respective successors and assigns. Lender may assign this Agreement in whole or in part. Neither Borrower nor Guarantor may assign this Agreement or its obligations hereunder without Lender's written consent.

11. 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.

SUNINCO, INC., a Florida
corporation

NORTHERN TRUST BANK OF FLORIDA,
N.A.

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

BORROWER

LENDER

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

GUARANTOR

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EXHIBIT 4.7

SECURITY AGREEMENT

FOR VALUE RECEIVED, the undersigned SUNINCO, INC., a Florida corporation ("Suninco"), and SUN HYDRAULICS CORPORATION, a Florida corporation ("Sunopco"), hereinafter collectively called Debtor, (and if more than one, each of them jointly and severally) does hereby grant to NORTHERN TRUST BANK OF FLORIDA, N.A., hereinafter called Secured Party, a security interest in and to the following property ("Collateral"):

All equipment, fixtures and leasehold improvements located on, derived from, or used in connection with certain real property owned by Suninco more particularly described on Exhibit "A" attached hereto ("Property") or owned or used in connection with the operation, of Sunopco conducted on or from the Property, whether now owned or hereafter acquired by Debtor,

together with (a) all increases, parts, fittings, accessories, equipment and special tools now or hereafter affixed to all or any part thereof or used in connection therewith, and all replacements of all or any part thereof; (b) any proceeds, return premiums and rebates from any property insurance on the property securing this loan: and (c) any proceeds received should any of the foregoing be sold, exchanged, collected or otherwise disposed of, provided however, no provisions herein shall be construed as or deemed authority for Debtor to sell, exchange or otherwise dispose of the Collateral, without the prior written consent of Secured Party, except for inventory sold in the ordinary course of Sunopco's business.

This security interest and assignment is given as security for the payment of a certain promissory note of even date herewith ("Note") and given by Suninco to Secured Party in the amount of \$2,475,000.00 payable as therein together, and for the payment of any and all other indebtedness and liabilities whatsoever of Debtor to Secured Party, due or to become due, direct, indirect, contingent, several, joint, joint and several and howsoever evidenced or arising and howsoever owned, held or acquired by the Secured Party whether through discount, overdraft, purchase, loan, advance, endorsement, guaranty or any other manner whatsoever.

Except for the security interest granted hereby, and other security interest held by Secured Party, Debtor is the owner of the Collateral, free from any adverse lien, security interest or encumbrance and Debtor will defend the Collateral against all claims and demands of all parties at anytime claiming the same or interest thereon.

Debtor authorizes the Secured Party to file in Florida a Financing Statement signed only by the Secured Party describing the Collateral as is described herein, and to amend the Financing Statement from time to time to cover the changes in the Collateral,

and to do all other acts and things that the Secured Party may request to establish and maintain any valid security interest in the Collateral free of all other liens and claims whatsoever to secure the payment of the Note.

Debtor will keep the Collateral at the Property and will not remove the Collateral from the Property without the prior written consent of Secured Party.

Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral or interest therein without the prior written consent of the Secured Party, except for inventory sold in the ordinary course of Sunopco's business. Debtor will at all times keep the Collateral free from any adverse liens, security interest or encumbrance and in good order and repair and will not waste or destroy the Collateral or any part thereof. Debtor will not use Collateral in violation of any statute or ordinance. Secured Party may examine and inspect the Collateral at anytime, whatever located.

Debtor will at all times keep the Collateral insured against loss, damage, theft and such other risks as the Secured Party may require in such amounts and companies and under such policies and in such form and for such periods as shall be satisfactory to the Secured Party, and each policy shall

provide that the loss thereunder and proceeds payable shall be payable to Secured Party as its interest may appear. Secured Party may pay proceeds of such insurance to payment of the obligations secured, hereby, whether or not due. Each such policy shall provide for 30 days written minimum cancellation notice to Secured Party and each policy shall if Secured Party requests, be deposited with Secured Party.

Debtor will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement or upon the Note.

At its option, the Secured Party may cure any default existing under this Security Agreement and may charge the Debtor for any expenses or costs thereby sustained, which amounts shall be immediately due and payable by Debtor, and shall accrue at the maximum rate permitted by law from the date of payment by Secured Party.

Debtor shall be in default under this agreement upon the occurrence of any of the following: (a) failure or omission to pay when 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 Mortgage, the Note, this Security Agreement, or any other loan document executed in connection herewith, or upon the existence or occurrence of any circumstance or event deemed a default under the

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Note or any other loan document executed in connection therewith; (c) any warranty, representation or statement made or furnished by any obligor to Secured Party for the purpose of inducing Secured Party to make the loan evidenced by the Note, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage encumbering the Property (whether such other mortgage be held by Secured Party or by a third party); (e) the institution of foreclosure proceedings of another lien of any kind on the Property, (whether such other lien be held by Secured Party or by a third party); (f) the default by Debtor 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 specifically including but not limited to (i) that certain revolving line of credit in the amount of \$1,700,000.00; and (ii) equipment loan in the amount of \$775,000.00 ("Other Existing Indebtedness"); (g) the death, dissolution, termination of existence, insolvency, or business failure of any obligor; (h) the appointment of a receiver of any part of the Property; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against any obligor; (j) the determination by Secured Party that a material adverse change has occurred in the financial condition of any obligor from the conditions set forth in the most recent financial statement of such obligor heretofore furnished to Secured Party or from the condition of such obligor as heretofore most recently disclosed to Secured Party in any manner (k) falsity in any material respect of, or any material omission in, any representation or statement made to Secured Party by or on behalf of any obligor in connection with the loan evidenced by the Note; (l) loss, theft, substantial damage, destruction, sale or encumbrance of any of the Property or any levy, seizure or attachment thereof; or (m) the pledge, assignment, transfer or granting of a security interest in any of the Property.

Upon the occurrence of any such default or at anytime thereafter, the Secured Party may at its option declare all obligations secured hereby immediately due and payable without notice and may thereupon exercise, with respect to the Collateral or any part thereof, any or all rights and remedies available to it under the Florida Uniform Commercial Code. All expenses of recovering and disposing of the Collateral shall be borne by Debtor. The requirement of reasonable notice shall be met if such notice is mailed postage prepaid to Debtor at the address shown at the beginning of this Agreement or at any other address shown on the records of Secured Party at least five days before the time of the sale or disposition. Debtor shall be and remain liable for any deficiency, and secured Party shall account to Debtor for any surplus arising after any sale of the Collateral.

Each of the named Debtors hereunder severally waives all rights of homestead exemption, and of presentment, demand for payment, protest, notice of protest and notice if dishonor;

consents that the Note or other obligations secured hereby, or any part hereof may from time to time, be extended or renewed without notice for any period (whether or not longer than the original period of the Note or obligation); agrees that the exchange, release, surrender or sale of all or any Collateral which may be given as security hereunder shall not release or discharge any party obligated hereunder; agrees that the release of any party liable upon or in respect of the Note and other obligations secured shall not release any other such party; and hereby agrees to pay, in the event of a default, all costs, expenses and reasonable attorneys' fees (which shall include fees for legal assistants) incurred by Secured Party as a result of such default by Debtor, whether or not incurred in connection with litigation or other legal proceedings, including those costs, expenses and reasonable attorneys' fees incurred in appellate proceedings.

Secured Party shall have the right in its own name or in the name of Debtor to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for, any and all amounts due or to become due on the Collateral and to endorse the name of Debtor on all commercial paper given in payment or part payment thereof and in its discretion to file any claim or take any other action or proceeding which Secured Party may deem necessary or appropriate to protect and preserve and realize upon the security interest of Secured Party in the Collateral.

No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. No delay or omission on the part of Secured Party in exercising any right of remedy shall operate as a waiver hereof and no single or partial exercise by Secured Party of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Time is of the essence of this agreement. The provisions of this agreement are cumulative and in addition to the other provisions of any liability on the Note or other writing evidencing any liability secured by this agreement or otherwise, and Secured Party shall have all of the benefits, rights and remedies of and under the Note or other writing evidencing any liability secured hereby. In addition to all other rights granted hereunder, Secured Party shall have all of the rights granted a secured party under the Uniform Commercial Code.

All of the terms used herein which are defined in the Uniform Commercial Code of Florida have, except where the context indicates otherwise, the same meaning herein as in said Code, and this agreement and the obligations hereunder, including matters of construction, validity and performance, shall be governed by the Laws of Florida. Wherever used herein the singular shall include the plural, the plural the singular and the use of any gender shall include all genders.

Dated at Sarasota, Florida, on March 29, 1996.

SUNINCO, INC., a Florida
corporation

SUN HYDRAULICS CORPORATION,
a Florida corporation

By /s/ Clyde G. Nixon

By /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

Clyde G. Nixon
As its President

EXHIBIT "A"

A PART OF SECTION 6, TOWNSHIP 36 S. RANGE 18 EAST, SITUATED IN SARASOTA COUNTY, FLORIDA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NW CORNER OF SAID SECTION 6; THENCE EAST ALONG THE NORTH LINE OF SAID SECTION 6 1438.52 FEET; THENCE SOUTH 50.00 TO AN IRON PIPE AS A POINT OF BEGINNING; THENCE SOUTH 0#21'30" EAST, PARALLEL WITH THE CENTER LINE OF THE SEABOARD AIRLINE RAILROAD RIGHT OF WAY AND 75 FEET EASTERLY THEREFROM AT RIGHT ANGLES, A DISTANCE OF 300.00 FT. THENCE EAST 1400.00 FT.; THENCE N0#21'30" WEST 300.00 FT.; THENCE WEST, ALONG THE SOUTH RIGHT OF WAY LINE OF STATE ROAD 683, 1400.00 FT. TO THE P O B.

EXHIBIT 4.8

Prepared by and return to:
Michele B. Grimes, Esq./rlt
Williams, Parker, Harrison, Dietz & Getzen
200 South Orange Avenue
Sarasota, Florida 34236
(941) 366-4800

MODIFICATION AND
ADDITIONAL ADVANCE AGREEMENT

THIS AGREEMENT, entered into on March 29, 1996, between SUNINCO, INC., a Florida corporation ("Mortgagor"), whose post office address is 1500 University Parkway, Sarasota, FL 34243, and NORTHERN TRUST BANK OF FLORIDA, N.A., f/k/a Northern Trust Bank of Florida/Sarasota, N.A. ("Mortgagee"), whose post office address is 1515 Ringling Boulevard, Sarasota, FL 34236,

W I T N E S S E T H :

WHEREAS, Mortgagee is the owner and holder of a promissory note in the original principal amount of \$2,000,000.00 dated January 9, 1992 ("Note"), and

WHEREAS, the Note is secured by a real estate mortgage recorded in Official Records Book 2358, Page 2881, Public Records of Sarasota County, Florida ("Mortgage"), by an assignment of leases recorded in Official Records Book 2358, Page 2909, Public Records of Sarasota County, Florida ("Assignment of Leases"), and by a UCC-1 Financing Statement recorded in Official Records Book 2361, Page 2446, Public Records of Sarasota County, Florida, and filed with the Florida Secretary of State, file #92-0000008803 ("UCC-1"), and

WHEREAS, Mortgagor is the owner of the property encumbered by the Mortgage ("Property") and Mortgagor desires to obtain an additional advance under the terms and provisions of the Mortgage and to modify same as hereinafter provided,

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other valuable considerations, and of the covenants and agreements of Mortgagor and Mortgagee, it is agreed as follows:

1. Mortgagor has executed simultaneously with the execution of this Agreement a promissory note in favor of Mortgagee in the principal amount of \$782,805.62 (the "Additional Advance Note"). The Additional Advance Note evidences a future advance made pursuant to the Mortgage, and is secured by the Mortgage, as modified herein, and by the Assignment of Leases and UCC-1. The Note and the Additional Advance Note are hereby consolidated into one loan, as evidenced by promissory note of even date herewith in the amount of \$2,475,000.00 ("Consolidated Note"). The Consolidated Note replaces the Note and is secured by the Mortgage, Assignment of Leases, and UCC-1. All references to the Note

contained in the Mortgage, Assignment of Leases, or any other loan documents shall be deemed to refer to the Consolidated Note.

2. Mortgagor, jointly and severally, promises and agrees to pay to Mortgagee the principal balance on the Consolidated Note and Mortgage, together with interest thereon in accordance with the terms thereof, with the unpaid principal balance, together with accrued interest thereon, to be due and payable April 1, 2006.

3. This Agreement is intended solely as a modification of the existing Mortgage, and not as a novation thereof. It is the full purpose and intent of the parties hereto that the priority of the Mortgage remain effective as the original recording date and time of the Mortgage.

4. Mortgagor hereby warrants to Mortgagee that there are no recorded or unrecorded mortgages, liens, or other encumbrances against the Property other than the Mortgage.

5. Mortgagor agrees to keep and perform fully all of the terms,

covenants and conditions of the Consolidated Note and Mortgage as modified hereby. All terms, covenants and conditions of the Consolidated Note and Mortgage which are not inconsistent herewith are hereby expressly confirmed, ratified and declared to be in full force and effect.

6. State of Florida documentary stamps in the amount required by law for the Note were affixed to the Mortgage and were cancelled pursuant to law. Documentary stamps for the Additional Advance Note have been paid upon the recording of this Modification Agreement. The Consolidated Note qualifies for an exemption from payment of documentary stamps under regulations adopted pursuant to Chapter 201, Florida Statutes, and therefore, no additional documentary stamps are now due or payable; however, in the event that the Department of Revenue, its agents or employees, notifies either Mortgagor or Mortgagee that the transaction which is the subject of this Modification Agreement is subject to payment of documentary stamp tax, intangible tax, or any other such tax, then, in such event, Mortgagor agrees to immediately remit to the Department of Revenue or to the Mortgagee the full amount of such tax deemed to be due and payable as requested by the Department of Revenue. Mortgagor may contest any liability for such tax payment; however, any such contest shall be taken solely at the election, cost, and expense of Mortgagor. The liability of Mortgagor under this provision shall survive the satisfaction of the obligations referenced hereunder. Any failure of Mortgagor to comply with the terms and provisions of this section shall constitute a default under the Consolidated Note, Mortgage, and all other loan documents executed in connection therewith.

7. For and in consideration of Mortgagee's agreement to modify the terms of Mortgagor's loan as set forth in this

Agreement, Mortgagor hereby waives any and all claims, causes of action, and defenses which it may have against Mortgagee arising prior to the execution of this Agreement and agrees to hold Mortgagee, its employees, officers, and agents harmless from all matters, claims, and liabilities existing or arising prior to the date hereof. Mortgagor acknowledges, represents, and warrants to Mortgagee that Mortgagor has no right of offset against the indebtedness evidenced by the Consolidated Note nor defenses or claims against Mortgagee with respect to the Note, Mortgage, Consolidated Note, this Agreement, or any other loan documents executed in connection with any of the foregoing, or any other transaction or course of dealing between Mortgagor and Mortgagee arising out of or relating in any way to same.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

SUNINCO, INC., a Florida corporation

NORTHERN TRUST BANK OF FLORIDA, N.A.

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

MORTGAGOR

MORTGAGEE

STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this ____ day of April 1996 by Clyde G. Nixon, as President of Suninco, Inc., a Florida corporation, on behalf of the corporation. The above-named person is personally known to me or has produced _____ as identification. If no type of identification is indicated, the above-named person is personally known to me.

/s/ Philomene Staffeld

Signature of Notary Public

(Notary Seal)

Philomene Staffeld

Print Name of Notary Public

I am a Notary Public of the State of
Florida, and my commission expires
on February 28, 1998

STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this ____ day of April 1996
by Terence E. McGannon, as Vice President of Northern Trust Bank of Florida,
N.A., on behalf of the corporation. The above-named person is personally known
to me or has produced _____ as identification. If no type
of identification is indicated, the above-named person is personally known to
me.

/s/ Philomene Staffeld

Signature of Notary Public

(Notary Seal)

Philomene Staffeld

Print Name of Notary Public

I am a Notary Public of the State of
Florida, and my commission expires
on February 28, 1998

EXHIBIT 4.9

CONSOLIDATED NOTE

\$2,475,000.00

March 29, 1996

FOR VALUE RECEIVED, SUNINCO, INC., a Florida corporation ("Maker"), hereby promises, jointly and severally, to pay to the order of NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender") at 1515 Ringling Boulevard, Sarasota, Florida 34236, or at such other place as the holder hereof may from time to time designate in writing, the principal sum of Two Million Four Hundred Seventy Five Thousand and 00/100 Dollars (\$2,475,000.00), or so much thereof as may be disbursed by Lender to Maker or for Maker's account from time to time, together with interest at the rate hereinafter specified on such indebtedness as shall from time to time remain unpaid, until paid in full, such principal and interest being payable in lawful money of the United States which shall be legal tender in payment of all debts at the time of payment. Interest will be calculated on the basis of a 365/360 method, which computes a daily amount of interest for a hypothetical year of 360 days, then multiplies such amount by the actual number of days elapsed in an interest calculating period.

Interest on the unpaid principal sum outstanding from time to time shall accrue at a fixed rate of eight and one-quarter percent (8.25%) per annum.

Principal and interest on the loan shall be due and payable in equal monthly installments of \$30,356.52, the first such installment to be due and payable May 1, 1996, with subsequent installments to be due and payable on the same day of every month thereafter until April 1, 2006, on which date the then remaining unpaid principal balance, together with all accrued but unpaid interest, shall be due and payable.

All payments made hereunder shall be applied first to accrued interest then due and owing; next to amounts expended by Lender to cure any default under this Note, the Mortgage (as hereinafter defined), or any other loan documents executed in connection herewith; next to charges, costs, expenses, or attorneys' fees then due and payable to Lender under this Note, the Mortgage, or any other loan documents; and the balance, if any, to principal.

Maker shall have the right and privilege to make partial or total prepayments at any time, provided, however, that Maker must pay a prepayment premium ("Premium") based upon the annualized loss of yield ("Loss of Yield") as herein defined. Loss of Yield is defined to be the amount, if any, by which 1.75% exceeds the Treasury Rate (as herein defined) made most recently available prior to the prepayment. The term "Treasury Rate" shall mean the weekly average yield on United States Treasury Securities, adjusted to a constant maturity for a period equal to the number of full years remaining until the maturity date of this Note as of the date of the applicable prepayment. The Premium shall be calculated by determining the product of the annualized Loss of Yield times the

amount of the principal being prepaid, divided by 12, and multiplied by the number of months remaining until the maturity date stated in this Note. In the event the Treasury Rate is not then being published, then the Premium shall be based on another index selected by Lender, in its sole discretion, as an index similar to the Treasury Rate. In no event shall the Premium be less than \$-0-. Maker must give the Lender at least five (5) days prior written notice of Maker's intent to prepay, therein identifying the date of and amount of prepayment.

If any payment is more than fifteen (15) days late, Maker agrees to pay to Lender a late charge equal to five percent (5%) of the payment. Notwithstanding the foregoing, however, all payments shall be due and payable as of the dates set forth above, and the failure to make all payments when due shall constitute a default under this Note. The terms of this paragraph are not intended and shall not be deemed to create a grace period for payment.

This Note is secured by a mortgage and security agreement (the "Mortgage") dated January 9, 1992, as modified on even date herewith, made by Maker in favor of Lender encumbering real property and personal property described therein (the "Mortgaged Property") located in Sarasota County,

Florida.

The entire unpaid principal balance hereof together with all accrued interest due shall, at Lender's sole option, become immediately due and payable in the event of the sale or transfer of (i) all or any part of the Mortgaged Property, or any interest therein, or (ii) any beneficial or ownership interest in Maker, whether held or owned directly or indirectly (if Maker, or any of them, is not a natural person or persons, but is a corporation, partnership, trust, estate or other legal entity).

Each and every party to this Note, whether as Maker, endorser, surety, guarantor, or otherwise ("Obligor"), hereby waives all rights of homestead and other exemptions granted by the constitution or laws of Florida, and further waives presentment, demand, protest, notice of dishonor, notice of nonpayment, notice of protest, and diligence in collection, and assents to the terms hereof and to any extension or postponement of the time for payment or any other indulgence. It is further specifically agreed that this Note or any part of the principal or interest due hereon may be renewed, modified or extended, in whole or in part, such modification to include but not be limited to changes in payment schedules and interest rates, from time to time by the holder of this Note, at the request of the then owners of all or part of the Mortgaged Property, or at the request of any party bound hereon or who has assumed or may hereafter assume payment hereof, without the consent of or notice to other parties bound hereon and without releasing them from any liabilities then existing.

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Each and every Obligor hereby consents that the real or personal property securing this Note, or any part of such security, may be released, exchanged, added to or substituted for by Lender, without in any way modifying, altering, releasing, affecting or limiting their respective liabilities or the lien of the Mortgage, and further agrees that Lender shall not be required first to institute any suit, or to exhaust any of its remedies against Maker or any other person or party liable or to become liable hereunder, in order to enforce payment of this Note, and further agrees that Maker or any other party liable hereunder may be released by Lender from any or all liability under this Note and such release shall in no way affect or modify the liability of the remaining parties hereto.

Each and every Obligor hereby consents and agrees that he is bound, jointly and severally, under the terms hereof and is subject to all of the provisions set forth herein as fully as though each was an undersigned hereof, and further consents and agrees that any Obligor may be sued by Lender without joining any other Obligor, whether primarily or secondarily liable.

Notwithstanding anything contained herein to the contrary or in the Mortgage, or other loan documents executed in connection herewith, no payee or holder of this Note shall ever be entitled to receive, collect or apply as interest on the obligation evidenced hereby any amount in excess of the maximum rate of interest permitted to be charged by applicable law and, in the event Lender or any holder hereof ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the principal sum; and, if the principal sum is paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, Maker and Lender shall, to the maximum extent permitted under applicable law: (a) characterize any non-principal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) spread the total amount of interest, or charges in the nature of interest, pursuant to applicable law.

As used herein, "Event of Default" shall mean the occurrence of any of the following events or conditions: (a) failure or omission to pay when due this Note (or any installment of principal or interest hereunder); (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 Mortgage, this Note, or any other loan document executed in connection herewith, or upon the existence or occurrence of any circumstance or event deemed a default under this Note or any other loan document executed in connection herewith; (c) any warranty, representation or statement made or furnished by any Obligor to Lender for the purpose of inducing Lender to make the loan

evidenced by this Note, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage on the Mortgaged Property (whether such other mortgage be held by Lender or by a third party); (e) the institution of foreclosure proceedings of another mortgage or lien of any kind on the Mortgaged Property (whether such other mortgage or lien be held by Lender or by a third party); (f) the default by Maker in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, obligation or agreement held by Lender, specifically including but not limited to (i) that certain revolving line of credit in the amount of \$1,700,000.00; and (ii) equipment loan in the amount of \$775,000.00 ("Other Existing Indebtedness"); (g) the death, dissolution, termination of existence, insolvency, or business failure of any Obligor; (h) the appointment of a receiver of any part of the Mortgaged Property; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against any Obligor; (j) the determination by Lender that a material adverse change has occurred in the financial condition of any Obligor from the conditions set forth in the most recent financial statement of such Obligor heretofore furnished to Lender or from the condition of such Obligor as heretofore most recently disclosed to Lender in any manner; (k) falsity in any material respect of, or any material omission in, any representation or statement made to Lender by or on behalf of any Obligor in connection with the loan evidenced by this Note; (l) loss, theft, substantial damage, destruction, sale or encumbrance of any of the Mortgaged Property or any levy, seizure or attachment thereof; or (m) the pledge, assignment, transfer or granting of a security interest in any of the Mortgaged Property. Upon the occurrence of any such default or at any time thereafter, subject to the grace period, if any, provided in this Note, Lender may, at its option, declare the whole amount of principal and interest provided for in and by this Note, and any and all other secured indebtedness, immediately due and payable without demand or notice of any kind to any person, and the same thereupon shall become immediately due, payable and collectible (by foreclosure or otherwise) at once and without notice to Maker. Any default hereunder shall constitute a default under any other mortgage, note, obligation or agreement of Maker held by Lender, specifically including but not limited to the Other Existing Indebtedness. The agreements contained in this paragraph to create cross-defaults under all mortgages, notes, obligations and agreements between Maker and Lender, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, notes, obligations or agreements are a material and specific inducement and consideration for the making by Lender of the loan evidenced by this Note.

It is expressly agreed that upon the occurrence of an Event of Default, or if Lender shall deem itself insecure (because the prospect of timely payments is impaired, because the value of Lender's security is impaired, because the prospect of performance

of any covenant or agreement under this Note, the Mortgage, or any other loan document is impaired, because of any change of circumstance which adversely affects any matters originally considered by Lender in making the loan, or otherwise), then or at any time thereafter at the option of Lender, the whole of the principal sum remaining unpaid hereunder, together with all accrued and unpaid interest thereon, shall become due and payable immediately without notice, anything contained herein to the contrary in any way notwithstanding, and in any such event Lender shall have the right to set-off against this Note all money owed by Lender in any capacity to any Obligor, whether or not due, and Lender shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of an Event of Default although made or entered on the books subsequent thereto. From and after an Event of Default, the interest rate on the entire outstanding principal balance hereunder shall accrue at the highest rate permitted to be

charged by applicable law. In the event the default rate of interest set forth in the foregoing sentence shall be applicable and Lender has not accelerated this Note, the amount of each payment otherwise due hereunder shall be increased to an amount equal to the regular amount of the principal installment due hereunder, plus accrued interest at the default rate.

Each Obligor shall be obligated to pay as part of the indebtedness evidenced by this Note all costs of collection, whether or not a suit is brought, including any reasonable attorneys' fees that may be incurred in the collection or enforcement hereof. The term "attorneys' fees" shall include but not be limited to any such fees incurred in any appellate or related ancillary or supplementary proceedings, whether before or after final judgment related to the enforcement or defense of this Note.

If at any time any federal, state, county or municipal government or agency thereof shall impose any documentary stamp tax, intangible tax, or any other type of tax upon this Note or the Mortgage, or upon the indebtedness evidenced hereby (other than any federal, state or local income tax imposed upon Lender), then Maker shall pay same within fifteen (15) days after demand by Lender, together with any interest and penalties thereon.

Time is of the essence of this Note. The remedies of Lender as provided herein or in the Mortgage, or any other loan document executed in connection herewith, shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall arise. No act or omission of Lender, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of such right, remedy or recourse, and any waiver or release may be effected only through a written document executed by Lender and

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then only to the extent specifically recited therein. A waiver or release with respect to any one event shall not be construed as continuing as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to any subsequent event.

The term "Lender" where used herein shall include Lender's successors and assigns. The term "Maker" shall include each person signing this Note, jointly and severally, and their respective heirs, successors and assigns. The term "Obligor" shall include Maker and every person who is an endorser, guarantor, or surety of this Note, or who is otherwise a party hereto, and their respective heirs, successors and assigns. The terms "person" and "party" shall include individuals, firms, associations, joint venturers, partnerships, estates, trusts, business trusts, syndicates, fiduciaries, corporations, and all other groups or combinations. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. This Note shall be construed under Florida law.

This is a consolidated note which consolidates two promissory notes executed by Maker in favor of Lender: (i) note dated January 9, 1992 with a current principal balance of \$1,692,194.38, and (ii) note dated on even date herewith in the original principal amount of \$782,805.62. The principal balance hereof is equal to the total of the principal balances of the two promissory notes which it consolidates. State of Florida documentary stamps in the amount required by law were affixed to the mortgage securing the notes which this note consolidates, and were cancelled pursuant to law. No further State documentary stamps are required.

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed and delivered as of the date first above written.

Maker's Address:

1500 University Parkway SUNINCO, INC., a Florida
Sarasota, FL 34243 corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

EXHIBIT 4.10

LOAN AGREEMENT

THIS AGREEMENT made on May 20, 1996, by and between SUN HYDRAULICS CORPORATION, a Florida corporation ("Borrower") and NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender").

W I T N E S S E T H :

WHEREAS, Borrower has requested Lender to modify an existing loan outstanding from Borrower to Lender in the current principal amount of \$762,169.23, and to make an additional advance to Borrower in the amount of \$2,300,987.77, for a total consolidated loan amount of \$3,063,157.00 ("Loan"), and Lender is willing to modify the Loan on the conditions herein and in other Loan Documents, and

WHEREAS, the Loan is evidenced by a consolidated promissory note of even date herewith ("Note") and secured by a security agreement ("Security Agreement") encumbering personal property located in Manatee County, Florida ("Property"), and

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

A. The financial information furnished to Lender in connection with Borrower's application for the Loan is complete and accurate and Borrower has no undisclosed direct or contingent liability.

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 do 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

property other than those disclosed to Lender in connection with Borrower's request for the Loan.

E. Borrower has not incurred any debts, liabilities, or obligations and has not committed itself 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. There are no actions, suits or proceedings pending or, threatened against or affecting Borrower, the Property, or involving the validity or enforceability of the Security Agreement or the priority of the liens thereof, at law or in equity, or before or by any governmental authorities, and Borrower is not in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

2. 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. Maintain with financially sound and reputable insurance companies insurance of the kinds, covering the risks, and in the amounts usually carried by companies engaged in businesses similar to that of Borrower. Borrower will also exhibit or deliver such policies of insurance to Lender upon request of Lender and provide appropriate loss payable or mortgagee clauses in the insurance policies in favor of Lender, as its interest may appear, when requested by Lender.

C. Maintain executive personnel and management reasonably satisfactory to Lender.

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

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

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

3. NEGATIVE COVENANTS. Borrower will not, without prior written consent of Lender:

A. Assign, mortgage, pledge, encumber, grant any security interest in, or transfer any of Borrower's assets, whether now owned or hereafter acquired, except in the ordinary course of Borrower's business.

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. Enter into any asset sale/leaseback arrangement.

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

4. FINANCIAL COVENANTS. Borrower agrees to comply with all of the following covenants. In calculating and determining compliance with the financial covenants set forth below, Borrower shall follow and comply with generally accepted accounting principles applied on a consistent basis:

A. Borrower shall furnish to Lender (i) within 90 days after the close of each fiscal year an annual consolidated profit and loss statement and balance sheet on Borrower audited by an independent certified public accountant who is satisfactory to Lender, and consolidated financial statements prepared by Borrower; (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 as Lender may request from time to time.

B. Borrower shall maintain Borrower's net working capital ("Net Working Capital") in an amount not less than \$1,300,000.00 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, 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.

C. Borrower shall maintain Borrower's tangible net worth ("Tangible Net Worth") in an amount not less than \$9,000,000.00 for fiscal year 1996, and increase the minimum level of Borrower's Tangible Net Worth to the following levels as of December 31, for each of the following fiscal years: (i) \$11,000,000 minimum Tangible Net Worth by December 31, 1996; (ii) \$10,875,000 minimum Tangible Net Worth by December 31, 1997 [Lender acknowledges that this is a decrease over the previous fiscal year minimum level]; (iii) \$12,775,000 minimum Tangible Net Worth by December 31, 1998; (iv) \$13,270,000 minimum Tangible Net Worth by December 31, 1999; and (v) \$16,875,000 for fiscal years 2000 through 2006, inclusive. 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

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such date, all computed in accordance with generally accepted accounting principles applied on a consistent basis.

D. Borrower shall maintain Borrower's ratio of total Liabilities to Tangible Net Worth throughout the term of the Loan at a maximum of 2.5:1. For purposes of this Agreement, the term "Liabilities" shall be computed in accordance with generally accepted accounting principles.

E. Borrower shall maintain Borrower's fixed asset coverage ratio ("Fixed Asset Coverage") throughout the term of the Loan at a minimum of 2.5:1.0. For purposes of this Agreement, the term "Fixed Asset Coverage" shall be computed as follows: Earnings before interest and taxes, plus depreciation, all divided by interest expense plus current maturities of long term debt and capitalized leases.

F. Borrower shall maintain Borrower's debt service coverage ("Debt Service Coverage") ratio throughout the term of the Loan at a minimum of 1.45:1 on a calendar year basis for all operations of Borrower, computed as follows: net profits plus interest, plus depreciation, all divided by interest plus current maturities of long term debt and capitalized leases.

G. Borrower will not make any loans or advances to any stockholder of Borrower; except that Borrower may make annual distributions to its stockholders which do not exceed the total of all Federal income tax liability of the individual shareholders of Borrower which is the direct result of the pass-through of gains or losses from Borrower to the shareholders, plus \$500,000.00.

H. Borrower will not cause or permit Borrower's capital expenditures to exceed \$5,000,000.00 per fiscal year.

I. Borrower will not incur any debt, execute any guarantees, assume of any debt, or endorse any obligation, whether secured or unsecured; except, however, that Borrower may incur unsecured trade debt with vendors in the ordinary course of Borrower's business, on terms not to exceed sixty (60) days, and that Borrower may guarantee up to a maximum of \$8,000,000.00 of debt incurred by non-U.S. affiliates of Borrower.

J. Borrower will not make any investments or contributions of capital for any purpose other than: (a) short term money market investments, (b) extensions of credit to purchasers of Borrower's products, creating accounts receivable in the normal course of business, (c) extensions of credit to officers and employees of Borrower, subject to the approval of Lender, provided that the amount of indebtedness of any single officer or employee shall not exceed \$50,000.00, and further provided that the copies of the notes evidencing such indebtedness shall be furnished

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to Lender, and (d) capital contributions of up to \$1,500,000.00 to SunOpTech Ltd.

5. 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. Any payment of principal or interest on the Loan is not made within fifteen (15) days after payment is due.

B. Any other default occurs under the Note, Security Agreement, this Agreement or any other document executed by Borrower in connection with the Loan, which is not cured within the cure period provided in such document, if any.

C. Any provision of the Note, Security Agreement, this Agreement, or any other document executed or furnished in connection with the Loan, proves to be untrue or misleading in any material respect.

D. Any warranty, representation, or statement made or furnished the Lender by Borrower in connection with the Loan and this Agreement (including any warranty, representation, or statement in the Borrower's financial statement(s)) or to induce the Lender to extend the Loan, is untrue or misleading in any material respect.

E. Any default occurs under any agreement now or hereafter existing between Borrower and any other creditor which default is not corrected within the cure period provided in such agreement, if any; provided, however, that if such default occurs, and the amount claimed against Borrower is \$50,000.00 or less, and Borrower has, in good faith, disputed the claim and is actively contesting the claim pursuant to appropriate proceedings, then such default shall not constitute a default hereunder, unless and until Borrower ceases to actively contest the claim or a judgment, holding or award for the claim is entered against Borrower.

F. Any voluntary or involuntary bankruptcy, reorganization, insolvency, arrangement, receivership, or similar proceeding is commenced by or against Borrower under any federal or state law, or Borrower makes any assignment for the benefit of creditors.

G. Borrower suffers or permits any lien, encumbrance, or security interest to arise or attach to any of its property, or any judgment is entered against Borrower that is not satisfied or appealed within 30 days.

H. Any interest in Borrower, whether held directly or indirectly, is sold, assigned or transferred so as to cause the majority ownership interest or control of Borrower to be held by

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persons other than Robert Koski and the members of his immediate family.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

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SUN HYDRAULICS CORPORATION, a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

BORROWER

NORTHERN TRUST BANK OF FLORIDA, N.A.

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

LENDER

EXHIBIT 4.11

SECURITY AGREEMENT

FOR VALUE RECEIVED, the undersigned SUN HYDRAULICS CORPORATION, a Florida corporation, hereinafter called Debtor, does hereby grant to NORTHERN TRUST BANK OF FLORIDA, N.A., hereinafter called Secured Party, a security interest in and to the following property ("Collateral"):

All inventory, accounts, equipment, furnishings, fixtures, leasehold improvements, contract rights, and other personal property (both tangible and intangible), whether now owned or hereafter acquired by Debtor, located on, derived from, or used in connection with the operation of a manufacturing facility to be located, on the real property described in Exhibit "A" attached hereto ("New Plant"), and located on, derived from or used in connection with the operation of a manufacturing facility located on the real property described on Exhibit "B" attached hereto ("Existing Plant") [the New Plant and the Existing Plant are sometimes collectively referred to herein as the "Property"],

together with (a) all increases, parts, fittings, accessories, equipment and special tools now or hereafter affixed to all or any part thereof or used in connection therewith, and all replacements of all or any part thereof; (b) any proceeds, return premiums and rebates from any property insurance on the property securing this loan; and (c) any proceeds received should any of the foregoing be sold, exchanged, collected or otherwise disposed of, provided however, no provisions herein shall be construed as or deemed authority for Debtor to sell, exchange or otherwise dispose of the Collateral, without the prior written consent of Secured Party, except for inventory sold in the ordinary course of Debtor's business.

This security interest and assignment is given as security for the payment of a certain consolidated promissory note of even date herewith ("Note") and given by Debtor to Secured Party in the amount of \$3,063,157.00 payable as therein provided together, and for the payment of any and all other indebtedness and liabilities whatsoever of Debtor to Secured Party, due or to become due, direct, indirect, contingent, several, joint, joint and several and howsoever evidenced or arising and howsoever owned, held or acquired by Secured Party whether through discount, overdraft, purchase, loan, advance, endorsement, guaranty or any other manner whatsoever.

Except for the security interest granted hereby, Debtor is the owner of the Collateral, free from any adverse lien, security interest or encumbrance and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or interest thereon.

Debtor authorizes Secured Party to file in Florida a Financing Statement signed only by Secured Party describing the Collateral as is described herein, and to amend the Financing Statement from time

to time to cover the changes in the Collateral, and to do all other acts and things that Secured Party may request to establish and maintain any valid security interest in the Collateral free of all other liens and claims whatsoever to secure the payment of the Note.

Debtor will keep the Collateral at the Property and will not remove the Collateral from the Property without the prior written consent of Secured Party.

Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral or interest therein without the prior written consent of Secured Party, except for inventory sold in the ordinary course of Debtor's business. Debtor will at all times keep the Collateral free from any adverse liens, security interest or encumbrance and in good order and repair and will not waste or destroy the Collateral or any part thereof. Debtor will not use the Collateral in violation of any statute or ordinance. Secured Party may examine and inspect the Collateral at any time, wherever located.

Debtor will at all times keep the Collateral insured against loss, damage, theft and such other risks as Secured Party may require in such amounts

and companies and under such policies and in such form and for such periods as shall be satisfactory to Secured Party, and each policy shall provide that the loss thereunder and proceeds payable shall be payable to Secured Party as its interest may appear. Secured Party may pay proceeds of such insurance to payment of the obligations secured hereby, whether or not due. However, unless Debtor is in default under the Note, this Security Agreement or any other document executed in connection herewith, Secured Party agrees to hold the proceeds of such insurance for a period of sixty (60) days after the occurrence of the loss, and not apply the proceeds to the obligations secured hereby during that 60 days to afford Debtor the opportunity to propose to Secured Party a plan for utilizing the proceeds in an alternative manner. Secured Party shall have no obligation whatsoever to accept Debtor's plan, however, and may proceed to apply the proceeds to the obligations secured hereby after expiration of said 60 day period. Each such policy shall provide for 30 days written minimum cancellation notice to Secured Party and each policy shall if Secured Party requests, be deposited with Secured Party.

Debtor will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement or upon the Note.

At its option, Secured Party may cure any default existing under this Security Agreement and may charge the Debtor for any expenses or costs thereby sustained, which amounts shall be immediately due and payable by Debtor, and shall accrue at the maximum rate permitted by law from the date of payment by Secured Party.

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Debtor shall be in default under this agreement upon the occurrence of any of the following: (a) failure or omission to pay when due the Note (or any installment of principal or interest thereunder) within fifteen (15) days after payment is due; (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 this Security Agreement, the Note, or any other loan document executed in connection herewith, or upon the existence or occurrence of any circumstance or event deemed a default under the Note or any other loan document executed in connection herewith; (c) any warranty, representation or statement made or furnished to Secured Party for the purpose of inducing Secured Party to make the loan evidenced by the Note, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage or security agreement on the Collateral (whether such other mortgage or security agreement be held by Secured Party or by a third party); (e) the institution of foreclosure proceedings of another mortgage or lien of any kind on the Collateral (whether such other mortgage or lien be held by Secured Party or by a third party); (f) the default by Debtor or any party obligated under the Note or any guaranty thereof or any affiliate of any of the foregoing, specifically including but not limited to Suninco, Inc., and Sun Hydraulics Real Estate, Ltd., ("Affiliated Companies") in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, security agreement, obligation or agreement held by Secured Party, specifically including but not limited to that certain mortgage loan outstanding from Secured Party to Suninco, Inc. evidenced by promissory note dated April 10, 1996, in the original principal amount of \$2,475,000.00 ("Existing Plant Loan"), that certain revolving line of credit outstanding from Secured Party to Guarantor in the amount of \$1,700,000.00 ("Line of Credit"), and that certain loan committed to be made by Secured Party to Sun Hydraulics Real Estate, Ltd. in the original principal amount of \$6,187,000.00 ("New Plant Loan") (collectively, the "Cross-Defaulted Credits"); (g) the death, dissolution, termination of existence, insolvency, or business failure of Debtor or any party obligated under the Note or any guaranty thereof; (h) the appointment of a receiver of any part of the Collateral; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against Debtor or by or against any person obligated under the Note or any guaranty thereof; (j) falsity in any material respect of, or any material omission in, any representation or statement made to Lender by or on behalf of any Obligor in connection with the loan evidenced by this Note; (k) loss, theft, substantial damage, or destruction, not covered by collectible insurance, of any of the Collateral or any levy, seizure or attachment thereof; (l) the sale or transfer of any of the Collateral, except inventory sold in the ordinary course of business, with the exception that the sale of Collateral over the term of this Note which has a total fair market value not exceeding \$50,000.00 will not constitute an Event of Default; or (m) the pledge,

assignment, or granting of a security interest in any of the Collateral. Upon the occurrence of any such default or

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at any time thereafter, subject to the grace period, if any, provided in the Note, Secured Party, may, at its option, declare the whole amount of principal and interest provided for in and by the Note, and any and all other secured indebtedness, immediately due and payable without demand or notice of any kind to any person, and the same thereupon shall become immediately due, payable and collectible (by foreclosure or otherwise) at once and without notice to Debtor. Any default hereunder shall constitute a default under any other mortgage, security agreement, note, obligation or agreement of Debtor or any Affiliated Company held by Secured Party, specifically including but not limited to the Cross-Defaulted Credits. The agreements contained in this paragraph to create cross-defaults under all mortgages, security agreements, notes, obligations and agreements between Debtor, or any of the Affiliated Companies, and Secured Party, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, security agreements, notes, obligations or agreements is a material and specific inducement and consideration for the making by Secured Party of the Loan evidenced by the Note.

Notwithstanding the provisions of the foregoing paragraph to the contrary, in the event of a non-monetary default of the type set forth in subsections (b), (d) or (e) of the foregoing paragraph, then prior to Secured Party precipitating to maturity the full unpaid balance of the Note or otherwise exercising any rights available to Secured Party under the terms of the Note or any other loan document executed in connection therewith, Secured Party shall give written notice to Debtor and Debtor shall have a period of thirty (30) days from the date such notice is given in which to cure such default; provided, however, if such default cannot, with due diligence, be cured within said 30 day period, and such default does not threaten to impair Secured Party's security for the Note, then the 30 day period shall be extended for such period as may be reasonably necessary to complete the curing of same, provided that Debtor proceeds with all due diligence and continuity to cure the default. Notice required hereunder may, at the option of Secured Party, be given by either certified mail, registered mail, regular mail, facsimile transmission, Federal Express or other express courier, or by personal delivery, and shall be deemed given when mailed, transmitted, placed with the courier, or delivered to Debtor, whichever is first. In the event the default is not cured within the time provided, then Secured Party shall have the right to accelerate the Note and proceed to enforce the Note and the loan documents, without further notice to Debtor.

Upon the occurrence of any such default or at any time thereafter, Secured Party may at its option declare all obligations secured hereby immediately due and payable without notice and may thereupon exercise, with respect to the Collateral or any part thereof, any or all rights and remedies available to it under the Florida Uniform Commercial Code. All expenses of recovering and disposing of the Collateral shall be borne by Debtor. The requirement of reasonable notice shall be met if such notice is mailed postage prepaid to Debtor at the address shown at the

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beginning of this Agreement or at any other address shown on the records of Secured Party at least five days before the time of the sale or disposition. Debtor shall be and remain liable for any deficiency, and Secured Party shall account to Debtor for any surplus arising after any sale of the Collateral.

Debtor hereunder waives all rights of homestead exemption, and of presentment, demand for payment, protest, notice of protest and notice if dishonor; consents that the Note or other obligations secured hereby, or any part hereof may from time to time, be extended or renewed without notice for any period (whether or not longer than the original period of the Note or

obligation); agrees that the exchange, release, surrender or sale of all or any Collateral which may be given as security hereunder shall not release or discharge any party obligated hereunder; agrees that the release of any party liable upon or in respect of the Note and other obligations secured shall not release any other such party; and hereby agrees to pay, in the event of a default, all costs, expenses and reasonable attorneys' fees (which shall include fees for legal assistants) incurred in the exercise by Secured Party of its rights as a secured party upon default by Debtor, including those costs, expenses and reasonable attorneys' fees incurred in appellate proceedings.

Secured Party shall have the right in its own name or in the name of Debtor to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for, any and all amounts due or to become due on the Collateral and to endorse the name of Debtor on all commercial paper given in payment or part payment thereof and in its discretion to file any claim or take any other action or proceeding which Secured Party may deem necessary or appropriate to protect and preserve and realize upon the security interest of Secured Party in the Collateral.

No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. No delay or omission on the part of Secured Party in exercising any right of remedy shall operate as a waiver hereof and no single or partial exercise by Secured Party of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Time is of the essence of this agreement. The provisions of this agreement are cumulative and in addition to the other provisions of any liability on the Note or other writing evidencing any liability secured by this agreement or otherwise, and Secured Party shall have all of the benefits, rights and remedies of and under the Note or other writing evidencing any liability secured hereby. In addition to all other rights granted hereunder, Secured Party shall have all of the rights granted a secured party under the Uniform Commercial Code.

All of the terms used herein which are defined in the Uniform Commercial Code of Florida have, except where the context indicates otherwise, the same meaning herein as in said Code, and this agreement and the obligations hereunder, including matters of

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construction, validity and performance, shall be governed by the Laws of Florida. Wherever used herein the singular shall include the plural, the plural the singular and the use of any gender shall include all genders.

Dated at Sarasota, Florida, on May 20, 1996.

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

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EXHIBIT 4.12

CONSOLIDATED NOTE

\$3,063,157.00

May 20, 1996

FOR VALUE RECEIVED, SUN HYDRAULICS CORPORATION, a Florida corporation ("Maker"), hereby promises, jointly and severally, to pay to the order of NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender") at 1515 Ringling Boulevard, Sarasota, Florida 34236, or at such other place as the holder hereof may from time to time designate in writing, the principal sum of Three Million Sixty Three Thousand One Hundred Fifty Seven and 00/100 Dollars (\$3,063,157.00), or so much thereof as may be disbursed by Lender to Maker or for Maker's account from time to time, together with interest at the rate hereinafter specified on such indebtedness as shall from time to time remain unpaid, until paid in full, such principal and interest being payable in lawful money of the United States which shall be legal tender in payment of all debts at the time of payment. Interest will be calculated on the basis of a 365/360 method, which computes a daily amount of interest for a hypothetical year of 360 days, then multiplies such amount by the actual number of days elapsed in an interest calculating period.

Interest on the unpaid principal sum outstanding from time to time shall accrue at a fixed rate of eight and one-quarter percent (8.25%) per annum.

Interest accruing from the date hereof to and including May 31, 1996, shall be paid on even date herewith. Thereafter, principal and interest shall be due and payable in equal monthly installments of \$48,136.47, the first such installment to be due and payable July 1, 1996, with subsequent installments to be due and payable on the same day of every month thereafter until May 1, 2003, on which date the then remaining unpaid principal balance, together with all accrued but unpaid interest, shall be due and payable.

All payments made hereunder shall be applied first to accrued interest then due and owing; next to amounts expended by Lender to cure any default under this Note, the Mortgage (as hereinafter defined), or any other loan documents executed in connection herewith; next to charges, costs, expenses, or attorneys' fees then due and payable to Lender under this Note, the Mortgage, or any other loan documents; and the balance, if any, to principal.

If any payment is more than fifteen (15) days late, Maker agrees to pay to Lender a late charge equal to five percent (5%) of the payment.

This Note is secured by a security agreement (the "Security Agreement") of even date herewith, made by Maker in favor of Lender encumbering personal property described therein (the "Collateral") located in Manatee County, Florida.

The entire unpaid principal balance hereof together with all accrued interest due shall, at Lender's sole option, become immediately due and payable in the event of the sale or transfer of (i) all or any part of the Collateral, or any interest therein, or

(ii) any beneficial or ownership interest in Maker, whether held or owned directly or indirectly (if Maker, or any of them, is not a natural person or persons, but is a corporation, partnership, trust, estate or other legal entity).

Each and every party to this Note, whether as Maker, endorser, surety, guarantor, or otherwise ("Obligor"), hereby waives all rights of homestead and other exemptions granted by the constitution or laws of Florida, and further waives presentment, demand, protest, notice of dishonor, notice of nonpayment, notice of protest, and diligence in collection, and assents to the terms hereof and to any extension or postponement of the time for payment or any other indulgence. It is further specifically agreed that this Note or any part of the principal or interest due hereon may be renewed, modified or extended, in whole or in part, such modification to include but not be limited to changes in payment schedules and interest rates, from time to time by the holder of this Note, at the request of the then owners of all or part of the Collateral, or at the request of any party bound hereon or who has assumed or may hereafter assume payment hereof, without the consent of or notice to other parties bound

hereon and without releasing them from any liabilities then existing.

Each and every Obligor hereby consents that the real or personal property securing this Note, or any part of such security, may be released, exchanged, added to or substituted for by Lender, without in any way modifying, altering, releasing, affecting or limiting their respective liabilities or the lien of the Security Agreement, and further agrees that Lender shall not be required first to institute any suit, or to exhaust any of its remedies against Maker or any other person or party liable or to become liable hereunder, in order to enforce payment of this Note, and further agrees that Maker or any other party liable hereunder may be released by Lender from any or all liability under this Note and such release shall in no way affect or modify the liability of the remaining parties hereto.

Each and every Obligor hereby consents and agrees that he is bound, jointly and severally, under the terms hereof and is subject to all of the provisions set forth herein as fully as though each was an undersigned hereof, and further consents and agrees that any Obligor may be sued by Lender without joining any other Obligor, whether primarily or secondarily liable.

Notwithstanding anything contained herein to the contrary or in the Security Agreement, or other loan documents executed in connection herewith, no payee or holder of this Note shall ever be entitled to receive, collect or apply as interest on the obligation evidenced hereby any amount in excess of the maximum rate of interest permitted to be charged by applicable law and, in the event Lender or any holder hereof ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the principal sum; and, if the principal sum is paid in full, any remaining excess shall forthwith be paid to Maker. In determining

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whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, Maker and Lender shall, to the maximum extent permitted under applicable law: (a) characterize any non-principal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) spread the total amount of interest, or charges in the nature of interest, pursuant to applicable law.

As used herein, "Event of Default" shall mean the occurrence of any of the following events or conditions: (a) failure or omission to pay when due this Note (or any installment of principal or interest hereunder) within fifteen (15) days after payment is due; (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, this Note, or any other loan document executed in connection herewith, or upon the existence or occurrence of any circumstance or event deemed a default under this Note or any other loan document executed in connection herewith; (c) any warranty, representation or statement made or furnished by any Obligor to Lender for the purpose of inducing Lender to make the loan evidenced by this Note, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage on the Collateral (whether such other mortgage be held by Lender or by a third party); (e) the institution of foreclosure proceedings of another mortgage or lien of any kind on the Collateral (whether such other mortgage or lien be held by Lender or by a third party); (f) the default by Maker or any party obligated under this Note or any guaranty hereof or any affiliate of any of the foregoing, specifically including but not limited to Suninco, Inc. and Sun Hydraulics Real Estate, Ltd. ("Affiliated Companies") in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, obligation or agreement held by Lender, specifically including but not limited to that certain mortgage loan outstanding from Lender to Suninco, Inc. evidenced by promissory note dated April 10, 1996, in the original principal amount of \$2,475,000.00 ("Existing Plant Loan"), that certain revolving line of credit outstanding from Lender to Maker in the amount of \$1,700,000.00 ("Line of Credit"), and that certain loan committed to be made by Lender to Sun Hydraulics Real Estate, Ltd. in the original principal amount of \$6,187,000.00 ("New Plant Loan") (collectively, the "Cross-Defaulted Credits"); (g) the

death, dissolution, termination of existence, insolvency, or business failure of any Obligor; (h) the appointment of a receiver of any part of the Collateral; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against any Obligor; (j) falsity in any material respect of, or any material omission in, any representation or statement made to Lender by or on behalf of any Obligor in connection with the loan evidenced by this Note; (k) loss, theft, substantial damage, or destruction, not covered by collectible insurance, of any of the Collateral or any levy, seizure or attachment thereof; (l) the sale or transfer of any of the Collateral, except inventory sold in the

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ordinary course of business, with the exception that the sale of Collateral over the term of this Note which has a total fair market value not exceeding \$50,000.00 will not constitute an Event of Default; or (m) the pledge, assignment, or granting of a security interest in any of the Collateral. Upon the occurrence of any such default or at any time thereafter, subject to the grace period, if any, provided in this Note, Lender may, at its option, declare the whole amount of principal and interest provided for in and by this Note, and any and all other secured indebtedness, immediately due and payable without demand or notice of any kind to any person, and the same thereupon shall become immediately due, payable and collectible (by foreclosure or otherwise) at once and without notice to Maker. Any default hereunder shall constitute a default under any other mortgage, note, obligation or agreement of Maker, or any of the Affiliated Companies, held by Lender, specifically including but not limited to the Cross-Defaulted Credits. The agreements contained in this paragraph to create cross-defaults under all mortgages, notes, obligations and agreements between Maker, or any of the Affiliated Companies, and Lender, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, notes, obligations or agreements are a material and specific inducement and consideration for the making by Lender of the loan evidenced by this Note.

Notwithstanding the provisions of the foregoing paragraph to the contrary, in the event of a non-monetary default of the type set forth in subsections (b), (d) or (e) of the foregoing paragraph, then prior to Lender precipitating to maturity the full unpaid balance of this Note or otherwise exercising any rights available to Lender under the terms of this Note or any other loan document executed in connection herewith, Lender shall give written notice to Maker and Maker shall have a period of thirty (30) days from the date such notice is given in which to cure such default; provided, however, if such default cannot, with due diligence, be cured within said 30 day period, and such default does not threaten to impair Lender's security for this Note, then the 30 day period shall be extended for such period as may be reasonably necessary to complete the curing of same, provided that Maker proceeds with all due diligence and continuity to cure the default. Notice required hereunder may, at the option of Lender, be given by either certified mail, registered mail, regular mail, facsimile transmission, Federal Express or other express courier, or by personal delivery, and shall be deemed given when mailed, transmitted, placed with the courier, or delivered to Maker, whichever is first. In the event the default is not cured within the time provided, then Lender shall have the right to accelerate this Note and proceed to enforce this Note and the loan documents, without further notice to Maker.

It is expressly agreed that upon the occurrence of an Event of Default, or if Lender shall deem itself insecure (because the prospect of timely payments is impaired, because the value of Lender's security is impaired, because the prospect of performance of any covenant or agreement under this Note, the Security Agreement, or any other loan document is impaired, because of any

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change of circumstance which adversely affects any matters originally

considered by Lender in making the loan, or otherwise), then or at any time thereafter at the option of Lender, the whole of the principal sum remaining unpaid hereunder, together with all accrued and unpaid interest thereon, shall become due and payable immediately without notice, anything contained herein to the contrary in any way notwithstanding, and in any such event Lender shall have the right to set-off against this Note all money owed by Lender in any capacity to any Obligor, whether or not due, and Lender shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of an Event of Default although made or entered on the books subsequent thereto. From and after an Event of Default, the interest rate on the entire outstanding principal balance hereunder shall accrue at the highest rate permitted to be charged by applicable law. In the event the default rate of interest set forth in the foregoing sentence shall be applicable and Lender has not accelerated this Note, the amount of each payment otherwise due hereunder shall be increased to an amount equal to the regular amount of the principal installment due hereunder, plus accrued interest at the default rate.

Each Obligor shall be obligated to pay as part of the indebtedness evidenced by this Note all costs of collection, whether or not a suit is brought, including any reasonable attorneys' fees that may be incurred in the collection or enforcement hereof. The term "attorneys' fees" shall include but not be limited to any such fees incurred in any appellate or related ancillary or supplementary proceedings, whether before or after final judgment related to the enforcement or defense of this Note.

If at any time any federal, state, county or municipal government or agency thereof shall impose any documentary stamp tax, intangible tax, or any other type of tax upon this Note or the Security Agreement, or upon the indebtedness evidenced hereby (other than any federal, state or local income tax imposed upon Lender), then Maker shall pay same within fifteen (15) days after demand by Lender, together with any interest and penalties thereon.

Time is of the essence of this Note. The remedies of Lender as provided herein or in the Security Agreement, or any other loan document executed in connection herewith, shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall arise. No act or omission of Lender, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of such right, remedy or recourse, and any waiver or release may be effected only through a written document executed by Lender and then only to the extent specifically recited therein. A waiver or release with respect to any one event shall not be construed as continuing as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to any subsequent event.

The term "Lender" where used herein shall include Lender's successors and assigns. The term "Maker" shall include each person signing this Note, jointly and severally, and their respective heirs, successors and assigns. The term "Obligor" shall include Maker and every person who is an endorser, guarantor, or surety of this Note, or who is otherwise a party hereto, and their respective heirs, successors and assigns. The terms "person" and "party" shall include individuals, firms, associations, joint venturers, partnerships, estates, trusts, business trusts, syndicates, fiduciaries, corporations, and all other groups or combinations. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. This Note shall be construed under Florida law.

This is a consolidated note which consolidates two promissory notes executed by Maker in favor of Lender: (i) note dated February 27, 1995, in the original principal amount of \$775,000.00 which has a current principal balance of \$762,169.23, and (ii) note dated on even date herewith in the original principal amount of \$2,300,987.77. The principal balance hereof is equal to the total of the principal balances of the two promissory notes which it consolidates. State of Florida documentary stamps in the amount required by law were affixed to this Note, and were cancelled pursuant to law. No further State documentary stamps are required.

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed and delivered as of the date first above written.

Maker's Address:

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

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

EXHIBIT 4.13

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement"), made on June 14, 1996, between SUN HYDRAULICS CORPORATION, a Florida corporation ("Sun Hydraulics"), and SUNINCO, INC., a Florida corporation ("Suninco"), [Sun Hydraulics and Suninco are sometimes collectively referred to herein as ""Borrower"] and NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender")

WITNESSETH:

WHEREAS, Sun Hydraulics owns certain property located in Manatee County, Florida (the "County"), described on Exhibit "A" attached hereto ("New Plant Property"); and

WHEREAS, Sun Hydraulics desires to construct a new manufacturing facility ("Improvements") on the New Plant Property pursuant to plans and specifications therefor submitted to and approved by Lender ("Plans and Specifications"), and Sun Hydraulics desires to obtain from Lender a construction loan ("Loan") to construct the Improvements on the New Plant Property; and

WHEREAS, Suninco is an affiliate of Sun Hydraulics, and is in the process of being merged into Sun Hydraulics, and has agreed to be an accommodation co-maker of the Loan; and

WHEREAS, Lender is willing to make the Loan upon the terms and conditions set forth below.

NOW, THEREFORE, it is agreed between the parties in consideration of the benefits accruing under the terms of this Agreement, and other valuable consideration, receipt of which is hereby acknowledged, as follows:

1. LOAN TO BORROWER; EXECUTION OF NOTE AND MORTGAGE. Lender agrees, in accordance with the terms of this Agreement, to make the Loan to Borrower in the amount of \$6,187,000.00 to permit Borrower to refinance the cost of purchasing the New Plant Property and to fund the construction of the Improvements on the New Plant Property. Concurrently herewith, Borrower has executed a Note in the amount of the Loan ("Note"), a Mortgage ("Mortgage") encumbering the New Plant Property and other real estate owned by Suninco described on Exhibit "B" attached hereto ("Existing Plant Property") [the New Plant Property and the Existing Plant Property are collectively referred to herein as the "Property"], to secure the Loan, and other documents related thereto (collectively "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 appraisal fees, inspection fees, surveys, legal fees, including the fees of Lender's counsel, intangible taxes, documentary stamp taxes,

recording costs, license and permit fees, title insurance, casualty, flood and other insurance premiums that may be required or incurred. At the option of Lender, any such expense may be deducted from the amount to be advanced from the Loan, and interest on such advances shall accrue thereon from the date of Lender's payment of such expense item.

3. TITLE INSURANCE. Within 14 days from the date hereof, Borrower shall cause to be issued and delivered to Lender, at Borrower's expense, a mortgagee title insurance policy ("Title Policy") in a form acceptable to Lender will be issued by a title insurance company acceptable to Lender, showing the Mortgage to be a valid first lien on the New Plant Property and a valid second lien on the Existing Plant Property, subject only to exceptions which are acceptable to Lender and the existing first mortgage on the Existing Plant Property held by Lender. Prior to each loan disbursement, Borrower shall obtain and deliver to Lender an endorsement to the Title Policy to bring current the effective date of the Title Policy. Any additional title exceptions reflected by any endorsement shall be deleted prior to any further loan disbursements unless approved by Lender in its sole discretion.

4. COMMENCEMENT OF CONSTRUCTION AND NOTICE OF COMMENCEMENT. At the time of closing of the Loan, work has been done on the Improvements by Sun Hydraulics, but all work has been paid for in full. Sun Hydraulics shall evidence such payment by releases, receipts and waivers satisfactory to Lender. Sun Hydraulics shall take such action and execute such documentation at Sun Hydraulics' cost, as may be required by the title insurer to cause any Notice of Commencement recorded with respect to the New Plant Property to be either terminated or subordinated to the Mortgage.

5. PAYMENT AND PERFORMANCE BONDS. A satisfactory performance bond and a satisfactory unconditional labor and material payment bond as to the Contractor and any other contractor required by Lender must be furnished to Lender with respect to the Improvements prior to the disbursement of any draw requests. The bonds shall name the Lender as an additional obligee, and shall each be in an amount equal to 100% of the construction contract price with contractors. The payment bond shall satisfy the requirements of Section 713.23, Florida Statutes, so as to eliminate the potential for construction liens against the New Plant Property, and a copy shall be attached to and recorded with the notice of commencement.

6. CONSTRUCTION. Sun Hydraulics agrees to complete the construction of the Improvements on the New Plant Property in accordance with the Plans and Specifications submitted to Lender with said work to be performed by W. G. Mills, Inc. ("Contractor"). The construction shall continue without abandonment and be completed with due diligence, but in any event on or before December 1, 1996 ("Construction Period"). All Improvements shall

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be constructed and completed in accordance with all applicable governmental regulations, ordinances and laws. Sun Hydraulics agrees to furnish to Lender a copy of every contract with any contractor who is to furnish labor, services or materials in the construction of the Improvements. Such contracts shall be subject to the review and approval of Lender. Additionally, the names of all subcontractors who shall be employed by the Contractors shall be furnished to Lender for its approval.

7. CONSTRUCTION LIEN LAW. Sun Hydraulics shall comply fully with the Florida Construction Lien Law with respect to the construction of the Improvements. Lender reserves the right to require, prior to each periodic disbursement and prior to any final disbursement, a waiver or release of lien from the Contractor, and from any subcontractor or supplier who has furnished labor, services, or materials for construction of Improvements on the New Plant Property and who has served a Notice to Owner or filed a Claim of Lien. Prior to any final disbursement, Sun Hydraulics shall furnish to Lender an affidavit of the Contractor pursuant to the Florida Construction Lien Law.

8. CONDITIONS PRECEDENT FOR CONSTRUCTION LOAN DISBURSEMENTS. As a condition of each construction draw disbursement, the Loan must be current in all respects and there shall be no default under the Note, Mortgage, this Agreement, or any other Loan Documents. In addition thereto:

A. All Disbursements: Prior to each construction draw, Sun Hydraulics shall furnish to Lender the following: (i) copies of all Notices to Owner received by Sun Hydraulics; (ii) copies of construction lien waivers from the Contractor, if any, and from all subcontractors, materialmen and other potential lienors who have served a Notice to Owner; (iii) an endorsement to the Title Policy updating the effective date without additional exceptions; (iv) an Application and Certificate for Payment AIA Form G702, executed by Sun Hydraulics, the Contractor, and Sun Hydraulics' architect or engineer, if any; (v) if requested by Lender, bills or statements for all expenses for which a disbursement is requested.

B. First Disbursement: In addition to the foregoing requirements, prior to the first construction draw on the Loan, Sun Hydraulics must also furnish to Lender: (i) a survey of the New Plant Property which shows that the location of the foundation or pilings of the Improvements are constructed or located in compliance with applicable restrictions, governmental requirements and FEMA requirements; (ii) a certificate from a qualified, licensed pest control agency evidencing soil poisoning for subterranean termites covering the New Plant Property; and (iii) a certification of insurance evidencing that flood insurance coverage has been obtained for the Improvements to be constructed on the New Plant Property having a "loss

payable" clause in favor of Lender,

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and having limits equal to the lesser of (a) the construction costs of the Improvements, or (b) the amount of the Loan.

C. Final Disbursement: The final disbursement of proceeds on the Improvements is contingent upon the following: (i) final completion of all construction in accordance with the Plans and Specifications; (ii) issuance of a certificate of occupancy for the Improvements by all appropriate governmental authorities; (iii) delivery to Lender of an "as built" survey of the New Plant Property, certified to Lender, showing all improvements and designating the flood hazard area of the New Plant Property; (iv) if the New Plant Property is located in a special flood hazard area, a flood elevation certificate for Improvements on the New Plant Property evidencing that the improvements have been constructed in accordance with applicable FEMA requirements; (v) a final inspection of the New Plant Property by the appraiser recertifying the value of the New Plant Property and Improvements consistent with Lender's appraisal; (vi) execution and delivery to Lender of a contractor's affidavit and final release of lien by the Contractor for the construction of the Improvements, and execution and delivery to Lender of final waivers of lien by all subcontractors, materialmen, and other persons who have supplied labor, services, professional services or material to the New Plant Property, and any other lienors as defined in the Florida Construction Lien law, all in accordance with the Florida Construction Lien Law; and (vii) evidence of fire, extended coverage and other perils insurance in compliance with the terms hereof.

9. PLEDGED CASH ACCOUNT. If, at any time during the term of the Loan, the costs to complete construction of the Improvements should exceed the amount remaining to be disbursed to Borrower under the Loan, then Borrower shall immediately make a cash deposit into an account with Lender ("Account") in an amount equal to the amount by which the (i) costs to complete construction of the Improvements in accordance with the Plans and Specifications, which costs shall include not only the itemized costs reflected in the Budget, but also such other costs as Lender may determine to be related directly or indirectly to the ultimate cost to complete the Improvements; exceeds (ii) the balance of the undisbursed proceeds of the Loan which are to be disbursed to Borrower by the Lender for construction of the Improvements as determined by the terms of this Agreement. All deposits required to be made to the Account pursuant to this paragraph shall be accomplished within seven (7) days after the occurrence of the facts which give rise to the necessity for the deposit. Until a required deposit to the Account is made by Borrower, Lender shall have no obligation to make any disbursements to Borrower under this Agreement. Disbursements from the Account shall be made by Lender to Borrower in accordance with and subject to the same terms, covenants, conditions, and limitations as are applicable to disbursements of the Loan proceeds, as set forth in this Agreement and any Loan Document. So

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long as any balance remains in the Account, or is required pursuant to this paragraph to be maintained in the Account, no disbursements will be made from the Loan proceeds and all disbursements for costs of construction of the Improvements shall be made from the Account. The Account, whether created concurrently with the execution of this Agreement or subsequent hereto, is hereby pledged to Lender as additional security for the Loan. Borrower agrees to execute such other documentation at Lender may require in order to further evidence this pledge, although Borrower acknowledges and agrees that no additional documentation shall be required in order to give effect to the pledge of the Account set forth in this paragraph. Borrower shall not have the right to draw sums from the Account, and all draws shall be made solely by Lender and in accordance with the terms of this paragraph. On the date hereof, Borrower has deposited into the Account the sum of \$ -0- .

10. DISBURSEMENTS.

A. Authorization of Sun Hydraulics: Suninco hereby authorizes and directs Lender to make all disbursements under the Loan to, or for the benefit of, or as directed by, Sun Hydraulics, and to accept and rely upon such directions as Sun Hydraulics shall make from time to time with respect to the disbursement of Loan proceeds. Lender shall be entitled to rely upon all draw requests and other oral and written directions and submittals made to Lender from time to time by Sun Hydraulics with respect to the Loan. Suninco agrees to execute, from time to time, such further ratification and confirmation or the authority of Sun Hydraulics set forth in this paragraph, as Lender may request from time to time.

B. Draw Requests: Disbursement under the Loan will be made solely for the costs described on the budget attached hereto as the Exhibit "C" ("Budget"), and in accordance with the Contractor's, engineer's, or architect's certification of percentage of work completed on the standard Application and Certificate for Payment, AIA Form G702, or similar form approved by Lender. Lender may require that all draw requests be executed by Sun Hydraulics. No disbursement will be made unless the item and amount is reflected on the Budget. All draws, except the final draw, shall be reduced by a 10% retainage. Lender shall have the continuing right to reallocate line item amounts within the Budget and to establish reserves for payment of expenses which Lender determines may become due with respect to the New Plant Property.

C. Timing: Disbursements on the Loan will be made monthly. All disbursements shall be subject to Lender's inspection and approval of the construction. The request for disbursement shall be submitted at least ten (10) days prior to the date of desired receipt of funds.

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D. Disbursement Checks: Sun Hydraulics shall maintain an account with Lender during the term of the Loan for use as Sun Hydraulics' operating account in connection with the New Plant Property. The Lender may, at its option, deposit all loan disbursements into this account. Alternatively, Lender may make any loan disbursement by a check payable to Sun Hydraulics and the Contractor, jointly.

E. Use of Disbursements: Sun Hydraulics agrees to use the proceeds of the Loan solely for the payment of material bills, labor and other uses and purposes in and for the construction of the Improvements as contemplated by the Plans and Specifications.

11. RECORD OF EXPENDITURES. Sun Hydraulics agrees to furnish, from time to time whenever requested, a statement showing itemization of expenditures to date, items due and unpaid, and items necessary for completion of the Improvements, and to support said statement with receipted bills and affidavits, waivers of lien, and other satisfactory evidence of payment as may be requested by Lender.

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12. INSURANCE.

A. Hazard, Flood, Builder's Risk and Business Interruption Insurance: Borrower shall furnish such hazard, flood, builder's risk and business interruption insurance as may be required by the Mortgage or by Lender. Sun Hydraulics expressly agrees that Lender, without obligation to do so and from time to time as the construction of the Improvements progresses, may place fire and windstorm insurance on the Improvements at the expense of Sun Hydraulics for the protection of Sun Hydraulics in such amounts as may be needed fully to protect Lender. The insurance policy shall contain the standard loss payee clause naming Lender as loss payee.

B. Liability Insurance and Worker's Compensation: Sun Hydraulics shall furnish, or cause the Contractor to furnish, worker's compensation insurance as required by law or applicable governmental regulations. Borrower shall furnish liability insurance as required by the Mortgage.

13. INSPECTIONS. Lender shall have the right, and Sun Hydraulics shall permit, during construction, to inspect the Improvements and to reject and require to be replaced any material or workmanship that does not comply with the Plans and Specifications. Lender shall have the right to retain a separate and independent engineer or architect for the purpose of making periodic inspections for the benefit of Lender. No disbursements shall be made until such engineer or architect confirms that the percentage of work completed is consistent with the application for draw and that the work completed is consistent with and in accordance with all permits and approvals necessary for the construction of the Improvements. Sun Hydraulics shall pay all costs and fees of any engineer or architect retained by Lender. All such inspection services shall be rendered solely for the protection and benefit of Lender. Borrower shall not be entitled to claim any loss or damage, either against Lender or its officers or agents, for failure properly to discharge their duties to Lender.

14. POWER TO COMPLETE. In the event of a default under the Loan during the period of construction, or upon any other occurrence which might result in cessation of work prior to completion, Lender shall have full power to take charge of and complete the construction and make disbursements against the Loan directly to the Contractor, subcontractors, or other persons furnishing labor, services, or materials for the construction, for the benefit of Sun Hydraulics, but nothing herein contained shall in any way be construed as a covenant on Lender's part to take over and complete construction.

15. LENDER LIABILITY.

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A. To Third Parties: This Agreement shall not be construed to make Lender liable to materialmen, contractors, subcontractors, craftsmen, laborers or others for goods or services delivered by them in or upon the New Plant Property, or for debts or claims accruing to any such parties against Sun Hydraulics. Lender shall not be liable for the manner in which any disbursement hereunder may be applied by Sun Hydraulics and the Contractor, or either of them, or for any other compliance with the Florida Construction Lien Law.

B. To Borrower: Sun Hydraulics accepts full responsibility for the selection of the Contractor and subcontractors, and all materials, supplies and equipment to be used in the construction, and Lender assumes no responsibility for the completion of the Improvements according to the Plans and Specifications or for the contract price. Sun Hydraulics further accepts full responsibility for compliance with the Florida Construction Lien Law and agrees to indemnify and hold Lender harmless from any and all liability thereunder of any nature whatsoever. Suninco agrees that Lender shall have no liability to Suninco for the failure of Sun Hydraulics to comply with the requirements of this subparagraph B.

C. Not a Partner: Lender is not a partner with Sun Hydraulics, Suninco, or any other party in the construction or the development, operation or use of the New Plant Property. Lender shall not in any way be liable or responsible by reason of the provisions hereof, or otherwise, for the payment of any claims growing out of the development or operation of the New Plant Property.

D. Indemnification: Borrower agrees to protect, indemnify, defend, and save harmless, Lender and its directors, officers, agents, and employees from and against any and all liabilities, expense, damage of any kind or nature, and from any suits, claims, or demands (including, without limitation, reasonable legal fees and expenses) on account of or resulting from: (a) any defective workmanship or materials occurring in the

construction of the Improvements by Sun Hydraulics or its agents, representatives, employees, contractors or subcontractors; (b) the development, ownership, condition, sale, construction, financing, management, or operation of the New Plant Property by Sun Hydraulics and the Existing Plant Property by Suninco, their respective agents, representatives, employees, contractors or subcontractors; (c) the noncompliance by Sun Hydraulics with applicable provisions of Florida's Construction Lien Law with regard to the construction of the Improvements; (d) the noncompliance by Borrower with any applicable provision of the Federal and Florida Land Sales Acts with respect to the Property; or (e) this Agreement (including expenses and costs that Borrower is obligated to pay hereunder) or other Loan Documents, unless said suit, claim, or demands are caused by gross negligence or willful

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malfeasance of Lender. Upon demand by Lender, Borrower will defend any action or proceeding brought against Lender alleging a claim covered by this subparagraph, or Lender may elect to conduct its own defense at the expense of Borrower. The provisions of this subparagraph will survive the termination of this Agreement and the repayment of the Loan.

E. No Obligations After Default: Anything contained in this Agreement to the contrary notwithstanding, there shall be no obligation upon Lender to make any additional disbursements, if at the time of the request for such disbursements Borrower is in default or has failed to perform any provision of this Agreement, the Note and Mortgage, or any other Loan Document.

16. INTEREST RESERVE. The sum of \$ _____ from the Loan has been set aside as a fund to cover interest on the Loan ("Interest Reserve"). Provided there is no default under the Note, Mortgage, this Agreement, or any other Loan Document executed in connection herewith, Lender will disburse monies from the Interest Reserve to pay interest accruing under the Loan as it becomes due from time to time. In the event of default under the Note, Mortgage, this Agreement, or any other Loan Document executed in connection herewith, Lender may, at Lender's option, refuse to disburse from the Interest Reserve or may apply any amount then remaining undisbursed in the Interest Reserve to principal then due under the Loan.

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

A. The financial information furnished to Lender in connection with Borrower's application for the Loan is complete and accurate and neither Borrower has any undisclosed direct or contingent liability. There has been no material, nor adverse change in the financial condition of either Borrower from that reflected on such financial information.

B. Each 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 respective boards of directors and shareholders of the corporation under applicable law, and do not and will not violate any provisions of law or any of their 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 either Borrower pursuant to any instrument, order, or other agreement to which

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either Borrower is a party or by which either Borrower, any of their officers as such, or any of their respective properties are bound.

D. There are no judgments, liens, encumbrances, or other security interests outstanding against either Borrower or any of their respective properties other than those disclosed to Lender in connection with Borrower's request for the Loan.

E. Neither Borrower has incurred any debts, liabilities, or obligations or committed itself 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 has made any assignment for the benefit of its 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.

G. The Plans and Specifications are satisfactory to Sun Hydraulics and have been approved by all persons and by all governmental authorities whose approval is required; all construction will be performed within the perimeter of the New Plant Property and in accordance with the Plans and Specifications appropriate setback requirements, any restrictive covenants and the requirements of all governmental authorities; and the use to which the New Plant Property will be put will comply with all requirements of governmental authorities and any restrictive covenants to which the New Plant Property may be subject.

H. There are no actions, suits or proceedings pending or threatened against, or affecting, the New Plant Property, the Existing Plant Property, or either Borrower, or involving the validity or enforceability of the Mortgage or the priority of the lien thereof, at law or in equity, or before or by any governmental authorities, and neither Borrower is in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

I. The consummation of the transactions hereby contemplated and performance of this Agreement will not result in any breach of, or constitute a default under, any mortgage, indenture, security agreement, lease, bank loan or credit agreement, or any other instrument to which either Borrower is a party or by which they may be bound or affected.

J. All utility services necessary for the development of the New Plant Property and the operation thereof for its

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intended purpose are available at the boundaries of the New Plant Property, including water, storm and sanitary sewer facilities, electric and telephone facilities.

K. The Existing Plant Property is currently provided with all utility services necessary for its operation.

L. Sun Hydraulics has made no contract or arrangement of any kind, the performance of which by the other party thereto would give rise to a lien or claim of lien on the New Plant Property, except for its arrangements with the Contractor, or subcontractors who have filed or will file lien waivers.

M. Suninco has made no contract or arrangement of any kind, the performance of which by the other party thereto would give rise to a lien or claim of lien on the Existing Plant Property.

N. All roads necessary for ingress and egress to the New Plant Property and for the full development of the New Plant Property have either been completed or the necessary rights-of-way therefor have been acquired by Sun Hydraulics and all necessary steps have been taken by Sun Hydraulics to assure the complete construction and installation thereof.

O. If the New Plant Property is located in whole or in part within a special flood hazard area, as defined under Federal Law and regulations governing the National Flood Insurance Program, the improvements shall be constructed in such a manner as to qualify for insurance against flood damage under the National Flood Insurance Program. The Inspecting Architect or Engineer shall certify to the Lender, upon request of the Lender, at the expense of Sun Hydraulics, that the minimum floor elevations and other construction elements meet the minimum requirements prescribed for the Improvements constructed on the New Plant Property under said Program.

P. Sun Hydraulics has good and marketable title to the New Plant Property and Suninco has good and marketable title to the Existing Plant Property, free and clear of any liens, claims, encumbrances, or security interests except matters set forth in Schedule B of the Title Policy, and Borrower will defend such title against the claims and demands of all persons except as above stated.

18. AFFIRMATIVE COVENANTS OF SUN HYDRAULICS. Sun Hydraulics agrees to the following:

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 Sun Hydraulics or against Sun Hydraulics' property

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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. Maintain with financially sound and reputable insurance companies insurance of the kinds, covering the risks, and in the amounts usually carried by companies engaged in businesses similar to that of Sun Hydraulics. Sun Hydraulics will also exhibit or deliver such policies of insurance to Lender upon request of Lender and provide appropriate loss payable or mortgagee clauses in the insurance policies in favor of Lender, as its interest may appear, when requested by Lender.

C. Maintain executive personnel and management reasonably satisfactory to Lender.

D. Permit any representative or agent of Lender to examine and audit any or all of Sun Hydraulics' books and records when requested by Lender.

E. Inform Lender immediately of any material adverse change in the financial condition of Sun Hydraulics. Sun Hydraulics will also promptly inform Lender of any litigation or threatened litigation which might substantially affect Sun Hydraulics' financial condition.

F. Maintain Sun Hydraulics' property and equipment in a state of good repair.

G. Sun Hydraulics will comply promptly with the requirements of all applicable governmental authorities.

H. The Notice(s) of Commencement for the Improvements required for compliance with Florida Construction Lien Act shall be recorded with the Clerk of the Circuit Court of the county in which the New Plant Property is located. Unless otherwise agreed by Lender in writing, prior to Sun Hydraulics re-commencing construction on the Improvements, the Contractor shall warrant to Lender that a certified copy of a Notice of Commencement as required for compliance with Florida Construction Lien Act has been posted on the New Plant Property, and Sun Hydraulics hereby warrants to Lender that such Notice of Commencement will be timely posted and, after posting will remain posted. Such Notice of Commencement shall designate such person as Lender may from time to time direct, as the person or entity upon whom notice shall be served as

provided in Florida Statutes Section 713.13(1)(b).

I. Sun Hydraulics will permit Lender, or its representatives, and the Inspecting Architect or Engineer to enter upon the New Plant Property, inspect the Improvements and all materials to be used in the construction thereof and to examine all detailed plans and shop drawings which are or may be kept at the

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construction site and will cooperate and cause all contractors to cooperate with the Inspecting Architect or Engineer to enable him to perform his functions hereunder.

J. Sun Hydraulics will receive the advances to be made hereunder and will hold the same as a trust fund for the purpose of paying the costs of construction of the Improvements as shown on the Budget submitted to Lender and for no other purpose.

K. Sun Hydraulics will deliver to Lender, on demand, any contracts, bills of sale, statements, receipted vouchers or agreements, under which Sun Hydraulics claims title to any materials, fixtures or articles incorporated in the Improvements or subject to the lien of the Mortgage.

L. Sun Hydraulics will, upon demand of the Lender or Inspecting Architect or Engineer, correct any defect in the Improvements or any departure from the Plans and Specifications not approved by Lender, or which does not conform to all governmental requirements. The disbursement of any Loan proceeds shall not constitute a waiver of Lender's right to require compliance with this covenant with respect to any such defects or departures from the Plans and Specifications not theretofore discovered by, or called to the attention of, the Inspecting Architect or Engineer.

M. Sun Hydraulics will comply with all restrictive covenants affecting the New Plant Property.

N. Sun Hydraulics warrants that all construction of the Improvements will only be performed by contractors and subcontractors duly licensed and that copies of all contracts with such contractors and subcontractors will be promptly furnished to Lender and will not be amended without Lender's consent.

O. Copies of all change orders for construction of the Improvements shall be furnished to Lender. All change orders which in the opinion of Lender materially change the Plans and Specifications, or materially reduce the value of the Improvements, shall be subject to the approval by Lender. Material changes shall be deemed to include, but shall not be limited to changes to the size, location, foundation footprint, or layout and those change orders which increase or decrease the total cost of construction by \$10,000.00 or more.

P. Sun Hydraulics shall obtain and deliver to Lender the originals or certified copies of all permits required by all governmental authorities for the development of the New Plant Property (collectively the "Permits"). In the event any Permit is revoked or subjected to attack by action before any court, administrative agency or other body having jurisdiction, Lender may refuse to make further advances under this Agreement, and at

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Lender's option declare the full unpaid balance of the Loan due and payable.

Q. If at any time counsel for the Lender is of the opinion that any disbursement of the Loan is not secured or will or may not be secured by the Mortgage as a first lien on the New Plant Property and a second

lien on the Existing Plant Property, or if Lender becomes aware of a title defect in the New Plant Property not disclosed by the Title Policy, then the Sun Hydraulics shall, within ten (10) days after written notice by the Lender, take all action necessary to assure to the satisfaction of counsel for the Lender that the title defect has been cured and any disbursement previously or thereafter made is secured or will be secured by the Mortgage as required hereby. Lender, at its option, may decline to make further disbursements hereunder until the Lender has received such assurance.

R. Sun Hydraulics shall furnish to Lender from time to time, as and when required by Lender, evidence satisfactory to the Lender that Sun Hydraulics or Sun Hydraulics' Contractors, as applicable, have or can obtain all necessary materials as and when required for the completion of the Improvements and at costs in accordance with the Budget furnished Lender by Sun Hydraulics. The Lender shall be the sole judge of the sufficiency of such evidence.

S. Sun Hydraulics agrees to forward to Lender any notice, order, correspondence or information within ten (10) days of receipt thereof by Sun Hydraulics which might affect the availability of sewer or water facilities to the New Plant Property, or the capacity of any such facility to handle the Improvements. Within ten (10) days thereafter, if so requested by Lender, Sun Hydraulics shall submit evidence to Lender of the remedial action deemed necessary to provide adequate sewer and water facilities, and as soon as possible shall provide detailed plans and specifications therefor.

T. (a) No Declaration of Restriction ("Restriction"), plat ("Plat"), or easement ("Easement") affecting the New Plant Property will be recorded unless same has been approved by Lender's counsel in writing, as to form, content, term and inclusion of sufficient provisions for the protection of Lender; (b) any Restriction recorded will provide that in the event Lender forecloses or otherwise comes into possession of ownership of the New Plant Property, Lender will have all rights and privileges of Sun Hydraulics and that Lender shall not be liable for any past-due assessments or for any assessments while Lender remains the owner of the New Plant Property, and that Lender shall not be subject to any restrictions on the sale or leasing of the New Plant Property; (c) any amendment to the Restriction must be approved in writing by Lender's counsel prior to recordation; (d) any easement submitted for approval shall be accompanied by a surveyor prepared drawing showing the proposed location thereof.

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19. NEGATIVE COVENANTS OF SUN HYDRAULICS. Sun Hydraulics will not, without prior written consent of Lender:

A. Assign, mortgage, pledge, encumber, grant any security interest in, or transfer any of Sun Hydraulics' assets, whether now owned or hereafter acquired, except for the sale of inventory in the ordinary course of Sun Hydraulics' business.

B. Enter into any merger or consolidation, except as contemplated pursuant to paragraph 24 below.

C. Sell, lease, transfer, or otherwise dispose of all or any substantial part of its assets, whether now owned or hereafter acquired.

D. Change the name in which it does business.

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

F. Enter into any asset sale/leaseback arrangement.

G. Cause or permit any change in management of Sun Hydraulics' operations.

20. AFFIRMATIVE COVENANTS OF SUNINCO. Suninco 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 Suninco or against Suninco'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. Maintain with financially sound and reputable insurance companies insurance of the kinds, covering the risks, and in the amounts usually carried by companies engaged in businesses similar to that of Suninco. Suninco will also exhibit or deliver such policies of insurance to Lender upon request of Lender and provide appropriate loss payable or mortgagee clauses in the insurance policies in favor of Lender, as its interest may appear, when requested by Lender.

C. Maintain executive personnel and management reasonably satisfactory to Lender.

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

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

F. Maintain Suninco's property and equipment in a state of good repair.

21. **NEGATIVE COVENANTS OF SUNINCO.** Suninco will not, without prior written consent of Lender:

A. Assign, mortgage, pledge, encumber, grant any security interest in, or transfer any of Suninco's assets, whether now owned or hereafter acquired.

B. Enter into any merger or consolidation, except as contemplated by paragraph 24 below.

C. Sell, lease, transfer, or otherwise dispose of all or any substantial part of its assets, whether now owned or hereafter acquired.

D. Change the name in which it does business, except pursuant to the merger contemplated as set forth in paragraph 24 below.

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

F. Enter into any asset sale/leaseback arrangement.

G. Cause or permit any change in management of Suninco's operations.

22. **FINANCIAL COVENANTS OF SUN HYDRAULICS.** Sun Hydraulics agrees to comply with all of the following covenants. In calculating and determining compliance with the financial covenants set forth below, Sun Hydraulics shall follow and comply with generally accepted accounting principles applied on a consistent basis:

A. Sun Hydraulics will furnish to Lender (i) within 120 days after the close of each fiscal year an annual consolidated profit and loss statement and balance sheet on Sun Hydraulics audited by an independent certified public accountant who is satisfactory to Lender, and consolidated financial statements prepared by Sun Hydraulics; (ii) within 30 days after filing each year, an executed copy of Sun Hydraulics' 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

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condition of Sun Hydraulics as Lender may request from time to time.

B. Sun Hydraulics will maintain its net working capital ("Net Working Capital") in an amount not less than \$1,300,000.00 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 Sun Hydraulics' current assets over current liabilities, which shall be determined in accordance with generally accepted accounting principles as consistently applied in the preparation of Sun Hydraulics' previous financial statements, and Current Ratio shall mean the quotient of current assets divided by current liabilities.

C. Sun Hydraulics will maintain its tangible net worth ("Tangible Net Worth") in an amount not less than \$9,000,000.00 for fiscal year 1996, but increasing the minimum level of Sun Hydraulics' Tangible Net Worth to the following levels as of December 31, for each of the following fiscal years: (i) \$11,000,000 minimum Tangible Net Worth by December 31, 1996; (ii) \$10,875,000 minimum Tangible Net Worth by December 31, 1997 [Lender, Sun Hydraulics and Suninco acknowledge that this is a decrease over the previous fiscal year minimum level]; (iii) \$12,775,000 minimum Tangible Net Worth by December 31, 1998; (iv) \$13,270,000 minimum Tangible Net Worth by December 31, 1999; and (v) \$16,875,000 for fiscal years 2000 through 2006, inclusive. For the purposes of this Agreement, Tangible Net Worth shall mean (i) the aggregate amount of assets shown on the balance sheet of Sun Hydraulics 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.

D. Sun Hydraulics will maintain its ratio of total Liabilities to Tangible Net Worth throughout the term of the Loan at a maximum of 2.5:1. For purposes of this Agreement, the term "Liabilities" shall be computed in accordance with generally accepted accounting principles.

E. Sun Hydraulics will maintain its fixed asset coverage ratio ("Fixed Asset Coverage") throughout the term of the Loan at a minimum of 2.5:1.0. For purposes of this Agreement, the term "Fixed Asset Coverage" shall be computed as follows: Earnings before interest and taxes, plus depreciation, all divided by interest expense plus current maturities of long term debt and capitalized leases.

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F. Sun Hydraulics will maintain its debt service coverage ("Debt Service Coverage") ratio throughout the term of the Loan at a minimum of 1.45:1 on a calendar year basis for all operations of Sun Hydraulics, computed as follows: net profits plus interest, plus depreciation, all divided by interest plus current maturities of long term debt and capitalized leases.

G. Sun Hydraulics will not make any loans or advances to any stockholder of Sun Hydraulics; except that Sun Hydraulics may make annual distributions to its stockholders which do not exceed the total of all Federal income tax liability of the individual shareholders of Sun Hydraulics which is the direct result of the pass-through of gains or losses from Sun Hydraulics to the shareholders, plus \$500,000.00.

H. Sun Hydraulics will not cause or permit Sun Hydraulics' capital expenditures to exceed \$5,000,000.00 per fiscal year.

I. Sun Hydraulics will not incur any debt, execute any guarantees, assume any debt, or endorse any obligation, whether secured or unsecured; except, however, that Sun Hydraulics may incur unsecured trade debt with vendors in the ordinary course of Sun Hydraulics' business, on terms not to exceed sixty (60) days, and that Borrower may guarantee up to a maximum of \$8,000,000.00 of debt incurred by non-U.S. affiliates of Sun Hydraulics.

J. Sun Hydraulics will not make any investments or contributions of capital for any purpose other than: (a) short term money market investments, (b) extensions of credit to purchasers of Sun Hydraulics' products, creating accounts receivable in the normal course of business, (c) extensions of credit to officers and employees of Sun Hydraulics, subject to the approval of Lender, provided that the amount of indebtedness of any single officer or employee shall not exceed \$50,000.00, and further provided that the copies of the notes evidencing such indebtedness shall be furnished to Lender, and (d) capital contributions of up to \$1,500,000.00 to SunOpTech Ltd.

23. FINANCIAL COVENANTS OF SUNINCO. Suninco agrees to comply with all of the following covenants. In calculating and determining compliance with the financial covenants set forth below, Suninco shall follow and comply with generally accepted accounting principles applied on a consistent basis:

A. Suninco will furnish to Lender (i) within 90 days after the close of each fiscal year an annual profit and loss statement and balance sheet on Suninco reviewed by an independent certified public accountant who is satisfactory to Lender; and (ii) such other information reflecting the financial condition of Suninco as Lender may request from time to time.

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B. Suninco will not make any investments or contributions of capital for any purpose.

C. Suninco will not incur any new debt whether secured or unsecured.

D. Suninco will not make any loans or advances to any stockholder of Suninco.

24. MERGER. Sun Hydraulics and Suninco have disclosed to Mortgagee that Sun Hydraulics and Suninco are contemplating a corporate merger, it being the current intent that Suninco will be merged into Sun Hydraulics, with Sun Hydraulics being the surviving corporation. It is currently anticipated that the merger will take place effective as of June 30, 1996. It is agreed that, notwithstanding anything contained herein to the contrary, such merger shall not constitute a default hereunder. It is further agreed that upon such merger becoming effective, Sun Hydraulics shall automatically become fully liable, both prospectively and retroactively, for all duties, obligations, liabilities, warranties, covenants and agreements of Suninco herein created or set forth, without the necessity for the execution of additional documentation. Nonetheless, Sun Hydraulics agrees, upon the request of Lender, to execute such documentation as Lender may require in order to ratify and confirm the assumption of said liability.

25. 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. Any payment of principal or interest on the Loan is not made within fifteen (15) days after payment is due.

B. Any other default occurs under the Note, Mortgage, this Agreement or any other document executed by Borrower in connection with the Loan, which is not cured within the cure period provided in such document, if any.

C. Any provision of the Note, Mortgage, this Agreement, or any other document executed or furnished in connection with the Loan, proves to be untrue or misleading in any material respect.

D. Any warranty, representation, or statement made or furnished the Lender by Borrower in connection with the Loan and this Agreement (including any warranty, representation, or statement in the Borrower's financial statement(s)) or to induce the Lender to extend the Loan, is untrue or misleading in any material respect.

E. Any default occurs under any agreement now or hereafter existing between Borrower and any other creditor which

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default is not corrected within the cure period provided in such agreement, if any; provided, however, that if such default occurs, and the amount claimed against Borrower is \$50,000.00 or less, and Borrower has, in good faith, disputed the claim and is actively contesting the claim pursuant to appropriate proceedings, then such default shall not constitute a default hereunder, unless and until Borrower ceases to actively contest the claim or a judgment, holding or award for the claim is entered against Borrower.

F. Any voluntary or involuntary bankruptcy, reorganization, insolvency, arrangement, receivership, or similar proceeding is commenced by or against Borrower under any federal or state law, or Borrower makes any assignment for the benefit of creditors.

G. Borrower suffers or permits any lien, encumbrance, or security interest to arise or attach to any of their respective properties, or any judgment is entered against either Borrower that is not satisfied or appealed within 30 days.

H. Any interest in Sun Hydraulics or Suninco, whether held directly or indirectly, is sold, assigned or transferred so as to cause the majority ownership interest or control of any of those entities to be held by persons other than Robert Koski and the members of his immediate family.

26. 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 set forth in the Note, the Mortgage, all other Loan Documents and 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.

27. ATTORNEYS' FEES AND COSTS. Borrower promises and agrees to pay all costs of collection and attorneys' costs and fees, including fees for paralegals and 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.

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28. 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.

29. SIGNS AND ADVERTISING. Lender shall have the right and option to have its name on any sign advertising the New Plant Property and to install a sign on the New Plant Property indicating that Lender is furnishing construction financing.

30. MISCELLANEOUS TERMS AND PROVISIONS. The following terms, covenants and conditions shall be applicable:

A. Any notice required or permitted to be given by this Agreement shall be given or made in writing, including telex and telecopy, and shall be, as elected by the party giving such notice, served personally by messenger or courier service, telexed, telecopied, or mailed postage prepaid, by regular, registered or certified mail:

(1) In the case of the Lender, addressed to:

Northern Trust Bank of Florida, N.A.
Attn: Loan Department
1515 Ringling Boulevard
Sarasota, Florida 34236

(2) In the case of the Sun Hydraulics, addressed to:

Sun Hydraulics Corporation
Attn: Clyde G. Nixon
1500 University Parkway
Sarasota, Florida 34243

(3) In the case of the Suninco, addressed to:

Suinco, Inc.
Attn: Clyde G. Nixon
1500 University Parkway
Sarasota, Florida 34243

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Any notice given in accordance with the provisions of this paragraph shall be deemed to be effective if personally delivered on the date of such delivery or on the date sent if by telecopy or telex, or, if mailed, two days after the date upon which mailed. Each party may give notice to the other party of a change of its address for the purposes of giving notice under this subparagraph.

B. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

C. The remedies herein provided shall be in addition to and not in substitution for the rights and remedies which would otherwise be vested in Lender in any Loan Document or in law or equity, all of which rights and remedies are specifically reserved by Lender. The remedies herein provided or otherwise available to Lender shall be cumulative and may be exercised concurrently.

D. The term "Borrower" as used herein shall mean Sun Hydraulics Corporation and Suninco, Inc., jointly and severally, individually and collectively, and their respective successors and assigns.

E. In this Agreement, whenever the context so requires, the neuter gender includes the feminine and/or masculine, as the case may be, and the singular number includes the plural. In all cases, time is of the essence of this Agreement.

F. The terms, conditions, covenants, agreements, powers, privileges, notices and authorizations herein contained shall be binding upon and the benefit inure to the heirs, executors, administrators, successors and, to the extent permitted hereunder, to the assigns of each of the respective parties hereto. Notwithstanding the foregoing, neither Borrower nor Suninco shall assign or transfer voluntarily or by operation of law or otherwise dispose of this Agreement, or any rights in Lender's commitment, or any moneys, property or funds deposited with Lender. An assignment or transfer in violation of this provision shall be invalid, and an assignment or transfer by operation of law shall be deemed to be an invalid transfer.

G. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. It shall be no defense to any party signing a counterpart that all parties did not sign any counterpart.

H. This Agreement shall be deemed to be made under the laws of the State of Florida and shall be construed in accordance with and governed by the laws of such state.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first written above.

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

SUNINCO, INC., a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

BORROWER

NORTHERN TRUST BANK OF FLORIDA, N.A.

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

LENDER

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EXHIBIT 4.14

Prepared by and return to:
Michele B. Grimes, Esq./rlt
Williams, Parker, Harrison, Dietz & Getzen
200 South Orange Avenue
Sarasota, Florida 34236
(941) 366-4800

MORTGAGE

THIS INDENTURE made on June 14, 1996, by and between SUN HYDRAULICS CORPORATION, a Florida corporation ("Sun Hydraulics"), and SUNINCO, INC., a Florida corporation ("Suninco") [Sun Hydraulics and Suninco are sometimes collectively referred to herein as "Mortgagor"], whose post office address is 1500 University Parkway, Sarasota, FL 34243, and NORTHERN TRUST BANK OF FLORIDA, N.A. ("Mortgagee"), whose post office address is 1515 Ringling Boulevard, Sarasota, FL 34236;

WITNESSETH:

Mortgagor has received a loan in the principal amount of Six Million One Hundred Eighty Seven Thousand and 00/100 Dollars (\$6,187,000.00), as evidenced by a promissory note of even date herewith (the "Note") executed under seal by Mortgagor, as maker, payable to the order of Mortgagee. The maturity date of the Note is July 1, 2006.

NOW, THIS INDENTURE WITNESSETH: That Mortgagor, for the better securing of the several sums of money mentioned in the Note, has granted, bargained, sold, alienated, remised, released, conveyed, and confirmed unto Mortgagee, its successors and assigns forever, that certain property in Manatee County, State of Florida, described as follows ("Real Property"):

Property described on Exhibit "A" attached hereto.

together with all and singular the tenements, hereditaments, appurtenances, riparian and littoral rights, privileges, rights, interests, dower, reversions, remainders and easements thereunto appertaining, all of which, together with all of the following, will hereinafter be referred to as the "Mortgaged Property", whether now owned or hereafter acquired or existing:

(a) all structures and improvements now or hereafter on the Real Property;

(b) all right, title, and interest of Mortgagor to the minerals, soil, flowers, shrubs, crops, trees, timber, emblems and other products now or hereafter on, under or above the Real Property, or any part or parcel thereof;

(c) all royalties, rent, damages, and revenues of every kind, nature, and description whatsoever that Mortgagor may be entitled to receive from any person or entity owning or having or

hereafter acquiring a right to the oil, gas, or mineral rights and reservations with respect to all or any part of the Real Property;

(d) all of Mortgagor's right, title, interest, and privileges arising under all contracts, agreements, licenses, approvals, and permits entered into or obtained in connection with the development or operation of the Real Property, including by way of example and not in limitation: all development and construction permits, approvals, resolutions, variances, licenses, allocations, impact fee credits, and franchises granted by municipal, county, state, and federal governmental authorities, or any of their respective agencies; all architectural, engineering, and construction contracts; all drawings, plans, specifications and plats; and all contracts and agreements for the furnishing of utilities; and all business licenses, liquor licenses, operating licenses, and similar licenses, permits, authorizations, and certificates;

(e) all of Mortgagor's interest in all utility security deposits or bonds now or hereafter deposited in connection with the Real

Property;

(f) all of Mortgagor's interest as lessor in and to all leases or rental arrangements now or hereafter affecting all or any part of the Mortgaged Property, all other rents and profits derived from the Mortgaged Property, and all income or proceeds from the development of or economic activity upon any part of the Mortgaged Property, together with any and all guaranties of such leases or rental arrangements, including all present and future security deposits and advance rentals, and any and all assignments of rent with respect to the Mortgaged Property or any part thereof;

(g) all of Mortgagor's interest in and to any and all contracts and agreements for the sale of the Mortgaged Property, or any part thereof or any interest therein, whether now existing or arising hereafter, including but not limited to all of Mortgagor's interest in and right to earnest money deposits made upon such contracts and agreements;

(h) all land improvements to and upon the Real Property, including water, sanitary, and storm sewer systems, and all related equipment and appurtenances thereto, whether now existing or hereafter located in, upon, over or under the Real Property, including but not limited to all water mains, service laterals, hydrants, valves and appurtenances, and all sanitary sewer lines, including mains, laterals, manholes and appurtenances;

(i) all machinery, apparatus, equipment, fittings, and fixtures, whether actually or constructively attached to the Real Property, and all trade, domestic, and ornamental fixtures and articles of personal property of every kind and nature whatsoever now or hereafter located in, upon, over or under the Real Property,

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or any part thereof, and used or usable in connection with any present or future operation or development of the Real Property, and now owned or hereafter acquired by Mortgagor, including by way of example and not in limitation: heating, air conditioning, freezing, lighting, laundry, incinerating, and power equipment; engines, pipes, wells, water filtering systems and softening devices, water heaters, pumps, tanks, and motors; conduits; switchboards; fire prevention, fire extinguishing, refrigerating, ventilating and communications systems and apparatus; security and fire alarm systems and apparatus; boilers, furnaces, oil burners or units thereof; vacuum cleaning systems; all swimming pools and appurtenances thereto; all electrical and plumbing systems, fixtures, equipment and installations; all furniture, furnishings, draperies, wall beds, attached cabinets, partitions, ducts and compressors, wall and floor coverings, blinds, elevators, escalators, and appliances, including but not limited to stoves, refrigerators, freezers, ovens, dishwashers, washers and dryers, trash compactors, and ice machines; television antennas and cables, storm and screen windows and doors, fans, awnings, and lighting fixtures; all building materials and equipment now or hereafter delivered to the Real Property or stored at an off-site location which are intended to be installed on the Real Property;

(j) all right, title and interest of Mortgagor in and to all unearned premiums accrued, accruing, or to accrue under any and all insurance policies now or hereafter existing which covers all or any portion of the Mortgaged Property; all proceeds or sums payable for the loss of or damage to all or any portion of the Mortgaged Property; all payments received under warranties applicable to all or any portion of the Mortgaged Property; and any other amounts received in satisfaction of claims for defects in such property.

(k) all trade names, trademarks, patents, copyrights, and fictitious names and all pending applications for trade names, trademarks, patents, copyrights, or fictitious names used by Mortgagor in connection with the Mortgaged Property or any business operation or endeavor located on the Real Property;

(l) all awards or payments, including interest thereon, and the right to receive the same, as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade of any street, or (c) any

other injury to, taking of, or decrease in the value of the Mortgaged Property;

(m) all substitutions for, accessions to, changes of, additions to, and replacements of all or any part of the Mortgaged Property; and

(n) all proceeds of any of the Mortgaged Property, which proceeds shall include whatever is receivable or received when all or any part of the Mortgaged Property is sold, collected,

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exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all goods, accounts, chattel paper, general intangibles, documents of title, inventory, equipment, and all rights to insurance payments, including return premiums, with respect to the Mortgaged Property.

AND MORTGAGOR (and if more than one, each of them jointly and severally) does hereby covenant and agree with Mortgagee as follows:

1. WARRANTIES. Sun Hydraulics is the owner in fee simple of Parcel 1 described on Exhibit "A" attached hereto ("Parcel 1") and that portion of the Mortgaged Property located on or relating to Parcel 1, and Suninco is the owner in fee simple of Parcel 2 described on Exhibit "A" attached hereto ("Parcel 2") and that portion of the Mortgaged Property located on or relating to Parcel 2. Sun Hydraulics and Suninco each have full power and right to mortgage their respective properties. The Mortgaged Property is free from all liens and encumbrances, except those set forth on Exhibit "B" attached hereto. Mortgagor does hereby fully warrant the title to the Mortgaged Property, and will defend it against the lawful claims of all persons whomsoever.

2. FURTHER ASSURANCES. Mortgagor agrees to execute and deliver to Mortgagee and to any subsequent holder from time to time, upon demand, any further instrument or instruments, including but not limited to mortgages, security agreements, financing statements, assignments, and renewal and substitution notes so as to reaffirm, to correct and to perfect the evidence of the obligation hereby secured and the security interest of Mortgagee in and to all or any part of the Mortgaged Property whether now owned or hereafter acquired, and whether now mortgaged, later substituted for, or acquired subsequent to the date of this Mortgage and extensions or modifications thereof.

3. SECURED INDEBTEDNESS. This Mortgage is given as security for the Note and also as security for any and all other sums, indebtedness, obligations and liabilities of any and every kind now or hereafter during the term hereof owing and to become due from Mortgagor to Mortgagee incurred, evidenced, acquired or arising under the Note, this Mortgage or any other loan document executed in connection herewith, all of which are collectively referred to herein as the "Secured Indebtedness."

4. PAYMENT. Mortgagor will pay the sums of money agreed to be paid under this Mortgage and the Note, including any extensions or renewals thereof, according to the true effect and meaning thereof and in conformity with all of the terms, provisions and conditions as agreed therein.

5. TAXES AND ASSESSMENTS. Mortgagor will pay all taxes, assessments, levies, liabilities, liens, obligations and

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encumbrances of every kind and nature on the Mortgaged Property before delinquency. Mortgagor will pay all taxes, fees, assessments, and other similar charges (except income taxes) imposed by any federal, state or local government or agency thereof on or with respect to the Note, this Mortgage, or the

indebtedness secured hereby. Any penalties or interest required to be paid with respect to any of the aforesaid charges shall be paid by Mortgagor. If Mortgagor fails to pay these amounts before delinquency, Mortgagee may pay the same and charge Mortgagor as provided in the Performance by Mortgagee paragraph contained herein.

6. CASUALTY INSURANCE. Mortgagor will insure all improvements on the Mortgaged Property by carrying fire and extended coverage insurance policies containing the standard mortgagee clause (also known as the standard or union mortgage clause) making all loss payable to Mortgagee as its interest may appear and providing that the insurance, as to the interest of Mortgagee therein, shall not be invalidated by any act or neglect of Mortgagor. Mortgagor will purchase such insurance policies from a good and responsible insurance company acceptable to Mortgagee for the full insurable value of the Mortgaged Property, and will deliver all such policies and renewals thereof to Mortgagee. In the event any sum of money becomes payable under the policies described in this paragraph, or any sum of money becomes payable by third persons or their insurance companies because of loss or damage to the Mortgaged Property, such sum shall be applied either in the reduction of the Secured Indebtedness, applying the same to the payments last due under the Note, or in restoration of the Mortgaged Property, as Mortgagee may elect. If Mortgagor shall fail to insure the Mortgaged Property as required under the terms of this paragraph, Mortgagee may do so and charge Mortgagor as provided in the Performance by Mortgagee paragraph contained herein.

7. FLOOD INSURANCE. If the Mortgaged Property is located wholly or in part within a special flood hazard area, as now or hereafter defined by the Department of Housing and Urban Development on the Flood Insurance Rate Map for the county in which the Mortgaged Property is located, then flood insurance for the improvements must be maintained at all times during the term of this Mortgage. The flood insurance policy shall name Mortgagee as a loss payee, as its interest may appear, and shall be in the amount of the full insurable value of the Mortgaged Property, or, if specifically permitted by Mortgagee, in such lesser amount as is equal to the maximum limit of coverage made available with respect to the Mortgaged Property under the National Flood Insurance Program. Mortgagor shall deliver such policy and renewals thereof to the Mortgagee. In the event any sum of money becomes payable under the policy described in this paragraph because of loss or damage to the Mortgaged Property, such sum shall be applied either in the reduction of the Secured Indebtedness, applying the same to the payments last due under the Note, or in restoration of the

Mortgaged Property, as Mortgagee may elect. If Mortgagor shall fail to insure the Mortgaged Property as required under the terms of this paragraph, Mortgagee may do so and charge Mortgagor as provided in the Performance by Mortgagee paragraph herein. Mortgagor warrants and covenants to Mortgagee that the improvements located on the Mortgaged Property have been built in compliance with all Federal, State, and local laws, ordinances, rules and regulations relating to properties located within special flood hazard areas, and Mortgagor shall not construct or cause to be constructed any improvements on the Mortgaged Property which do not comply with such laws, ordinances, rules and regulations.

8. LIABILITY INSURANCE. Mortgagor shall at all times maintain public liability insurance insuring against all claims for personal or bodily injury, death or property damage occurring upon, in or about the Mortgaged Property in amounts not less than Three Million and 00/100 Dollars (\$3,000,000.00) single limit coverage for each of the Parcels. Such insurance coverage shall be in form and with companies approved by Mortgagee. Mortgagor shall furnish to Mortgagee evidence that such insurance is in effect, upon request, at no cost to Mortgagee.

9. DEFAULT. Mortgagor shall be in default under this Mortgage upon the happening of any of the following events or conditions: (a) failure or omission to pay when due the Note (or any installment of principal or interest thereunder) within fifteen (15) days after payment is due; (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 this Mortgage, the Note, or any other loan document executed in connection herewith, or upon the existence or occurrence of any circumstance or event deemed a default under the Note or any other loan document executed in connection herewith; (c) any warranty, representation or statement made or furnished to Mortgagee for the purpose of inducing Mortgagee to accept this Mortgage, or to make any extension of the Secured Indebtedness, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage on the Mortgaged Property (whether such other mortgage be held by Mortgagee or by a third party); (e) the institution of foreclosure proceedings of another mortgage or lien of any kind on the Mortgaged Property (whether such other mortgage or lien be held by Mortgagee or by a third party); (f) the default by Mortgagor or any party obligated under the Note or any guaranty thereof or any affiliate of any of the foregoing ("Affiliated Companies") in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, obligation or agreement held by Mortgagee, specifically including but not limited to that certain mortgage loan outstanding from Mortgagee to Suninco evidenced by promissory note dated April 10, 1996, in the original principal amount of \$2,475,000.00 ("Existing Plant Loan"), that certain revolving line of credit outstanding from Mortgagee to Sun Hydraulics in the amount of

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\$1,700,000.00 ("Line of Credit"), and that certain loan outstanding from Mortgagee to Sun Hydraulics evidenced by promissory note dated May 20, 1996, in the original principal amount of \$3,063,157.00 ("Equipment Loan"); (g) the death, dissolution, termination of existence, insolvency, or business failure of Mortgagor or any party obligated under the Note or any guaranty thereof; (h) the appointment of a receiver of any part of the Mortgaged Property; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against Mortgagor or by or against any person obligated under the Note or any guaranty thereof; (j) falsity in any material respect of, or any material omission in, any representation or statement made to Mortgagee by or on behalf of Mortgagor or any person obligated under the Note or any guaranty thereof, in connection with this Mortgage; (k) loss, theft, substantial damage, or destruction, not covered by collectible insurance, of any of the Mortgaged Property or any levy, seizure or attachment thereof; (l) the sale or transfer of any of the Mortgaged Property; or (m) the mortgage, pledge, assignment, or granting of a security interest in any of the Mortgaged Property. Upon the occurrence of any such default or at any time thereafter, subject to the grace period, if any, provided in the Note, Mortgagee may, at its option, declare the whole amount of principal and interest provided for in and by the Note, and any and all other Secured Indebtedness, immediately due and payable without demand or notice of any kind to any person, and the same thereupon shall become immediately due, payable and collectible (by foreclosure or otherwise) at once and without notice to Mortgagor. Any default hereunder shall constitute a default under any other mortgage, note, obligation or agreement of Mortgagor, or any Affiliated Company, or any party obligated under the Note or any guaranty thereof, held by Mortgagee, specifically including but not limited to the Existing Plant Loan, the Line of Credit, and the Equipment Loan. The agreements contained in this paragraph to create cross-defaults under all mortgages, notes, obligations and agreements between Mortgagor (or any party obligated under the Note or any guaranty thereof) and Mortgagee, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, notes, obligations or agreements is a material and specific inducement and consideration for the making by Mortgagee of the Loan evidenced by the Note. Notwithstanding the provisions of the foregoing to the contrary, in the event of a non-monetary default of the type set forth in subsections (b), (d) or (e) of the foregoing, then prior to Mortgagee precipitating to maturity the full unpaid balance of the Note or otherwise exercising any rights available to Mortgagee under the terms of the Note or any other loan document executed in connection therewith, Mortgagee shall give written notice to Mortgagor and Mortgagor shall have a period of thirty (30) days from the date such notice is given in which to cure such default; provided, however, if such default cannot, with due diligence, be cured within said 30 day period, and such default does not threaten to impair Mortgagee's security for the Note, then the 30 day period

shall be extended for such period as may be reasonably necessary to complete the curing of same, provided that Mortgagor proceeds with all due diligence and continuity to cure the default. Notice required hereunder may, at the option of Mortgagee, be given by either certified mail, registered mail, regular mail, facsimile transmission, Federal Express or other express courier, or by personal delivery, and shall be deemed given when mailed, transmitted, placed with the courier, or delivered to Mortgagor, whichever is first. In the event the default is not cured within the time provided, then Mortgagee shall have the right to accelerate the Note and proceed to enforce the Note and the loan documents, without further notice to Mortgagor.

10. COSTS, EXPENSES, AND ATTORNEYS' FEES. In the event of a default under the terms of this Mortgage, the Note, or any other loan documents executed in connection herewith, or any renewals or extensions thereof, Mortgagor shall pay all costs, expenses and attorneys' fees incurred by Mortgagee in the collection (whether by suit or otherwise) hereof, including those costs, expenses and reasonable attorneys' fees incurred in appellate proceedings. Furthermore, Mortgagor shall pay immediately all costs, expenses and reasonable attorneys' fees incurred (whether in legal proceedings or otherwise) by Mortgagee (including those costs, expenses and reasonable attorneys' fees incurred in appellate proceedings) by reason of the assertion or institution by any person, other than Mortgagee, of any claim, demand, action or proceeding concerning or affecting the Mortgaged Property or the lien created hereby, or concerning or affecting the Note, this Mortgage, or any loan document executed in connection herewith. If Mortgagor shall fail to pay the sums required by this paragraph to be paid, Mortgagee may pay the same and charge Mortgagor as provided in the Performance by Mortgagee paragraph contained herein.

11. MAINTENANCE AND WASTE. Mortgagor shall keep the Mortgaged Property in good order and repair; commit, permit and suffer neither strip nor waste of said property; and comply with all laws, ordinances, regulations and requirements of all governmental bodies applicable to the Mortgaged Property or use thereof. Upon failure of Mortgagor to keep and perform each of the aforesaid covenants, Mortgagee may, at its option, cause or procure the performance thereof including repair and restoration of the Mortgaged Property, and charge Mortgagor with the costs and expenses incurred thereby, as provided in the Performance by Mortgagee paragraph contained herein. Mortgagee may make or cause to be made reasonable entries upon the Mortgaged Property for inspection thereof. Mortgagor shall not construct or cause to be constructed on the Real Property any improvements which extend over the boundary lines of the Real Property or otherwise fail to satisfy applicable setback requirements. Furthermore, Mortgagor shall not construct improvements on the Real Property pursuant to a site plan, development order or other construction plan, which

incorporates property other than the Real Property, without Mortgagee's prior written consent, which consent may be withheld in Mortgagee's absolute and sole discretion.

12. HAZARDOUS SUBSTANCES. Mortgagor has executed in favor of Mortgagee on even date herewith a Certificate and Indemnity Regarding Hazardous Substances ("Indemnity"). All of the terms, covenants and conditions of the Indemnity are incorporated herein by this reference. Any default by Mortgagor under the Indemnity shall constitute a default under the Note, this Mortgage and other Loan documents executed in connection herewith. If Mortgagor shall fail to pay the sums or undertake the actions required by the Indemnity, Mortgagee may, but shall not be required to, pay or perform the same and charge Mortgagor as provided in the Performance by Mortgagee paragraph contained herein. The terms and liabilities of and under the Indemnity shall survive any foreclosure of this Mortgage, or deed in lieu thereof.

13. CONDEMNATION. In the event the Mortgaged Property or any part thereof be taken under the power of eminent domain, Mortgagee shall have the right, whether the value of Mortgagee's security be impaired by the taking or not, to demand and receive all sums awarded for the taking of or damages to the Mortgaged Property (including but not limited to severance and business damages) up to the amount then unpaid on the obligations secured hereby and to apply the same upon the payments last due thereon. Failure by Mortgagor to cause delivery to Mortgagee of such sums shall constitute a default hereunder.

14. RECEIVERSHIP. In the event any suit is instituted upon the Mortgage, or to foreclose or reform it, or to enforce payment of any claims hereunder, Mortgagee shall have the right to the appointment of a receiver, without notice, of the Mortgaged Property, including the rents, income, profits, issues and revenues thereof. Such receiver shall have all the powers which can be in any way entrusted by a court to a receiver. Such appointment shall be made by the court as an admitted equity and absolute right to Mortgagee, and without reference to the adequacy or inadequacy of the value of the Mortgaged Property or to the solvency or insolvency of Mortgagor or of the other defendants, and said rents, profits, income, issues and revenues shall be applied to the Secured Indebtedness.

15. ABSOLUTE ASSIGNMENT OF RENTS. In further consideration for the indebtedness evidenced by the Note, Mortgagor hereby absolutely and unconditionally assigns to Mortgagee all rents, revenues, profits and incomes from the Mortgaged Property or any portion thereof. Provided, however, so long as no default has occurred, Mortgagor is hereby granted a license to collect and retain the currently accruing rents, income and profits from the Mortgaged Property, but in no event for more than one (1) month in advance of such collection. If a default shall occur, however,

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thereupon, and at any time thereafter such default is continuing, Mortgagee may terminate such license and may, without any liability to Mortgagor, take possession and control of the Mortgaged Property and/or receive and collect all rents, revenues, profits and income, accrued or accruing thereafter so long as any of the Secured Indebtedness remains unpaid, applying so much thereof as may be collected first to the expenses incident to taking possession and/or the collection thereof, and second to the payment of the Secured Indebtedness other than the Note, and third to the amount of the Note then remaining unpaid, whether then matured or not, and fourth paying the balance, if any, to the Mortgagor. It is intended by Mortgagor and Mortgagee that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only, and that Mortgagee shall be entitled to exercise its rights hereunder whether or not Mortgagee is in possession of the Mortgaged Property at such time. Mortgagor agrees to fulfill or perform each and every covenant of any and all leases of the Mortgaged Property so as to keep them at all times in full force and effect, and not to make any modification, consent to any modification of, or cancel any lease of all or any part of the Mortgaged Property after the lease has been executed by Mortgagor and lessee, without the prior written consent of Mortgagee; the failure to fulfill or perform any such covenant or the making of or consent to any such modification or cancellation shall be a default under this Mortgage, the Note, and all other documents executed in connection herewith.

16. INSURANCE POLICIES AND UTILITY DEPOSITS. In the event of foreclosure of this Mortgage or a transfer of title to the Mortgaged Property in lieu of foreclosure, all right, title and interest of Mortgagor in and to any insurance policies then in force, and all deposits and all advance payment for utility service of any kind or nature, heretofore or hereafter deposited by Mortgagor for such utility service in connection with the operation of the Mortgaged Property, will pass to the purchaser or grantee.

17. MODIFICATIONS AND RENEWALS. The rate of interest and time of payment of the Note may from time to time be modified as to terms or extended for any period (whether or not longer than the original period of said Note) by mutual agreement of the holder hereof with the then owner of the Mortgaged Property, and all parties having liability, either primary or secondary, under

the Note hereby waive notice thereof and covenant and agree that no such modifications or extensions shall operate to release the personal obligation of any of them as mortgagors, makers, guarantors, sureties or endorsers. Mortgagor (and each of them, if more than one) further agrees that no waiver by Mortgagee or the holder hereof of any default shall operate as a waiver of any other default or of the same default on a future occasion; that the exchange, release, surrender or sale of all or any real property or collateral which may be given or may have been given to secure the repayment of the Note and other obligations secured hereby shall

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not release or discharge any Mortgagor or other party liable hereunder, and agrees that the release of any Mortgagor or other party liable upon or in respect of this Mortgage or the Note or other obligations secured hereby shall not release any other such party or Mortgagor.

18. PERFORMANCE BY MORTGAGEE. If Mortgagor defaults in any of the covenants or agreements contained in this Mortgage, in the Note, or in any other loan document executed in connection herewith, Mortgagee may perform the same or procure their performance without waiving or affecting the option to foreclose or any right hereunder, and all costs, payments and expenditures (including reasonable attorneys' fees as herein provided) made by Mortgagee in so doing shall be charged to Mortgagor, shall become immediately due and payable and shall bear interest at the maximum rate permitted by law or twenty-five percent (25%) per annum, whichever is less. If said sums are not immediately paid, they shall be added to and become part of the Secured Indebtedness.

19. FUTURE ADVANCES. This Mortgage secures and shall be security for any and all future advances made by Mortgagee to Mortgagor (or any of them, if more than one), provided, however, that said future advances be made within twenty (20) years from the date hereof, and that the total unpaid balance secured hereby at any one time shall not exceed the amount of the Note plus \$1,000,000.00, together with interest thereon at the rate then agreed upon, pursuant to Florida Statutes, Section 697.04. Nothing contained herein shall be deemed an obligation on the part of Mortgagee to make any further advances.

20. SUBROGATION. To the extent of the Secured Indebtedness, Mortgagee is subrogated to the lien or liens and to the rights of the owners and holders thereof of each mortgage, lien or other encumbrance on the Mortgaged Property which is paid or satisfied, or both, in whole or in part, out of the proceeds of the loan secured hereby, and the respective liens of said mortgages, liens or other encumbrances shall be preserved and shall pass to and be held by Mortgagee as security for the indebtedness hereby secured to the same extent that it would have been preserved and would have been passed to and been held by Mortgagee had it been duly and regularly assigned to Mortgagee by separate assignment notwithstanding the fact that the same may be satisfied and canceled of record.

21. SECURITY AGREEMENT. This instrument also serves as a Security Agreement and creates a security interest in favor of Mortgagee under the Florida Uniform Commercial Code (the "UCC") with respect to all of the Mortgaged Property to which the UCC is applicable. Mortgagee shall have all rights, privileges and remedies, including notice, of a secured party under the UCC, without limitation upon or in derogation of the rights and remedies created under and accorded Mortgagee by this Mortgage, it being

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understood that the rights and remedies of Mortgagee under the UCC shall be cumulative and in addition to all other rights and remedies of Mortgagee arising under the common law or any other laws of the State of Florida or of any other jurisdiction. On demand Mortgagor shall promptly execute, and pay all costs and expenses of filing, financing statements, continuation statements,

modification statements, and termination statements deemed necessary or appropriate by Mortgagee to establish and maintain the validity and priority of the security interest of Mortgagee. If notice is required under this Mortgage and the UCC, then such requirement of notice shall be reasonably met if such notice is mailed postage prepaid to Mortgagor at the address for Mortgagor shown on the records of Mortgagee at least five days in advance of the sale, or disposition, or other event for which notice is required.

22. APPRAISALS. Upon the request of Mortgagee during the term of this Mortgage, updated appraisals of the Mortgaged Property shall be prepared at Mortgagor's expense. Such appraisals shall be prepared in accordance with written instructions from Mortgagee, shall be certified to Mortgagee, and shall be prepared by a professional appraiser satisfactory to Mortgagee, who is certified and appropriately licensed by the State of Florida.

23. DUE ON SALE. The entire Secured Indebtedness may, at Mortgagee's sole option, become immediately due and payable in the event of the sale or transfer of (i) all or any part of the Mortgaged Property, or any interest therein, or (ii) any beneficial or ownership interest in Mortgagor, whether held or owned directly or indirectly (if Mortgagor, or any of them, is not a natural person or persons, but is a corporation, partnership, trust, estate or other legal entity), except as may be permitted under the terms of the Loan Agreement referenced in paragraph 25 below.

24. OTHER LIENS AND MORTGAGES. Mortgagor shall not cause or permit to attach to the Mortgaged Property, any liens or mortgages other than this Mortgage, except for that certain first mortgage held by Mortgagee which encumbers Parcel 2 ("First Mortgage").

25. LOAN AGREEMENT. In connection with the making of the loan evidenced by the Note, Mortgagor and Mortgagee have entered into a Loan Agreement of even date herewith, the terms and conditions of which are hereby incorporated as a part of this Mortgage by this reference. Any default under the Loan Agreement shall constitute a default hereunder.

26. MERGER. Sun Hydraulics and Suninco have disclosed to Mortgagee that Sun Hydraulics and Suninco are contemplating a corporate merger, it being the current intent that Suninco will be merged into Sun Hydraulics, with Sun Hydraulics being the surviving corporation. It is currently anticipated that the merger will take place effective as of June 30, 1996. It is agreed that,

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notwithstanding anything contained herein to the contrary, such merger shall not constitute a default hereunder. It is further agreed that upon such merger becoming effective, Sun Hydraulics shall automatically become fully liable, both prospectively and retroactively, for all duties, obligations, liabilities, warranties, covenants and agreements of Suninco herein created or set forth, without the necessity for the execution of additional documentation. Nonetheless, Sun Hydraulics agrees, upon the request of Mortgagee, to execute such documentation as Mortgagee may require in order to ratify and confirm the assumption of said liability.

27. MISCELLANEOUS. Time is of the essence hereof. Mortgagor waives all rights of homestead and other exemptions granted by the constitution and laws of Florida. The terms "Mortgagor" and "Mortgagee" as used herein shall include their respective heirs, devisees, personal representatives, grantees, successors and assigns. The term "Mortgagor" shall include each person signing this Mortgage, jointly and severally, individually and collectively. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. The terms "person" and "party" shall include individuals, firms, associations, joint adventures, partnerships, estates, trusts, business trusts, syndicates, fiduciaries, corporations and all other groups or combinations. Titles of paragraphs contained herein are inserted only as a matter of convenience and for reference, and in no way define, limit, extend, or describe the scope of this Mortgage or the intent of any provisions hereunder. This Mortgage, the Note, and all loan documents executed in connection herewith shall be construed under Florida law.

TO HAVE AND TO HOLD the above granted and described Mortgaged Property unto Mortgagee, its successors and assigns forever; provided, however, that if Mortgagor shall pay the Secured Indebtedness and shall well and truly keep, observe and perform all the other covenants and stipulations of this Mortgage, the Note and the other loan documents executed in connection herewith, then this conveyance of mortgage shall become null and void, but otherwise shall remain in full force and effect.

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be signed the date above written.

SUN HYDRAULICS CORPORATION,
a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

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SUNINCO, INC., a Florida corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

MORTGAGOR

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STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this 14th day of June 1996 by Clyde G. Nixon, as President of Sun Hydraulics Corporation, a Florida corporation, on behalf of the corporation. The above-named person is personally known to me or has produced _____ as identification. If no type of identification is indicated, the above-named person is personally known to me.

<TABLE>

<S>

<C>

/s/ Philomene Staffeld

Signature of Notary Public

(Notary Seal)

Philomene Staffeld

Print Name of Notary Public

I am a Notary Public of the State of
Florida, and my commission expires
on February 28, 1998

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</TABLE>

STATE OF FLORIDA

COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this 14th day of June 1996 by Clyde G. Nixon, as President of Suninco, Inc., a Florida corporation, on behalf of the corporation. The above-named person is personally known to me or has produced _____ as identification. If no type of identification is indicated, the above-named person is personally known to me.

<TABLE>

<S>

<C>

/s/ Philomene Staffeld

Signature of Notary Public

(Notary Seal)

Philomene Staffeld

Print Name of Notary Public

I am a Notary Public of the State of
Florida, and my commission expires
on February 28, 1998

</TABLE>

EXHIBIT 4.15

SECURITY AGREEMENT

FOR VALUE RECEIVED, SUN HYDRAULICS CORPORATION, a Florida corporation ("Borrower") does hereby grant to NORTHERN TRUST BANK OF FLORIDA, N.A. ("Secured Party"), a security interest in and to the following property ("Collateral"):

All inventory, accounts, equipment, furnishings, fixtures, leasehold improvements, contract rights, and all other personal property (tangible and intangible), whether now owned or hereafter acquired by Borrower, located on, derived from, or used in connection with the operation of a manufacturing facility located, or to be located, on the real property described on Exhibit "A" attached hereto ("New Plant"), and located on, derived from, or used in connection with the operation of a manufacturing facility located on the real property described on Exhibit "B" attached hereto ("Existing Plant") [the New Plant and the Existing Plant are sometimes collectively referred to herein as the "Property"],

together with (a) all increases, parts, fittings, accessories, equipment and special tools now or hereafter affixed to all or any part thereof or used in connection therewith, and all replacements of all or any part thereof; (b) any proceeds, return premiums and rebates from any property insurance on the property securing this loan; and (c) any proceeds received should any of the foregoing be sold, exchanged, collected or otherwise disposed of, provided however, no provisions herein shall be construed as or deemed authority for Borrower to sell, exchange or otherwise dispose of the Collateral, without the prior written consent of Secured Party, except for inventory sold in the ordinary course of Borrower's business.

This security interest and assignment is given as security for the payment of a certain promissory note of even date herewith ("Note") and given by Borrower and Suninco, Inc., a Florida corporation ("Suninco") to Secured Party in the amount of \$6,187,000.00 payable as therein provided together, and for the payment of any and all other indebtedness and liabilities whatsoever of Borrower and Suninco to Secured Party, due or to become due, direct, indirect, contingent, several, joint, joint and several and howsoever evidenced or arising and howsoever owned, held or acquired by Secured Party whether through discount, overdraft, purchase, loan, advance, endorsement, guaranty or any other manner whatsoever.

Except for the security interest granted hereby, Borrower is the owner of the Collateral, free from any adverse lien, security interest or encumbrance and Borrower will defend the Collateral against all claims and demands of all persons at any time claiming the same or interest thereon.

Borrower authorizes Secured Party to file in Florida a Financing Statement signed only by Secured Party describing the Collateral as is described herein, and to amend the Financing Statement from time to time to cover the changes in the Collateral, and to do all other acts and things that Secured Party may request to establish and maintain any valid security interest in the Collateral free of all other liens and claims whatsoever to secure the payment of the Note.

Borrower will keep the Collateral at the Property and will not remove the Collateral from the Property without the prior written consent of Secured Party.

Borrower will not sell, transfer, lease or otherwise dispose of any of the Collateral or interest therein without the prior written consent of Secured Party, except for inventory sold in the ordinary course of Borrower's business. Borrower will at all times keep the Collateral free from any adverse liens, security interest or encumbrance and in good order and repair and will not waste or destroy the Collateral or any part thereof. Borrower will not use the Collateral in violation of any statute or ordinance. Secured Party may examine and inspect the Collateral at any time, wherever located.

Borrower will at all times keep the Collateral insured against loss, damage, theft and such other risks as Secured Party may require in such amounts and companies and under such policies and in such form and for such periods as shall be satisfactory to Secured Party, and each policy shall provide that the loss thereunder and proceeds payable shall be payable to Secured Party as its interest may appear. Secured Party may pay proceeds of such insurance to payment of the obligations secured hereby, whether or not due. However, unless Borrower is in default under the Note, this Security Agreement or any other document executed in connection herewith, Secured Party agrees to hold the proceeds of such insurance for a period of sixty (60) days after the occurrence of the loss, and not apply the proceeds to the obligations secured hereby during that 60 days to afford Borrower the opportunity to propose to Secured Party a plan for utilizing the proceeds in an alternative manner. Secured Party shall have no obligation whatsoever to accept Borrower's plan, however, and may proceed to apply the proceeds to the obligations secured hereby after expiration of said 60 day period. Each such policy shall provide for 30 days written minimum cancellation notice to Secured Party and each policy shall if Secured Party requests, be deposited with Secured Party.

Borrower will promptly pay when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement or upon the Note.

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At its option, Secured Party may cure any default existing under this Security Agreement and may charge the Borrower for any expenses or costs thereby sustained, which amounts shall be immediately due and payable by Borrower, and shall accrue at the maximum rate permitted by law from the date of payment by Secured Party.

Borrower shall be in default under this agreement upon the occurrence of any of the following: (a) failure or omission by Borrower and Suninco to pay when due the Note (or any installment of principal or interest thereunder) within fifteen (15) days after payment is due; (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 this Security Agreement, the Note, or any other loan document executed in connection therewith, or upon the existence or occurrence of any circumstance or event deemed a default under the Note or any other loan document executed in connection herewith; (c) any warranty, representation or statement made or furnished to Secured Party for the purpose of inducing Secured Party to make the loan evidenced by the Note, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage or security agreement on the Collateral (whether such other mortgage or security agreement be held by Secured Party or by a third party); (e) the institution of foreclosure proceedings of another mortgage or lien of any kind on the Collateral (whether such other mortgage or lien be held by Secured Party or by a third party); (f) the default by Borrower or Suninco or any party obligated under the Note or any guaranty thereof or any affiliate of any of the foregoing ("Affiliated Companies") in the payment or performance of any obligation, covenant, agreement, or liability contained in any other mortgage, note, security agreement, obligation or agreement held by Secured Party, specifically including but not limited to that certain mortgage loan outstanding from Secured Party to Suninco evidenced by promissory note dated April 10, 1996, in the original principal amount of \$2,475,000.00 ("Existing Plant Loan"), that certain revolving line of credit outstanding from Secured Party to Borrower in the amount of \$1,700,000.00 ("Line of Credit"), and that certain loan outstanding from Secured Party to Borrower evidenced by promissory note dated May 20, 1996, in the original principal amount of \$3,063,157.00 ("Equipment Loan"); (g) the death, dissolution, termination of existence, insolvency, or business failure of Borrower or Suninco, or any party obligated under the Note or any guaranty thereof; (h) the appointment of a receiver of any part of the Collateral; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against Borrower, Suninco, or by or against any person obligated under the Note or any guaranty thereof; (j) falsity in any material respect of, or any material omission in, any

representation or statement made to Secured Party by or on behalf of Borrower, Suninco, or any person obligated under the Note or any guaranty thereof, in connection with this Security

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Agreement; (k) loss, theft, substantial damage, or destruction, not covered by collectible insurance, of any of the Collateral or any levy, seizure or attachment thereof; (l) the sale or transfer of any of the Collateral, except inventory sold in the ordinary course of business, with the exception that the sale of Collateral over the term of the Note which has a total fair market value not exceeding \$50,000.00 will not constitute an Event of Default; or (m) the pledge, assignment, or granting of a security interest in any of the Collateral. Any default hereunder shall constitute a default under any other mortgage, security agreement, note, obligation or agreement of Borrower, Suninco or any Affiliated Company held by Secured Party. The agreements contained in this paragraph to create cross-defaults under all mortgages, security agreements, notes, obligations and agreements between Borrower, Suninco or any Affiliated Company (or any party obligated under the Note or any guaranty thereof) and Secured Party, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, security agreements, notes, obligations or agreements is a material and specific inducement and consideration for the making by Secured Party of the loan evidenced by the Note.

Notwithstanding the provisions of the foregoing paragraph to the contrary, in the event of a non-monetary default of the type set forth in subsections (b), (d) or (e) of the foregoing paragraph, then prior to Secured Party precipitating to maturity the full unpaid balance of the Note or otherwise exercising any rights available to Secured Party under the terms of the Note or any other loan document executed in connection therewith, Secured Party shall give written notice to Borrower and Borrower shall have a period of thirty (30) days from the date such notice is given in which to cure such default; provided, however, if such default cannot, with due diligence, be cured within said 30 day period, and such default does not threaten to impair Secured Party's security for the Note, then the 30 day period shall be extended for such period as may be reasonably necessary to complete the curing of same, provided that Borrower proceeds with all due diligence and continuity to cure the default. Notice required hereunder may, at the option of Secured Party, be given by either certified mail, registered mail, regular mail, facsimile transmission, Federal Express or other express courier, or by personal delivery, and shall be deemed given when mailed, transmitted, placed with the courier, or delivered to Borrower, whichever is first. In the event the default is not cured within the time provided, then Secured Party shall have the right to accelerate the Note and proceed to enforce the Note and the loan documents, without further notice to Borrower.

Borrower and Suninco have disclosed to Secured Party that Borrower and Suninco are contemplating a corporate merger, it being the current intent that Suninco will be merged into Borrower, with Borrower being the surviving corporation. It is currently anticipated that the merger will take place effective as of June

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30, 1996. It is agreed that, notwithstanding anything contained herein to the contrary, such merger shall not constitute a default hereunder. It is further agreed that upon such merger becoming effective, Borrower shall automatically become fully liable, both prospectively and retroactively, for all duties, obligations, liabilities, warranties, covenants and agreements of Suninco herein created or set forth, without the necessity for the execution of additional documentation. Nonetheless, Borrower agrees, upon the request of Secured Party, to execute such documentation as Secured Party may require in order to ratify and confirm the assumption of said liability.

Upon the occurrence of any such default or at any time thereafter, Secured Party may at its option declare all obligations secured hereby immediately due and payable without notice and may thereupon exercise, with respect to the Collateral or any part thereof, any or all rights and remedies available to it under the Florida Uniform Commercial Code, under this Security Agreement, or other under law. All expenses of recovering and disposing of the Collateral shall be borne by Borrower. The requirement of reasonable notice shall be met if such notice is mailed postage prepaid to Borrower at the address shown at the beginning of this Agreement or at any other address shown on the records of Secured Party at least five days before the time of the sale or disposition. Borrower and Suninco shall be and remain liable for any deficiency, and Secured Party shall account to Borrower for any surplus arising after any sale of the Collateral.

Upon the occurrence of any default, Secured Party shall have the right to enter and/or remain upon the Property, without any obligation to pay rent to Borrower, Suninco or others, or any other place or places where any of the Collateral is located or kept, and to remove the Collateral therefrom to the premises of Secured Party or any agent of Secured Party, for such time as Secured Party may desire, in order to maintain, sell, collect and/or liquidate the Collateral; or use the Property, together with materials, supplies, books and records of Borrower, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidating or collecting. Secured Party may require Borrower to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties.

Borrower hereto grants to Secured Party, as the attorney-in-fact of Borrower, full power of substitution and full power to do any and all things necessary to be done in and about the Property and with respect to the Collateral as fully and effectively as Borrower might or could do but for this appointment, and hereby ratifies all that Secured Party shall lawfully do or cause to be done by virtue of such power of attorney. Neither Secured Party nor its agents shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law in its capacity as such

attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable so long as any indebtedness secured by this Agreement shall remain outstanding.

Borrower and Suninco severally waive all rights of homestead exemption, and of presentment, demand for payment, protest, notice of protest and notice of dishonor; consents that the Note or other obligations secured hereby, or any part hereof may from time to time, be extended or renewed without notice for any period (whether or not longer than the original period of the Note or obligation); agree that the exchange, release, surrender or sale of all or any Collateral which may be given as security hereunder shall not release or discharge any party obligated hereunder; agree that the release of any party liable upon or in respect of the Note and other obligations secured shall not release any other such party; and hereby agree to pay, in the event of a default, all costs, expenses and reasonable attorneys' fees (which shall include fees for legal assistants) incurred in the exercise by Secured Party of its rights as a secured party upon default by Borrower, including those costs, expenses and reasonable attorneys' fees incurred in appellate proceedings.

Secured Party shall have the right in its own name or in the name of Borrower to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for, any and all amounts due or to become due on the Collateral and to endorse the name of Borrower on all commercial paper given in payment or part payment thereof and in its discretion to file any claim or take any other action or proceeding which Secured Party may deem necessary or appropriate to protect and preserve and realize upon the security interest of Secured Party in the Collateral.

No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. No delay or omission on the part of Secured Party in exercising any right of remedy shall

operate as a waiver hereof and no single or partial exercise by Secured Party of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Time is of the essence of this agreement. The provisions of this agreement are cumulative and in addition to the other provisions of any liability on the Note or other writing evidencing any liability secured by this agreement or otherwise, and Secured Party shall have all of the benefits, rights and remedies of and under the Note or other writing evidencing any liability secured hereby. In addition to all other rights granted hereunder, Secured Party shall have all of the rights granted a secured party under the Uniform Commercial Code.

Suninco shall be jointly and severally liable with Borrower for all obligations, conditions, warranties, representations, and liabilities imposed upon Borrower hereunder.

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All of the terms used herein which are defined in the Uniform Commercial Code of Florida have, except where the context indicates otherwise, the same meaning herein as in said Code, and this agreement and the obligations hereunder, including matters of construction, validity and performance, shall be governed by the Laws of Florida. Wherever used herein the singular shall include the plural, the plural the singular and the use of any gender shall include all genders.

Dated at Sarasota, Florida, on June 14, 1996.

SUN HYDRAULICS CORPORATION, SUNINCO, INC., a Florida
a Florida corporation corporation

By: /s/ Clyde G. Nixon By: /s/ Clyde G. Nixon

Clyde G. Nixon Clyde G. Nixon
As its President As its President

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STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this ____ day of June 1996 by Clyde G. Nixon, as President of Sun Hydraulics Corporation, a Florida corporation, on behalf of the corporation. The above-named person is personally known to me or has produced _____ as identification. If no type of identification is indicated, the above-named person is personally known to me.

(Notary Seal) -----
Signature of Notary Public

Print Name of Notary Public

I am a Notary Public of the State of Florida, and my commission expires on

-----.

STATE OF FLORIDA
COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this ____ day of June 1996 by Clyde G. Nixon, as President of Suninco, Inc., a Florida corporation, on behalf of the corporation. The above-named person is personally known to me or has produced _____ as identification. If no type of identification is indicated, the above-named person is personally known to me.

Signature of Notary Public

(Notary Seal)

Print Name of Notary Public

I am a Notary Public of the State of
Florida, and my commission expires on

-----.

EXHIBIT 4.16

NOTE

\$6,187,000.00

June 14, 1996

FOR VALUE RECEIVED, SUN HYDRAULICS CORPORATION, a Florida corporation ("Sun Hydraulics"), and SUNINCO, INC., a Florida corporation ("Suninco") (Sun Hydraulics and Suninco are referred to collectively herein as "Maker"), hereby promises, jointly and severally, to pay to the order of NORTHERN TRUST BANK OF FLORIDA, N.A. ("Lender") at 1515 Ringling Boulevard, Sarasota, Florida 34236, or at such other place as the holder hereof may from time to time designate in writing, the principal sum of Six Million One Hundred Eighty Seven Thousand and 00/100 Dollars (\$6,187,000.00), or so much thereof as may be disbursed by Lender to Maker or for Maker's account from time to time, together with interest at the rate hereinafter specified on such indebtedness as shall from time to time remain unpaid, until paid in full, such principal and interest being payable in lawful money of the United States which shall be legal tender in payment of all debts at the time of payment. Interest will be calculated on the basis of a 365/360 method, which computes a daily amount of interest for a hypothetical year of 360 days, then multiplies such amount by the actual number of days elapsed in an interest calculating period.

Interest will accrue hereunder at a fixed rate equal to eight and one-quarter percent (8.25%) per annum.

Interest only will be due and payable monthly in arrears on the first day of each month commencing July 1, 1996, to and including December 1, 1996 (the "Construction Period"). Commencing with the first day of the first month following the end of the Construction Period, this Note shall be repaid in equal monthly installments of principal and interest in the amount of \$60,022.58, such payments to be made on the first day of each month until July 1, 2006, on which date the entire unpaid principal balance, together with accrued interest, shall be due and payable.

All payments made hereunder shall be applied first to accrued interest then due and owing; next to amounts expended by Lender to cure any default under this Note, the Mortgage (as hereinafter defined), or any other loan documents executed in connection herewith; next to charges, costs, expenses, or attorneys' fees then due and payable to Lender under this Note, the Mortgage, or any other loan documents; and the balance, if any, to principal.

This Note may be prepaid, in whole or in part, at any time without penalty. All prepayments made hereunder shall be applied in the same manner as other payments made hereunder, as set forth above. The making of any prepayment shall not relieve Maker from the obligation to make the payments next due hereunder on a timely basis.

If any payment is more than fifteen (15) days late, Maker agrees to pay to Lender a late charge equal to five percent (5%) of the payment.

This Note is secured by a mortgage and security agreement (the "Mortgage") of even date herewith made by Maker in favor of Lender encumbering real property and personal property described therein (the "Mortgaged Property") located in Manatee County, Florida.

The entire unpaid principal balance hereof together with all accrued interest due shall, at Lender's sole option, become immediately due and payable in the event of the sale or transfer of (i) all or any part of the Mortgaged Property, or any interest therein, or (ii) any beneficial or ownership interest in Maker, whether held or owned directly or indirectly (if Maker, or any of them, is not a natural person or persons, but is a corporation, partnership, trust, estate or other legal entity).

Each and every party to this Note, whether as Maker, endorser, surety, guarantor, or otherwise ("Obligor"), hereby waives all rights of homestead and other exemptions granted by the constitution or laws of Florida, and further waives presentment, demand, protest, notice of dishonor, notice of nonpayment,

notice of protest, and diligence in collection, and assents to the terms hereof and to any extension or postponement of the time for payment or any other indulgence. It is further specifically agreed that this Note or any part of the principal or interest due hereon may be renewed, modified or extended, in whole or in part, such modification to include but not be limited to changes in payment schedules and interest rates, from time to time by the holder of this Note, at the request of the then owners of all or part of the Mortgaged Property, or at the request of any party bound hereon or who has assumed or may hereafter assume payment hereof, without the consent of or notice to other parties bound hereon and without releasing them from any liabilities then existing.

Each and every Obligor hereby consents that the real or personal property securing this Note, or any part of such security, may be released, exchanged, added to or substituted for by Lender, without in any way modifying, altering, releasing, affecting or limiting their respective liabilities or the lien of the Mortgage, and further agrees that Lender shall not be required first to institute any suit, or to exhaust any of its remedies against Maker or any other person or party liable or to become liable hereunder, in order to enforce payment of this Note, and further agrees that Maker or any other party liable hereunder may be released by Lender from any or all liability under this Note and such release shall in no way affect or modify the liability of the remaining parties hereto.

Each and every Obligor hereby consents and agrees that he is bound, jointly and severally, under the terms hereof and is subject

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to all of the provisions set forth herein as fully as though each was an undersigned hereof, and further consents and agrees that any Obligor may be sued by Lender without joining any other Obligor, whether primarily or secondarily liable.

Notwithstanding anything contained herein to the contrary or in the Mortgage, or other loan documents executed in connection herewith, no payee or holder of this Note shall ever be entitled to receive, collect or apply as interest on the obligation evidenced hereby any amount in excess of the maximum rate of interest permitted to be charged by applicable law and, in the event Lender or any holder hereof ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be applied to the reduction of the principal sum; and, if the principal sum is paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, Maker and Lender shall, to the maximum extent permitted under applicable law: (a) characterize any non-principal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) spread the total amount of interest, or charges in the nature of interest, pursuant to applicable law.

As used herein, "Event of Default" shall mean the occurrence of any of the following events or conditions: (a) failure or omission to pay when due this Note (or any installment of principal or interest hereunder) within fifteen (15) days after payment is due; (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 Mortgage, this Note, or any other loan document executed in connection herewith, or upon the existence or occurrence of any circumstance or event deemed a default under this Note or any other loan document executed in connection herewith; (c) any warranty, representation or statement made or furnished to Lender for the purpose of inducing Lender to make the loan evidenced by this Note, proves to have been false in any material respect when made or furnished; (d) a default under any other mortgage on the Mortgaged Property (whether such other mortgage be held by Lender or by a third party); (e) the institution of foreclosure proceedings of another mortgage or lien of any kind on the Mortgaged Property (whether such other mortgage or lien be held by Lender or by a third party); (f) the default by Maker or any party obligated under this Note or any guaranty hereof or any affiliate of any of the foregoing ("Affiliated Companies") in the payment or performance of any obligation, covenant, agreement, or liability contained in

any other mortgage, note, obligation or agreement held by Lender, specifically including but not limited to that certain mortgage loan outstanding from Lender to Suninco, Inc. evidenced by promissory note dated April 10, 1996, in the original principal amount of \$2,475,000.00 ("Existing Plant Loan"), that certain revolving line of credit outstanding from

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Lender to Sun Hydraulics Corporation in the amount of \$1,700,000.00 ("Line of Credit"), and that certain loan outstanding from Lender to Sun Hydraulics Corporation evidenced by promissory note dated May 20, 1996, in the original principal amount of \$3,063,157.00 ("Equipment Loan") (collectively, the "Cross-Defaulted Credits"); (g) the death, dissolution, termination of existence, insolvency, or business failure of any Obligor; (h) the appointment of a receiver of any part of the Mortgaged Property; (i) the assignment for the benefit of creditors or the commencement of any proceedings in bankruptcy or insolvency by or against any Obligor; (j) falsity in any material respect of, or any material omission in, any representation or statement made to Lender by or on behalf of any Obligor in connection with the loan evidenced by this Note; (k) loss, theft, substantial damage, or destruction, not covered by collectible insurance, of any of the Mortgaged Property or any levy, seizure or attachment thereof; (l) the sale or transfer of any of the Mortgaged Property; or (m) the mortgage, pledge, assignment, or granting of a security interest in any of the Mortgaged Property. Upon the occurrence of any such default or at any time thereafter, subject to the grace period, if any, provided in this Note, Lender may, at its option, declare the whole amount of principal and interest provided for in and by this Note, and any and all other secured indebtedness, immediately due and payable without demand or notice of any kind to any person, and the same thereupon shall become immediately due, payable and collectible (by foreclosure or otherwise) at once and without notice to Maker. Any default hereunder shall constitute a default under any other mortgage, note, obligation or agreement of Maker or any Affiliated Company held by Lender, specifically including but not limited to the Cross-Defaulted Credits. The agreements contained in this paragraph to create cross-defaults under all mortgages, notes, obligations and agreements between Maker, and any Affiliated Company, and Lender, whether currently existing or hereafter created, in the event of default under one or more of such mortgages, notes, obligations or agreements are a material and specific inducement and consideration for the making by Lender of the loan evidenced by this Note.

Notwithstanding the provisions of the foregoing paragraph to the contrary, in the event of a non-monetary default of the type set forth in subsections (b), (d) or (e) of the foregoing paragraph, then prior to Lender precipitating to maturity the full unpaid balance of this Note or otherwise exercising any rights available to Lender under the terms of this Note or any other loan document executed in connection herewith, Lender shall give written notice to Maker and Maker shall have a period of thirty (30) days from the date such notice is given in which to cure such default; provided, however, if such default cannot, with due diligence, be cured within said 30 day period, and such default does not threaten to impair Lender's security for this Note, then the 30 day period shall be extended for such period as may be reasonably necessary to complete the curing of same, provided that Maker proceeds with all

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due diligence and continuity to cure the default. Notice required hereunder may, at the option of Lender, be given by either certified mail, registered mail, regular mail, facsimile transmission, Federal Express or other express courier, or by personal delivery, and shall be deemed given when mailed, transmitted, placed with the courier, or delivered to Maker, whichever is first. In the event the default is not cured within the time provided, then Lender shall have the right to accelerate this Note and proceed to enforce this Note and the loan documents, without further notice to Maker.

Sun Hydraulics and Suninco have disclosed to Lender that Sun

Hydraulics and Suninco are contemplating a corporate merger, it being the current intent that Suninco will be merged into Sun Hydraulics, with Sun Hydraulics being the surviving corporation. It is currently anticipated that the merger will take place effective as of June 30, 1996. It is agreed that, notwithstanding anything contained herein to the contrary, such merger shall not constitute a default hereunder. It is further agreed that upon such merger becoming effective, Sun Hydraulics shall automatically become fully liable, both prospectively and retroactively, for all duties, obligations, liabilities, warranties, covenants and agreements of Suninco herein created or set forth, without the necessity for the execution of additional documentation. Nonetheless, Sun Hydraulics agrees, upon the request of Lender, to execute such documentation as Lender may require in order to ratify and confirm the assumption of said liability.

It is expressly agreed that upon the occurrence of an Event of Default, or if Lender shall deem itself insecure (because the prospect of timely payments is impaired, because the value of Lender's security is impaired, because the prospect of performance of any covenant or agreement under this Note, the Mortgage, or any other loan document is impaired, because of any change of circumstance which adversely affects any matters originally considered by Lender in making the loan, or otherwise), then or at any time thereafter at the option of Lender, the whole of the principal sum remaining unpaid hereunder, together with all accrued and unpaid interest thereon, shall become due and payable immediately without notice, anything contained herein to the contrary in any way notwithstanding, and in any such event Lender shall have the right to set-off against this Note all money owed by Lender in any capacity to any Obligor, whether or not due, and Lender shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of an Event of Default although made or entered on the books subsequent thereto. From and after an Event of Default, the interest rate on the entire outstanding principal balance hereunder shall accrue at the highest rate permitted to be charged by applicable law. In the event the default rate of interest set forth in the foregoing sentence shall be applicable and Lender has not accelerated this Note, the amount of each payment otherwise due

hereunder shall be increased to an amount equal to the regular amount of the principal installment due hereunder, plus accrued interest at the default rate.

Each Obligor shall be obligated to pay as part of the indebtedness evidenced by this Note all costs of collection, whether or not a suit is brought, including any reasonable attorneys' fees that may be incurred in the collection or enforcement hereof. The term "attorneys' fees" shall include but not be limited to any such fees incurred in any appellate or related ancillary or supplementary proceedings, whether before or after final judgment related to the enforcement or defense of this Note.

If at any time any federal, state, county or municipal government or agency thereof shall impose any documentary stamp tax, intangible tax, or any other type of tax upon this Note or the Mortgage, or upon the indebtedness evidenced hereby (other than any federal, state or local income tax imposed upon Lender), then Maker shall pay same within fifteen (15) days after demand by Lender, together with any interest and penalties thereon.

Time is of the essence of this Note. The remedies of Lender as provided herein or in the Mortgage, or any other loan document executed in connection herewith, shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall arise. No act or omission of Lender, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of such right, remedy or recourse, and any waiver or release may be effected only through a written document executed by Lender and then only to the extent specifically recited therein. A waiver or release with respect to any one event shall not be construed as continuing as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to any subsequent event.

The term "Lender" where used herein shall include Lender's successors and assigns. The term "Maker" shall include each person signing this Note, jointly and severally, and their respective heirs, successors and assigns. The term "Obligor" shall include Maker and every person who is an endorser, guarantor, or surety of this Note, or who is otherwise a party hereto, and their respective heirs, successors and assigns. The terms "person" and "party" shall include individuals, firms, associations, joint venturers, partnerships, estates, trusts, business trusts, syndicates, fiduciaries, corporations, and all other groups or combinations. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. This Note shall be construed under Florida law.

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The documentary stamp tax which is due with respect to this Note has been paid and the proper stamps have been affixed to the Mortgage.

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed and delivered as of the date first above written.

Maker's Address:

1500 University Parkway SUN HYDRAULICS CORPORATION,
a Florida corporation
Sarasota, Florida 34243

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

SUNINCO, INC., a Florida
corporation

By: /s/ Clyde G. Nixon

Clyde G. Nixon
As its President

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EXHIBIT 4.17

LLOYDS
BANK

GROUP DOCUMENTATION & ADVISORY UNIT

Lloyds Bank Plc,
71 Lombard Street
London EC3P 3BS

TELEX: 888301 (Answerback:
Loydln G)

The Directors,
Sun Hydraulics Limited,
Wheler Road,
Whitley,
Coventry,
West Midlands CV3 4LA

FACSIMILE: 0171 356 1205
TELEPHONE: 0171 626 1500
EXTENSION: 1463

OUR REF: D/BWOO/CFG03940

DATE: 19th June 1996

Dear Sirs:

\$800,000 REVOLVING LOAN FACILITY

We, Lloyds Bank Plc (the "BANK") are pleased to offer to Sun Hydraulics Limited (the "BORROWER") a loan facility of up to L.800,000 (eight hundred thousand pounds sterling) (the "FACILITY") upon and subject to the terms and conditions of this letter.

1. DEFINITIONS

"Acceptance Date" means the date of the signed acceptance of this letter by the Borrower.

"Business Day" means a day other than a Saturday or a Sunday on which banks are open in London.

"Current Account" means the sterling current account of the Borrower with the Bank's Coventry Branch.

"Event of Default" means an event described in Clause 10 hereof or any circumstance which with the giving of notice and/or the passing of time could become such an event.

"Existing Facility" means the facility of up to L.400,000 provided to the Borrower by the Bank pursuant to a facility letter dated 17th May 1994.

"Expiry Date" means 30th June 2001.

"Facility Limit" means L.800,000 subject to any cancellation or other reduction thereof with the terms of this letter and less any amount from time to time outstanding under the Existing Facility.

"Financial Statement" means at any particular time the then latest audited consolidated balance sheet and profit and loss account of the Borrower and its Subsidiary Undertakings together with the notes to both.

LLOYDS
BANK

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"Parent" means Sun Hydraulik Holdings Limited.

"Subsidiary Undertaking" shall have the meaning described to it in Section 258 of the Companies Act 1985. During any period in which the Borrower does not have a Subsidiary Undertaking all references herein to "Subsidiary Undertakings" of the Borrower and "consolidated" shall be ignored and the appropriate text read and construed accordingly.

"Total Outstandings" means at any particular time the aggregate principal amount of all drawings outstanding at such time.

Words denoting the singular number only shall include the plural and vice versa.

2. AMOUNT & AVAILABILITY

- (a) Subject to the terms hereof the Facility shall remain available until and may be utilised on any Business Day prior to the Expiry Date provided that no utilisation may be effected on any particular day if the amount thereof would otherwise cause the Total Outstandings on that day to exceed the Facility Limit.
- (b) The proceeds of each drawing will be credited to the Current Account.

All such proceeds shall be utilised by the Borrower in or towards financing the cost of capital expenditure on plant and machinery and shall be held in trust for the Bank until so applied.

- (c) All moneys outstanding hereunder shall be repaid by the Borrower on or before the Expiry Date.
- (d) The Facility shall be in substitution for the Existing Facility. With effect from the date that the preconditions specified in Clause 7(a) hereof are completed to the Bank's satisfaction no further availments shall be made under the Existing Facility and amounts then outstanding under the Existing Facility shall be deemed to be outstanding hereunder whereupon the Existing Facility shall be cancelled.

3. TERMS OF OPERATION

The Borrower may make drawings from time to time hereunder in minimum amounts of L.20,000 subject to receipt by the Bank of notice from the Borrower by 10 a.m. on the date of drawing. Any drawing may be repaid by the Borrower on any Business Day prior to the Expiry Date subject to receipt by the Bank of notice of such repayment prior to 10 a.m. on the date of repayment.

Interest will accrue from day to day on the cleared daily balance of drawings a margin of 2 1/4% per annum above Bank's Base Rate from time to time and shall be paid on such date in each month as the bank may from time to time require and additionally on the date of final repayment of the Facility.

4. COMMITMENT INTEREST

The Borrower shall from 1st July 1996 until the Expiry Date (or such other date on which the Facility is cancelled in full) pay to the Bank commitment interest at the rate of 1/4% per annum on the daily available undrawn balance of the Facility Limit.

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BANK

Commitment interest shall be calculated quarterly in arrear and on the last day of availability of the Facility and shall be paid within 14 days of the date of the Bank's claim therefor.

5. ADDITIONAL COSTS

- (a) If the application of or introduction of or any change in any applicable law, regulation, requirement, directive or request or any change in the interpretation thereof by any governmental, fiscal, monetary or other authority charged with the administration thereof or by any self-regulating organisation or court of competent jurisdiction

(in any case whether or not having the force of law) shall subject the Bank to any tax, duty or other charge with respect hereto or change the basis of taxation on any amounts payable to the Bank hereunder (except in respect of tax on the overall net income of the Bank) or impose, modify or deem applicable requirements in respect of any liquid asset, special or other deposit or prudential or cash ratio or other requirements against, or the allocation by the Bank of capital in support of, any assets or liabilities or contingent liabilities of, deposits with or for the account or, or advances or commitments made by the Bank, and this shall increase the cost to the Bank of maintaining the Facility or shall reduce the amount of principal or interest receivable by the Bank or shall otherwise reduce the return to the Bank hereunder by an amount which the Bank deems material, the Borrower shall pay to the Bank upon demand such additional amounts as are necessary to compensate the Bank against such increased cost or reduction.

- (b) All legal, valuation and other costs and expenses including any stamp and other duties and registration fees on a full indemnity basis and value added tax thereon incurred by the Bank in the preparation of this letter and any guarantee or security given pursuant hereto and in connection with the enforcement, administration and preservation of its rights under the Facility shall be payable by the Borrower on demand.
- (c) On the Acceptance Date the Borrower shall pay to the Bank an arrangement fee of L.1,000.

6. CANCELLATION

The Borrower may by not less than 5 Business Days' prior notice cancel any part of the Facility Limit which will be unutilised at the expiration of said notice in an amount of L.20,000 or any multiple thereof. Such notice shall specify the date of cancellation and the amount by which the Facility Limit is to be reduced. No part of the Facility Limit which has been cancelled may be re-instated.

7. CONDITIONS PRECEDENT & SECURITY

- (a) The obligations of the Bank hereunder shall not come into effect unless and until it has received in form and substance satisfactory to it:
 - (i) a copy of this letter duly signed by way of acceptance on behalf of the Borrower;
 - (ii) a certified copy of the board resolution of the Borrower authorising acceptance of this letter and nominating the person(s) authorised to sign this letter on its behalf, and the person(s) authorised to give notices of drawing and other communications required hereunder, together with their duly authenticated specimen signatures; and

LLOYDS
BANK

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- (iii) such evidence as the Bank shall require to confirm that the security already held by the Bank described in Clause 7(b) hereof is in full force and effect.
- (b) All amounts owing to the Bank under or pursuant to the Facility shall at all times be secured by:
 - (i) an unlimited debenture from the Borrower in the Bank's standard form dated 30th October 1986; and
 - (ii) a first legal charge in the Bank's standard form dated 6th May 1988 over the leasehold property situate at Wheler Road, Whitley, Coventry, West Midlands,

together the "SECURITY".

The Security and all other security held by the Bank now or in the future shall be continuing security not only for the Facility but also for all other moneys obligations and liabilities whether certain or contingent at any time due and owing or incurred by the Borrower to the Bank.

8. REPRESENTATIONS & WARRANTIES

- (a) The Borrower hereby represents and warrants to the Bank that:
- (i) all action necessary to authorise its execution of this letter and the security documents required pursuant to the terms of this letter and its performance of its respective obligations hereunder and thereunder has been duly taken and neither such execution nor such performance will constitute or result in any breach of any agreement, law, requirement or regulation;
 - (ii) no material litigation, administrative or judicial proceedings are presently pending or threatened against it or any of its Subsidiary Undertakings;
 - (iii) there has been no material adverse change in the financial condition of it or any of its Subsidiary Undertakings since the date of the Financial Statement received by the Bank prior to the date of this letter; and
 - (iv) no Event of Default has occurred and is continuing.
- (b) The Borrower shall be deemed to repeat the representations and warranties set out in Clause 8(a) hereof on each day on which any amount remains owing to the Bank hereunder or for as long as the Bank is under any obligation to make the Facility available in each case as if made at each such time with reference to the facts and circumstances then existing.

9. UNDERTAKINGS OF THE BORROWER

From the Acceptance Date and for as long as the Bank is under any obligation to make the Facility available or for as long as any moneys or liabilities are owing or incurred to the Bank hereunder the Borrower:

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BANK

- (a) shall not, and shall procure that none of its Subsidiary Undertakings shall, without the prior written consent of the Bank:
- (i) materially change the nature of its respective business as now conducted;
 - (ii) create or permit to subsist or arise any mortgage, charge, pledge or lien or any other security interest or encumbrance (other than a lien arising solely by operation of law in the ordinary course of business) over any of its or such Subsidiary Undertaking's present or future undertaking, property, revenue or assets (except as provided herein);
 - (iii) enter into or permit to subsist any transaction which, in legal terms, is not secured indebtedness but which in the Bank's opinion has an economic or a financial or commercial effect similar to that of secured indebtedness; or
 - (iv) part with, sell, transfer, lease or otherwise dispose of (or attempt or agree to do any such thing) the whole or any material part of its or such Subsidiary Undertaking's undertaking, property, revenue or assets (either by a single transaction or a number of transactions whether related or not) other than for full value on an arm's length basis; and
- (b) shall supply to Lloyds Bank Commercial Service, Warwickshire & Solihull:

contained.

Dated this 30th day of July, 1996

Pursuant to a Resolution of the Board dated 29 July 1996

For and on behalf of Sun Hydraulics Limited

LLOYDS BANK
COMMERCIAL
SERVICE

STRICTLY PRIVATE & CONFIDENTIAL

R. Glasspole Esq.,
Financial Controller
Sun Hydraulics Ltd.
Wheler Road
Seven Stars Industrial Estate
Whitley
Coventry
CV3 4LA

6 June, 1996

Dear Mr. Glasspole,

OVERDRAFT & OTHER FACILITIES

We Lloyds Bank Plc (the "Bank") are pleased to offer to Sun Hydraulics Limited an overdraft facility on account number 0069308 on the following terms and conditions.

<TABLE>

<S>	<C>
AMOUNT	The maximum aggregate amount outstanding
- -----	under the facility at any one time shall not
	exceed L.250,000.

AVAILABILITY	Any amounts from time to time owing under the
- -----	facility are repayable on demand but it is
	the Bank's present intention to make the
	facility available until 30th June 1997 or
	such later date as may from time to time be
	advised in writing by the Bank. The amounts
	owing at any time may include interest, costs
	and charges debited to the account in
	accordance with the terms of this letter.

INTEREST	Interest will be payable on amounts owing up
- -----	to the aforesaid limit at 2% per annum over
	the Bank's Base Rate from time to time
	(currently 7.75% per annum in total).

Interest will be payable on amounts owing in excess of the agreed limit at Lloyds Bank Unauthorised Overdraft Rate (presently 2% per Annual Rate 24%).

Interest will be debited to the account monthly in arrears (normally on the 20th of each month or on the next working day) and additionally on the date upon which the facility ceases to be available.

</TABLE>

LLOYDS BANK
COMMERCIAL
SERVICE

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The facility is provided on overdraft in the expectation that the account will continue to show a full swing during the period of the facilities. If the account remains continually overdrawn, the minimum cleared debit balance will be treated as hardcore borrowing and will be charged at 0.5% over the interest rate specified above.

The interest rates may be varied (either up or down) by the Bank at any time. Notices of changes will be displayed in all UK Branches of the Bank and in the press.

COSTS AND CHARGES

Charges will be payable on the account as

follows:

1. L.190 per month fixed for a period of one year from the date of this letter.
2. Special services will continue to be charged by way of a separate charge as used.

These charges will be debited to the account and may be varied by the Bank at any time and notice of changes will be advised to you.

A management fee of L.625 is payable. This will be debited to the account in the next few days.

All costs and expenses incurred by the Bank in preserving or enforcing the security referred to below shall be debited to the account under advice to you.

OTHER FACILITIES

In addition to the overdraft facility we are

pleased to offer to the Company the facilities on the attached schedule.

These additional facilities will be available upon such terms and conditions as shall from time to time be required by the Bank and may be cancelled by the Bank at any time but is the Bank's present intention to keep these facilities in place for the period of availability of the overdraft facility. The Company liability in respect of any utilisation of these facilities may, however, extend beyond such period of availability.

SECURITY

It is a condition of the facilities that amounts owing shall be secured by the following. Any security which is not already in place is to be provided to the Bank in a form acceptable to the Bank.

1. A Debenture in the Bank's standard form on the Company's undertaking property and assets.

</TABLE>

Lloyds Bank
Commercial
Service

- 3 -

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2. A first legal charge in the Bank's standard form over the property at Wheler Road, Seven Stars Industrial Estate, Coventry.

FINANCIAL INFORMATION Whilst the facilities remain available you
- ----- should provide to the Bank copies of:

- a) your Audited Annual Accounts encompassing a Cashflow Statement,
- b) your quarterly Management Accounts, and
- c) a copy of the Sun Group of Companies Financial Statements. These figures will be provided by Cindy Loadman direct to the Bank.

as soon as possible after the end of the period to which they relate which shall not be later than 150 days in respect of your annual accounts or 30 days in respect of your management accounts from the end of each relevant period.

The figures so provided should demonstrate that the aggregate value of the Company's good book debts, cash in hand, quoted investments and stock in trade (unaffected by retention of title claims) equals or exceeds 100% of the Company's overdraft liability to the Bank.

OTHER REQUIREMENTS The Bank will be looking to the Company to
- ----- meet the 1996 profit projection, progress being monitored against quarterly Management Accounts.

PERIOD OF OFFER Please confirm your acceptance of the
- ----- facilities offered by returning the attached duplicate of this letter with the acknowledgement signed in accordance with the bank mandate currently held by the Bank. If such confirmation is not received by this office by 21st June 1996 the offer will lapse.

</TABLE>

Yours faithfully,
For and on behalf of Lloyds Bank Plc

Manager

LLOYDS BANK
COMMERCIAL
SERVICE

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We hereby acknowledge and accept the terms of your offer dated 6 June, 1996 of which this is a duplicate and agree all the terms and conditions therein contained.

For and on behalf of SUN HYDRAULICS LIMITED.

Signed By R. Glasspole (name)

/s/ R. Glasspole (signature) []

7 June 1996 (date)

[] to be signed in accordance with the account mandate held by the Bank.

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COMMERCIAL
SERVICE

SCHEDULE OF OTHER FACILITIES

The following additional facilities are available:

1. an indemnity line of L.120,000 to cover bonds and guarantees issued by the Bank or its correspondents on the Company's behalf. The total value of all such bonds and guarantees that may be outstanding at any one time may not exceed the limit detailed above. You should note that the total liability of the Bank under certain custom and excise guarantees is twice the amount quoted on the guarantee. Charge to continue at 1.5% per annum.
2. an open credit facility of L.1,000 to cover arrangements to cash the Company's cheques at other banks or at branches of the Bank other than Coventry branch. The limit detailed above is the maximum value of cheques that may at any one time have been cashed but not yet forwarded to the Bank's Coventry branch for payment.
3. an Negotiation facility of L.20,000 to cover the negotiation by the Bank of cheques and bills of exchange payable abroad with recourse to the Company. the limit detailed above is the maximum total amount of proceeds paid to the Company in respect of cheques and bills of exchange which the Bank anticipates at any point in time be unpaid by the drawer thereof. For this purpose the Bank will assume payment after [30] days if not actually advised of payment or non-payment, but this shall not prejudice the Bank's right of recourse to the Company if advice of non-payment is received at any time thereafter.
4. a new Revolving Loan facility of L.800,000 subject to the terms and conditions set out in a Loan Facility Letter to follow.

[COAT-OF-ARMS]

Certified Photocopy of the

DOCUMENT

of the Notary

CHRISTOPH BINGER

Kolner Strasse 45

41812 ERKELENZ

Telephone (02431) 6084

This photocopy is a perfect and complete reproduction of the original before me which I certify herewith.

Erkelenz, April 11, 1996

The duly appointed representative of the
notary Christoph Binger in Erkelenz

[signature:] Kleensang
Junior Notary
UR. Number: 517/1996

Negotiated in Erkelenz on April 11, 1996

Before me, Michael Kleensang, Junior Notary, from Bonn as duly appointed representative of the notary Christoph Binger with official residency in Erkelenz.

appeared

Taco van Tijn, attorney-at-law, born on January 30, 1924, residing in "The Paddock", Norley Wood, Lymington, Hamshire, England,

acting here not in his own name but as managing director, solely authorized to represent:

"SUN HYDRAULIK GmbH",

with headquarters in Baesweiler,
business address: 52499 Baesweiler
Arnold-Sommerfeld-Ring 2,

registered in the Commercial Register under B No. 4591 of the Municipal Court in Aachen,

-- "SUN HYDRAULIK GmbH" hereafter called the "Orderer" --,

identified himself to the representative of the notary by submitting his Dutch passport.

The persons appearing acting in their mentioned behalf declared:

I.

The Orderer grants and applies irrevocably to register for the real estate registered in the land register of the Municipal Court in Erkelenz,

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page 0033, or transitional office:

land 33 number 160 open space,
Brusseler Allee and
Strassburger Allee, size: hectare: 1,7399

- hereafter called "Real Estate: -,

a land charge of 3,500,000.00 German Marks,
in words: three million, five-hundred thousand German Marks

for the

Dresdner Bank Aktiengesellschaft
Branch Monchengladbach

(branch office of the Dresdner Bank Aktiengesellschaft with headquarters in Frankfurt-on-Main)

- hereafter called "Bank" -

the following:

1. The land charge commencing today will pay interest of 15 percent annually. The accrued interest will become due on the first day of the following calendar year.
2. Further, a one-time incidental obligation of 5 percent is due.

The land charge and the incidental obligation are now due.

The land charge shall have first rank in section II and III.
However, it shall be registered with a ranking of "on reserve" in the land register.

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3. In case of assertion of the land charge, also on behalf of a current owner, the Orderer waives the presentation of the land charge certificate as well as assignment declarations and other documents to prove creditor rights.

Because of the amount of the land charge, the incidental obligation and the interest, the Orderer submits to immediate foreclosure of the encumbered Real Estate in such a way that foreclosure arising from this document is permissible against the current owner. The Orderer grants and applies irrevocably to enter that declaration of submission into the land register.

At the same time, "SUN HYDRAULIK GmbH" assumes personal liability for the payment of money in the amount of the land charge and the one-time incidental obligation of 5% and the annual interest in the amount of 15%. From this personal liability the current creditor of the abovenamed land charge is able to make claims even before foreclosure on the Real Estate and also before and independently from a registration of the land charge into the land register.

Claims for repayment of the land charge are limited to the filing of a consent to cancellation of the mortgage or a waiver at the expense of the Orderer. In case of foreclosure or receivership the Bank is entitled, although not required, to give notice of the entire amount of the land charge plus

incidental obligation and interest; it is entitled to waive in whole or in part the land charge or the utilization proceeds. If, at the time of repayment, the property on the encumbered Real Estate has changed without consent of the present owner and also the Orderer has not become the owner by this fact, the Bank will perform repayment on request by the Orderer and/or the owner by way of an assignment of the land charge. The assignment of the claims for repayment including the claims for payment of extra proceeds requires the consent of the Bank.

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In case now or in the future other land charges have priority or are equally ranked to this land charge, the Orderer herewith assigns to the Bank the claims for retransfer of priority or equally ranked land charges and parts of land charges with interest and incidental obligations, the claims for filing a consent to cancellation of the mortgage, a waiver, a declaration for not stating the value as well as the claims for payment of the extra proceeds in the case of utilization. Should the claims for repayment for priority and equally ranked land charges already have been assigned otherwise, the Orderer herewith assigns to the Bank the claim to repayment of these claims. In case of certified land charges, furthermore, both the claim to obtain the land charge certificates and the claim to their presentation at the real property register for the formation of partial certificates are assigned. The Orderer will notify the Bank immediately of the assigned claims which come into existence.

The Bank is entitled to obtain the land charge certificate from the real property register. The certificate must be handed over to the Bank.

The Orderer instructs the notary to make use of this document in favor of the Bank and grants the notary power of attorney to receive deliveries and declarations of all kind which are immediately related to the creation of this land charge.

Furthermore, the notary is instructed to issue to the Bank an executed copy of this document forthwith. The current creditor of the land charge is entitled to request further copies at the expense of the Orderer.

After registration of the land charge a certified abstract from the land register must be sent to the Bank.

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All expenses arising from this negotiation and its implementation are borne by the Orderer.

The owner applies for cancellation of all encumbrances and the registration of priority according to the provision of consent of the encumbrancers in the land register, especially the registration of priority of the land charge created here with interest and incidental obligations before the registration of the conceded protection provision regarding transfer of land in favor of the City of Erkelenz.

The notary is entitled to file an application to the land register, separately or restricted, and respectively, take back or amend.

This record was read to the person appearing by the representative of the notary, was approved by him and signed in his own hand as follows:

[signatures]

EXHIBIT 10.1

AGREEMENT

THIS AGREEMENT, made at Sarasota, Florida, by and between SUN HYDRAULICS CORPORATION, a Florida corporation, hereinafter referred to as "SUN," and _____, hereinafter referred to as the "DISTRIBUTOR," on the _____ day of _____, 19____, to become effective _____.

WITNESSETH:

WHEREAS, SUN and the Distributor desire to enter into an agreement whereby SUN will sell and the Distributor will purchase and resell the SUN products specified herein,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

- 1) Appointment. SUN hereby appoints the Distributor to purchase and resell the SUN products specified in Paragraph 2 below upon the terms and conditions set forth hereafter.
- 2) Products.
 - a) Standard Products. The products covered by this agreement are the products designated by SUN as Industrial and Mobile Hydraulics Components, including those currently in production and those which may be introduced in the future under this designation, hereinafter called standard "products" or "product." SUN shall have the right to discontinue supplying Distributor with any product if SUN ceases production or distribution of such products.
 - b) Custom Manifolds - a product manufactured by SUN to meet the specific requirements of customer.
- 3) Limitations on Sales and Use of Products. Distributor and SUN mutually agree that SUN products, as stated in SUN's product catalog, are not suited for any of the following applications:
 - a) Any product which comes under the Federal Highway Safety Act, namely steering or braking systems for passenger-carrying vehicles or on-highway trucks.
 - b) Aircraft or space vehicles.
 - c) Ordinance equipment.
 - d) Life support equipment.
 - e) Any end product which, when sold, comes under U.S. Nuclear Regulatory Commission rules and regulations.

SUN does not have any performance assurance programs for testing their products for the above applications. SUN's products are not designed for these applications and SUN does not warrant, recommend, or approve its products for these applications. Accordingly, the Distributor is prohibited from and agrees not to solicit or sell SUN's products for any of the above uses or applications. Distributor shall be solely responsible for any loss or damages occasioned by breach of the provisions of this paragraph and shall carry product liability and liability insurance as provided for under the provisions of Paragraph 15 hereafter to insure against such loss or damages.

- 4) Prices. Distributor will comply with the "Sun Confidential Distributor's Guide" and will pay SUN for its Products as follows:

- a) SUN will bill each of the Distributor's orders at the SUN's Distributor's net prices (SUN suggested U.S. list prices, less applicable Distributor discount) in effect at the time Distributor's order is accepted.
- b) All prices, discounts and allowances are subject to change without notice. Unshipped orders on hand at the time of a price change will be shipped at the lower of the old or new price, provided that shipment is made within sixty (60) days of the date of the price change.
- c) Distributor agrees to pay SUN's invoices within thirty (30) days subject to any and all cash discounts in effect at the time of billing.
- d) SUN may advise customers or others of the SUN suggested list prices and suggested customer quantity discounts.

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5) Area of Primary Sales Responsibility - Territory.

- a) The Distributor is assigned primary sales responsibility for the territory described below, except as noted in Section 6 of this agreement:

(INSERT TERRITORY)

- b) It is SUN's basic policy to have a single appointed qualified Hydraulic Distributor in each trading area. However, it is understood that SUN cannot prevent sales by other Distributors within the territory assigned to Distributor.
- c) Distributor will not solicit sales in any sales area assigned to another Distributor.
- d) SUN shall have the right, after thirty (30) days written notice, to terminate this agreement if Distributor solicits sales in another Distributor's sales area.
- e) The Distributor agrees to actively promote sales of SUN products and to call on actual and potential users and customers of the products in this area for this purpose.
- f) If SUN is not satisfied that the Distributor can and will adequately solicit business for the entire range of SUN products among prospective customers in the entire assigned territory, SUN may, on thirty (30) days notification to the Distributor, appoint another Distributor in that part of the territory where sales coverage is required, or for those products where sales coverage is required.

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6) Direct Sales. IT IS SUN'S POLICY NOT TO SELL DIRECTLY TO CUSTOMERS IN THE DISTRIBUTOR'S TERRITORY except as noted below:

- a) SUN may at its discretion sell directly to companies manufacturing hydraulic components who are currently or have been members in good standing of the National Fluid Power Association (NFPA).
- b) SUN may sell to customers in Distributor's territory when customers' purchase orders have been refused by the

Distributor.

- c) SUN may sell to any and all customers in the Distributor's territory, if Distributor is delinquent in paying SUN's invoices.
 - d) Under b) and c) above, SUN will credit commissions to Distributor's account, on all shipments handled in this manner, until Distributor's account is once again current, or until this agreement is cancelled.
 - e) SUN may sell to any non-distributor whenever the non-distributor is unable to acquire the product from the distributor.
- 7) Refusal of Orders. SUN reserves the right, at its discretion, to refuse shipment of any Distributor's order(s) if the Distributor is delinquent in paying SUN's invoices or is in default under any of the other terms and conditions hereunder. Any acceptance of an order, or shipment of a different order or any part of an order, does not waive SUN's right to refuse to complete shipment or to refuse to ship or accept additional orders from Distributor.
- 8) Shipments. All shipments to Distributor or to customers of Distributor shall be FOB Sarasota, Florida, except certain Distributor stock (inventory) orders which exceed a certain dollar value, the amount to be determined by SUN and announced periodically to Distributor as part of SUN's Distributor Policy. Distributor stock orders which qualify will be shipped freight prepaid to Distributor's warehouse by a carrier to be selected by SUN.

On Distributor's orders, SUN will make drop shipments to Distributor's customers, FOB Sarasota, Florida, to any place in the continental U.S. except Alaska.

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- 9) Split Responsibility for Sale. When a customer's product engineering (or point of specification of SUN products), purchasing (or point of origin of customers' purchase order for SUN products) and shipping destination (or customers' manufacturing plant where SUN products will be installed on machinery) are in different Distributor territories, the Distributor agrees that the gross margin on the sale (SUN's suggested customer price including applicable quantity discounts less Distributor price) will be retained by SUN and distributed among the participating Distributors as follows:
- a) 40% of the Distributor gross margin will be forwarded to the Distributor in whose territory specification of SUN products was obtained, providing:
 - 1) SUN, or Distributor obtaining components specifications, provides written evidence of engineering work with customer resulting in specification of SUN's component, and:
 - 2) The total Distributor gross margin to be split exceeds \$100.00 per customer order.
 - b) 10% of Distributor gross margin will be forwarded to the Distributor into whose territory shipment is made provided that the full Distributor margin exceeds \$100.00 per customer order.
 - c) 50% of the Distributor gross margin will be forwarded to the Distributor placing the order to SUN and in addition, any portion of the gross margin not distributed under Paragraph A) and B) above.

- 10) Distributor Stock Service. Distributor will at all times maintain an adequate inventory of SUN products and furnish prompt, efficient and willing service to purchasers of SUN products in the territory. The minimum inventory to be maintained by Distributor is set by the "Sun Confidential Distributor's Guide."
- 11) Sales Effort Cooperation.
 - a) SUN agrees to forward directly to Distributor all sales leads generated within the territory from SUN's direct mail, advertising and publicity.
 - b) In order to assist SUN in providing up-to-date market data and analysis to the Distributor, determine SUN's needs for future plant capacity, and otherwise carry out its obligations, Distributor agrees to provide sales and market data from time to time, when requested by SUN, in a form mutually agreeable to both parties.

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- 12) Promotional Materials. SUN will provide the Distributor with a supply of catalogs, service bulletins, technical data and other advertising and promotional materials, some free and some at a price established by SUN.
- 13) Good Will. SUN and the Distributor mutually agree that performance under this contract will generate goodwill for both parties with customers and prospective customers of the Distributor who are users or prospective users of SUN products. The Distributor's contribution to this goodwill will include, but not be limited to, active sales effort on behalf of SUN's products and the maintenance of adequate stock of SUN products to meet customer's needs. SUN's contribution to this goodwill will include, but not be limited to, advertising and promotion of SUN products, referral of sales leads to the Distributor, training of Distributor sales personnel in the application and sale of the products, and joint sales and service efforts with Distributor personnel when mutually agreed upon. Both parties recognize the mutual creation of this goodwill and their individual contributions to it and each party agrees herewith that no future claim for goodwill will be made against the other party under any conditions whatsoever.
- 14) Relationship of SUN and Distributor. The relationship created by this agreement is that of buyer and seller, not principal and agent. SUN may not make a binding contract on behalf of the Distributor, and may not do any other act that would be the act of an Agent of the Distributor. Distributor is not and shall not be the agent, employee or partner of, or joint venturer with SUN. In no event shall SUN be responsible for any obligation or liability of the Distributor, whether or not the obligation or liability shall have been incurred in connection with the sale of any products manufactured or supplied hereunder except as described in Paragraph 15) hereafter.
- 15) Patent Litigation; Product Liability.
 - a) SUN agrees at its sole expense to defend and hold Distributor harmless from any loss or liability for any patent infringements, patent claims or patent damages that Distributor incurs by reason of selling SUN products under the provisions hereof.
 - b) SUN agrees to hold Distributor harmless from liability for

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failure of a SUN product to operate within specifications set forth for each product in SUN's catalogs, or within engineering specifications published by SUN for products not catalogued. Distributor agrees to defend and hold SUN harmless from any loss or liability by reason of any sale by Distributor of SUN products which loss or liability is caused by any act or failure to act, misrepresentation, or misapplication on the part of the Distributor. Distributor further acknowledges and agrees it is Distributor's responsibility to technically train its sales and service personnel and to inform its representatives of known characteristics of SUN products or of specific restrictions on use of SUN products. SUN agrees to provide technical training assistance to Distributor at such time and in such manner as is mutually agreeable to SUN and Distributor.

- c) To cover the liabilities of Distributor and SUN hereunder, each party shall carry, at its expense, product liability and liability insurance with a minimum coverage of \$1,000,000.00 and, upon request, shall furnish proof of such coverage to the other party.

EXCEPT as to applications prohibited under the provisions of Paragraph 3) above, all SUN products shipped to Distributor hereunder shall be covered by the SUN warranty as set forth in its current Products Catalog with Suggested Prices & Discounts - as from time to time revised. No other terms, including warranties, shall apply except as may be specifically agreed in writing for a particular order.

- 16) Taxes. SUN prices do not include applicable sales, use, excise or similar taxes, if any. Distributor agrees to supply SUN with tax exemption certificates and agrees to assume responsibility for all such taxes on Distributor orders for SUN products, literature and sales aids.
- 17) Excusable Delays. SUN will endeavor to deliver products of suitable quality within agreed upon time limits, but SUN shall not be liable for any damages resulting from failure to deliver, delay in making deliveries or cancellation of Distributor's orders initiated by SUN, nor for any loss of profits by Distributor or customer.
- 18) Terms of Sale. Except as otherwise indicated herein, SUN's standard Terms & Conditions of Sale as modified from time to time (Sun Confidential Distributor Guide) shall be applicable to all Distributor orders placed with SUN and to articles furnished under such orders.

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- 19) Trademarks, Trade Names. Distributor shall not use, directly or indirectly, any trademark or trade name which is now or may hereinafter be owned by SUN as part of the Distributor's corporate or business name, or in any way in connection with Distributor's business, except in the manner or to the extent that SUN may specifically consent to such use in writing.
- 20) Assignment. This Distribution Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, successors and assigns; provided, however, that the Distributor's rights hereunder cannot be assigned or transferred, in whole or in part, directly or indirectly, whether by Distributor or by operation of law or otherwise, to any person, firm or corporation, nor shall there be a change of corporate control or ownership, without prior written consent of SUN.
- 21) Entire Agreement. This Distribution Agreement constitutes the entire Agreement between the parties, superseding all previous agreements, if any, relating to distribution of the products whether oral or written. No terms or provisions of this agreement may be waived, modified or supplemented except by written consent of both parties.

- 22) Waiver. Failure of either party at any time to require performance by the other party of any provision hereof shall not be deemed a continuing waiver of the provision or waiver of any other provision of this agreement whether or not it is of the same or similar nature.
- 23) Life of Agreement - Termination. This Distributor Agreement shall remain in force until terminated. Either party may terminate, with or without cause, by giving of at least thirty (30) days advance written notice specifying the date of termination. Either party may also terminate this agreement without written notice upon insolvency of, appointment of a receiver for, or filing of a petition in bankruptcy by or against, the other party.
- a) At termination of this agreement, Distributor agrees to return to SUN, freight collect, all sales literature, sales aids and any confidential material in the Distributor's possession.
 - b) Orders on hand at termination of the agreement will be honored provided:
 - 1) Orders are scheduled for shipment within sixty (60) days from termination of this agreement.

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- 2) Payment for SUN's shipments to Distributor are made in advance. SUN reserves the right to waive this requirement to provide continuity of service to customers.
 - c) SUN products in Distributor's stock at termination of this agreement may be returned to SUN for credit under the following terms:
 - 1) Full credit will be issued by SUN for products that have been in Distributor's stock for less than one year and which are in new condition and in factory boxes.
 - 2) Products which have been used or have been in Distributor's stock for more than one year will be evaluated by SUN and credit determined on a piece by piece basis.
 - 3) All products returned for credit will be shipped freight prepaid to SUN by the Distributor.
- 24) Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Florida. Distributor agrees that the venue of any legal proceedings shall be in Sarasota County, Florida.
- 25) Attorney Fees. The parties agree that in the event of a breach of this agreement by either party, and litigation ensues, that the prevailing party shall be entitled to be reimbursed for the reasonable attorney fees and court costs that are incurred in the litigation. This provision shall include any attorney fees and costs that are incurred in all appellate proceedings.

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IN WITNESS WHEREOF, we have hereunto set our hands and seals and have caused this Agreement to be executed as of the day and year first above

written.

In the presence of:

Corporate Partnership

Individual

By:

SUN HYDRAULICS CORPORATION

EXHIBIT 10.2

(STD INT'L)

DISTRIBUTOR AGREEMENT

THIS AGREEMENT, made at Sarasota, Florida, by and between SUN HYDRAULICS CORPORATION, a Florida corporation, hereinafter referred to as "SUN," and _____ hereinafter referred to as "_____", to be effective as of the _____ 1993.

WITNESSETH:

WHEREAS, SUN and _____ desire to enter into an agreement whereby SUN will sell and _____ will purchase and resell the SUN products specified herein,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

- 1) Appointment. SUN hereby appoints _____ to purchase and resell the SUN products specified in paragraph 2 below upon the terms and conditions set forth hereafter.
- 2) Products. The products covered by this agreement are the products designated by SUN as Industrial and Mobile Hydraulics Components, including those currently in production and those which may be introduced in the future under this designation, hereinafter called "products" or "product." SUN shall have the right to discontinue supplying Distributor with any product if SUN ceases production or distribution of such products, but shall provide _____ with manufacturing drawings to ensure supply of spare parts and spare units.
- 3) Limitations of Sales and Use of Products. _____ and SUN mutually agree that SUN products, as stated in SUN's product catalog, are not suited for any of the following applications:
 - (A) Any product which comes under the U.S. Federal Highway Safety Act, or similar regulations of other governments namely steering or braking systems for passenger-carrying vehicles or on-highway trucks.
 - (B) Aircraft or space vehicles.
 - (C) Ordnance equipment.
 - (D) Life support equipment.
 - (E) Any end product which, when sold, comes under U.S. or other government Nuclear Regulatory Commission rules and regulations.

SUN does not have any performance assurance programs for testing products for the above applications. SUN's products are not designed for these applications and SUN does not warrant, recommend or approve its products for these applications. Accordingly, _____ is prohibited from and agrees not to solicit or sell SUN's products for any of the above uses or applications. _____ shall be solely responsible for any loss or damages occasioned by breach of the provisions of this paragraph and shall carry product liability and liability insurance as provided for under the provisions of Paragraph 15 hereafter to insure against such loss or damages.

4) Prices. _____ will pay SUN for its products as follows based on SUN's domestic list price as shown in its Catalog 999-001-792, 1 July 1992 (revised from time to time):

(A) Distributor stock orders for standard catalog products

Catalog products are subject to a discount of 50%. This generous grouping discount is offered only to overseas distributors on the assumption that normal stock orders will comprise a minimum of 50 standard pieces. This will be reviewed every 12 months.

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(B) Orders for single standard catalog item

Although the maximum discount available is 50%, a higher discount can be negotiated for a single product in large quantities. To be eligible for a higher discount the order must be for 300 or more of a single model code. Prices for large quantities are available by individual quote only, but the following may be used as a guide in estimating the price:

Discount for same catalog model code

300 -- 999	54% off list
1000+	56% off list

(C) Orders for form tools

Sun cavity form tools are available only at net prices shown in the catalog. (The form tools are offered as an aid in selling Sun cartridges to customers who wish to incorporate them directly into their own products.)

(D) Orders for custom products and valvepacs

Orders for custom products and valvepacs will be priced by quotation only for all quantities.

(E) Orders for all service kits are subject to 50% discount.

5) Terms and Conditions of Sale.

(A) All invoices are net 30 days. SUN will advise _____ by FAX of invoice information on date of shipment.

(B) All prices are F.O.B. the factory in U.S. dollars.

(C) Shipment: Normal shipments will be made by air freight collect. Stock order shipments and large orders may be requested by sea freight.

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(D) All prices are subject to change without notice.

(1) All price reductions are effective immediately.

(2) Existing orders at the time of a price increase will be shipped at the original acknowledged prices for a period of 60 days.

(E) Quantity increases to a distributor's order received by SUN

after the order has been acknowledged, will be treated as a new order.

- (F) Quantity decreases to a distributor's order received by SUN after the order has been acknowledged, may be subject to cancellation charges to cover material, work in progress and a reasonable profit, if not related to Standard Products.

6) Area of Primary Sales Responsibility -- Territory.

_____ is assigned primary sales responsibility for the territory described below, except as noted in Section 7 of this agreement:

(ENTER TERRITORY)

_____ agrees to actively promote sales of SUN products and to call on actual and potential users and customers of the products in this area for this purpose.

7) Direct Sales. IT IS SUN'S POLICY NOT TO SELL DIRECTLY TO CUSTOMERS IN THE DISTRIBUTORS TERRITORY except as noted below:

- (A) SUN may at its discretion sell directly to companies manufacturing hydraulic components whose US affiliates are currently or have been members in good standing of the National Fluid Power Association (NFPA), and who have worldwide purchasing agreements with SUN. SUN will advise _____ of any such agreement prior to selling into the subject areas.

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- (B) SUN may sell to customers in Distributor's territory when customer's purchase orders have been refused by the Distributor provided the refusal is not due to customer's inability to settle their outstanding account with Distributor.

8) Refusal of Orders. SUN reserves the right, at its discretion, to refuse shipment of any Distributor's order(s) if the Distributor is delinquent in paying SUN's invoices or is in default under any of the other terms and conditions hereunder.

Any acceptance of an order, or shipment of a different order or any part of an order, does not waive SUN's right to refuse to complete shipment or to refuse to ship or accept additional orders from Distributor.

9) Distributor Stock Service. _____ will at all times maintain an adequate inventory of SUN products and furnish prompt, efficient and willing service to purchasers of SUN products in the territory.

To assist in accomplishing this important objective, SUN will develop a periodic schedule for inventory exchange.

SUN will contact _____ once each year and after a mutual evaluation of inventory, authorize specific items to be exchanged for its other SUN products, under the following conditions:

- (A) Standard cartridges and standard valve assemblies (at standard settings) and standard bodies may be exchanged on a dollar for dollar basis (at current list price) for other standard cartridges, valve assemblies and bodies, provided:

- (1) All items returned are in new condition and in factory boxes.

- (2) All returned items are one year old or less.

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- (B) All other SUN products (nonstocking catalog items and SUN custom valvepacs) will be subject to negotiation to determine their exchange value. _____ can be assured that SUN will maximize the exchange value of these products in support of _____ stocking program.

10) Returned Goods.

Written permission to return any product to the factory must be obtained from SUN prior to shipment.

All return goods will be shipped freight prepaid and include, with the shipment, a complete explanation of reasons for the return and work requested, so that SUN can make a prompt disposition of the matter.

SUN products may be returned to SUN, after approval has been received, for the following reasons:

(A) Warranty Evaluation

SUN warrants that its products are free from defect in material, workmanship and design for a period of three years after installation, provided installation date is less than one year after manufacture. "O" rings and seals are specifically excluded from this warranty.

In no instance is there any warranty of fitness for a particular use, and SUN cannot and does not accept responsibility of any type for any of its products that have been subjected to improper installation, application, negligence, tampering or abuse, or which have been repaired or altered outside the SUN factory.

SUN's liability under the warranty shall extend only to replacement or correction, F.O.B. our factory, of any defective part or product determined by inspection as not conforming to this warranty. SUN makes no other warranties, express or implied, and is not responsible for any consequential damages resulting from use by any buyer or user, its liability being limited to the value of the product sold or obligation to replace a defective part.

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(B) Repairs (out of warranty)

Complete valves, valve bodies, custom valves and custom valvepacs will be repaired (or refurbished) on a quotation basis.

(C) Engineering Evaluation

SUN's Engineering Department, a customer, or _____, from time to time, may request a particular SUN product to be evaluated in a specific manner by SUN's Engineering Department. SUN is very willing to cooperate in such evaluations whenever it will help _____ in its relations with an important customer or to advance the state of the art.

- 11) Sales Effort Cooperation.
- (A) SUN agrees to forward directly to Distributor all sales leads generated within the territory from SUN's direct mail, advertising and publicity.
- (B) In order to assist SUN in providing up-to-date market data and analysis to the Distributor, determine SUN's needs for future plant capacity, and otherwise carry out its obligations, Distributor agrees to provide sales and market data from time to time, when requested by SUN, in a form mutually agreeable to both parties.
- 12) Promotional Materials. SUN will provide _____ with a supply of catalogs, service bulletins, technical data and other advertising and promotional materials, some free and some at a price established by SUN.
- 13) Good Will. SUN and _____ mutually agree that performance under this contract will generate goodwill for both parties with customers and prospective customers of _____ who are users or prospective users of SUN products. _____ contribution to this goodwill will include, but not be limited to, active sales effort on behalf of SUN's products and the maintenance of adequate stock of SUN products to meet _____ customers' needs. SUN's contribution to this goodwill will include, but not be limited to, advertising and promotion of SUN products, referral of sales leads to

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_____, training of _____ sales personnel in the application and sale of the products, and joint sales and service efforts with _____ personnel when mutually agreed upon. Both parties recognize the mutual creation of this goodwill and their individual contributions to it and each party agrees herewith that no future claim for goodwill will be made against the other party under any conditions whatsoever.

- 14) Relationship of SUN and _____. The relationship created by this agreement is that of buyer and seller, not principal and agent. SUN may not make a binding contract on behalf of _____, and may not do any other act that would be the act of an Agent of _____. _____ is not and shall not be the agent, employee or partner of, or joint venturer with SUN. In no event shall SUN be responsible for any obligation or liability of _____, whether or not the obligation or liability shall have been incurred in connection with the sale of any products manufactured or supplied hereunder except as described in Paragraph 15) hereafter.
- 15) Patent Litigation; Product Liability. SUN agrees at its sole expense to defend and hold _____ harmless from any loss or liability for any patent infringements, patent claims or patent damages that _____ incurs by reason of selling SUN products under the provisions hereof. Except in cases where a SUN product fails to operate within the specifications set forth for each product in SUN's catalogs, _____ agrees at its sole expense to defend and hold SUN harmless from any loss or liability by reason of any sale by _____ of SUN products. _____ further acknowledges and agrees it is _____ sole responsibility to technically train its sales and service personnel and to inform its representatives of known characteristics of SUN products or of specific restrictions on use of SUN products. SUN agrees to provide technical training assistance to _____ at such time and in such manner as is mutually agreeable to SUN and _____.

EXCEPT as to applications prohibited under the provision of Paragraph 3) above, all SUN products shipped to _____ hereunder

shall be covered by the SUN warranty as set forth in Paragraph 10) (A) above. No other terms including warranties, shall apply except as may be specifically agreed in writing for a particular order.

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- 16) TAXES. SUN prices do not include applicable sales, use, excise or similar taxes, if any. _____ agrees to assume responsibility for all such taxes on _____ orders for SUN products, literature and sales aids.
- 17) Excusable Delays. SUN will endeavor to deliver products of suitable quality within agreed upon time limits, but SUN shall not be liable for any damages resulting from failure to deliver, delay in making deliveries or cancellation of _____ orders initiated by SUN, nor for any loss of profits by _____ or its customer.
- 18) Trademarks, Trade Names. _____ shall not use, directly or indirectly, any trademark or trade name which is now or may hereinafter be owned by SUN as part of the _____ corporate or business name, or in any way in connection with _____ business, except in the manner or to the extent that SUN may specifically consent to such use in writing.
- 19) Assignment. This Distribution Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, successors and assigns; provided, however, that _____ rights hereunder cannot be assigned or transferred, in whole or in part, directly or indirectly, whether by _____ or by operation of law or otherwise, to any person, firm or corporation, without prior written consent of SUN.
- 20) Entire Agreement. This Distribution Agreement constitutes the entire Agreement between the parties, superseding all previous agreements, if any, relating to distribution of the products whether oral or written. No terms or provisions of this agreement may be waived, modified or supplemented except by written consent of both parties.
- 21) Waiver. Failure of either party at any time to require performance by the other party of any provision hereof shall not be deemed a continuing waiver of the provision or waiver of any other provision of this agreement whether or not it is of the same or similar nature.
- 22) Life of Agreement -- Termination. This Distributor Agreement shall remain in force until terminated. The initial period will be for two years, provided that _____ does not enter into distribution of cartridge valves in competition with SUN's product. After the initial period either party may terminate, with or without cause, by

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giving of at least six (6) months advance written notice specifying the date of termination. Either party may also terminate this agreement without written notice upon insolvency of, appointment of a receiver for, or filing of a petition in bankruptcy by or against, the other party.

- (A) At termination of this agreement, _____ agrees to return to SUN, freight collect, all sales literature, sales aids and any confidential material in _____ possession.
- (B) Orders on hand at termination of the agreement will be honored

provided:

- (1) Orders are scheduled for shipment within sixty (60) days from termination of this agreement.
- (2) Payment for SUN's shipments to _____ are made in advance. SUN reserves the right to waive this requirement to provide continuity of service to customers.

(C) SUN products in _____ stock at termination of this agreement may be returned to SUN for credit under the following terms:

- (1) Full credit will be issued by SUN for products that have been in _____ stock for less than one year and which are in new condition and in factory boxes.
- (2) Products which have been used or have been in _____ stock for more than one year will be evaluated by SUN and credit determined on a piece by piece basis.
- (3) All products returned for credit will be shipped freight prepaid to SUN by _____.

23) Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Florida.

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IN WITNESS WHEREOF, we have hereunto set our hands and seals and have caused this Agreement to be executed as of the day and year first above written.

(DISTRIBUTOR NAME)

In the presence of:

By:

(Name/Title)

SUN HYDRAULICS CORPORATION

By:

Clyde G. Nixon, President

EXHIBIT 10.3

SUN HYDRAULICS INCORPORATED 1996 STOCK OPTION PLAN

SUN HYDRAULICS INCORPORATED, a Delaware corporation (the "Company"), hereby adopts the Sun Hydraulics Incorporated 1996 Stock Option Plan (the "Plan"). The terms and conditions of the Plan are as follows:

Section 1. Purpose of the Plan. The purposes of the Plan are to encourage ownership of shares of the Common Stock, \$.001 par value, of the Company (the "Common Stock") by Employees (as defined in Section 3 of this Plan) and to encourage each of them to remain in the employ of the Company, and to more fully align the interest of Employees and members of the Board of Directors of the Company with the interests of stockholders of the Company by giving such Employees and Directors a personal interest in the value of the Common Stock. It is intended that options granted to Employees pursuant to the terms of this Plan (individually, an "Option," collectively, the "Options") may be either "Incentive Stock Options" ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or "Nonstatutory Options" which do not qualify as Incentive Stock Options under Section 422 of the Code.

Section 2. Administration of Plan. Subject to the provisions of this Plan, the Compensation Committee (the "Committee") appointed by the Company's Board of Directors shall have authority to supervise, administer and interpret this Plan including, but not limited to, the authority to (i) determine the Employees and Directors to whom Options shall be granted, (ii) determine the number of shares of Common Stock to be the subject of each Option, (iii) determine whether each Option granted to an Employee shall be designated as an Incentive Stock Option or not, (iv) determine the periods during which Options may be exercised and to accelerate the exercisability of outstanding Options, as it may deem appropriate; (v) determine the term of each Option, (vi) determine in good faith the fair market value of the Common Stock in accordance with reasonable valuation methods, (vii) determine in what manner the purchase price of the Common Stock shall be paid pursuant to Section 11 of this Plan; (viii) to modify, cancel, or replace any prior Options and to amend the relevant Stock Option Agreements with the consent of the affected Optionees, including amending such agreements to amend vesting schedules, extend exercise periods or increase or decrease the Option Price for Options, as it may deem to be necessary, and (ix) make, amend and rescind rules and regulations relating to the Plan. The determination of the Committee shall be made in accordance with its judgment as to the best interests of the Company and its stockholders and in accordance with the purposes of the Plan. The Committee's determination in all cases arising under the Plan shall be final, conclusive and binding unless otherwise determined by the Board.

Section 3. Employee Defined. For purposes of this Plan, the term "Employee" shall be defined to mean an individual who is an employee of either the Company, or a "subsidiary corporation" (as defined in Section 424(f) of the Code) of the Company (a "Subsidiary Corporation").

Section 4. Common Stock Subject to the Plan. Subject to adjustment as provided in Section 16 of this Plan, the aggregate number of shares of Common Stock that shall be reserved and that may be issued from time to time upon the exercise of Options to be granted under this Plan is 1,000,000 shares of Common Stock. Such shares of Common Stock may consist of (i) treasury shares, (ii) authorized but unissued shares or (iii) both. In the event that an Option expires or terminates without having been exercised as to the full number of shares of Common Stock subject thereto, the shares of Common Stock as to which such Option was not exercised shall be available for Options that may thereafter be granted under this Plan.

Section 5. Eligibility. The Compensation Committee may grant Options under this Plan to any Employee. The Compensation Committee may also grant Options to any director of the Corporation, subject to the restrictions in Section 6. In granting such awards and determining which Employees shall be

granted Options and the terms and amount of Common Stock covered by each such Option, the Compensation Committee may give consideration to the functions and responsibilities of the individual, his or her potential contributions to profitability and sound growth of the Company and such other factors as the Committee may, in its discretion, deem relevant.

Notwithstanding the preceding sentence or any other provisions of this Plan, any Employee who is a Named Executive Officer of the Company (as defined herein) shall not be granted Options unless the grant is approved by a Committee of the Board (which may be the Compensation Committee) consisting solely of members of the Board of Directors who are not Employees, former officers or paid consultants of the Company. For this purpose, the term "Named Executive Officer" shall mean the Company's Chief Executive Officer and the four highest compensated officers (other than the Chief Executive Officer), as determined pursuant to the executive compensation disclosure rules under the Securities Exchange Act of 1934.

The maximum number of shares of Common Stock with respect to which Options may be granted to any Participant during any one calendar year is 150,000 shares.

Section 6. Options for Directors. The Committee may, in its sole discretion, from time to time grant Options to one or more members of the Board of Directors who are not Employees, provided that these Options must be Nonstatutory Options.

Section 7. Term of Options. The term of each Option shall be for a period not to exceed ten (10) years from the date the Option is granted.

Section 8. Exercise of Option. Except as otherwise provided in this Plan, an Option shall be exercisable only by the individual to whom it is granted during his or her lifetime (or, in the event of the participant's incapacity, by the participant's guardian or legal representative, acting in a fiduciary capacity on behalf of the participant). An Option shall be deemed exercised only if written notice of its exercise is delivered to the Secretary of the Company prior to the expiration of the term of the Option.

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Section 9. Designation of Options as Incentive Stock Options. The Committee shall, in its sole discretion, determine whether the Option granted to an Employee shall be an Incentive Stock Option under Code Section 422 or an option that will not qualify under Code Section 422. If the Committee decides to grant the Employee an Option that is an Incentive Stock Option, his or her stock option agreement referred to in Section 26 shall expressly state that such Option is intended to qualify as an Incentive Stock Option. Each provision of the Plan and of the stock option agreement relating to an Option designated as an Incentive Stock Option shall be construed so that such Option continues to qualify as an Incentive Stock Option, and any provision that cannot be so construed shall be disregarded.

If the Option is intended to be an Incentive Stock Option it shall be exercisable only if such individual is an Employee of either the Company or a Subsidiary Corporation at all times during the period beginning on the date of the grant of the Option and ending on the date which is three (3) months before the date of such exercise (including the date of such exercise); provided, however, in the case of an employee who is permanently and totally disabled (within the meaning of Section 22(e)(3) of the Code), the ending date of the period of continuous employment may be one (1) year before the date of such exercise.

Notwithstanding anything contained in this Plan to the contrary, if at the time an Incentive Stock Option is granted to an Employee, the Employee "owns" (as contemplated in Sections 422 and 424(d) of the Code) stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or a Subsidiary Corporation, the option price must be at least 110 percent of the fair market value of the Common Stock

subject to the Option and such Option by its terms must not be exercisable after the expiration of five (5) years from the date such Option is granted.

If the Option is not intended to be an Incentive Stock Option, it shall not be subject to the limits set forth in the preceding paragraphs and in Section 10.

Section 10. Annual Limit on Incentive Stock Options. Notwithstanding anything contained in this Plan to the contrary, if the Option granted to an Employee is intended to be an Incentive Stock Option, the aggregate fair market value (determined as of the time the Option is granted) of the shares of Common Stock with respect to which the Incentive Stock Options granted to the Employee (under all plans of the Company and any Subsidiary Corporation) first become exercisable during any calendar year shall not exceed \$100,000, determined in accordance with the provisions of Section 422(d) of the Code.

To the extent this limitation would otherwise be exceeded, the Option shall be deemed to consist of an Incentive Stock Option for the maximum number of shares which may be covered by Incentive Stock Options pursuant to the preceding sentence, and a Nonstatutory Option for the remaining shares subject to the Option.

Section 11. Option Price. The purchase price of the Common Stock that shall be the subject of an Option shall be (i) if the Option is designated as an Incentive Stock Option, not less

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than the fair market value of the Common Stock on the date such Option is granted, and (ii) if the Option is a Nonstatutory Option, such price, which may be equal to or less than the fair market value of the Common Stock on the date such Option is granted, as the Committee shall determine.

Payment of the purchase price for the shares of the Common Stock to be purchased upon exercise of an Option (the "Purchase Price") shall be due and payable to the Company, at the election of the individual to whom an Option is granted under this Plan (an "Optionee"), (i) in cash at time of exercise, (ii) by the delivery at time of exercise of shares of the Common Stock having a fair market value (as determined by the Committee) equal to the Purchase Price, (iii) with the approval of the Committee, in cash at the time of exercise to the extent of the par value of such shares of Common Stock with the balance of the Purchase Price paid pursuant to a promissory note on terms satisfactory to the Committee delivered at time of exercise, or (iv) in such other manner as the Committee shall approve. Unless otherwise provided for by the Board, \$.001 of the consideration to be received by the Company upon exercise of an Option shall be allocated to capital and the balance shall be allocated to surplus.

Alternatively, the Committee may permit the Optionee to exercise his or her Option by delivery of (i) an irrevocable notice of exercise, accompanied by payment in full of the Purchase Price by the Optionee's stockbroker, and (ii) an irrevocable instruction to the Company to deliver the shares of Common Stock issuable upon exercise of the Option promptly to the Optionee's stockbroker for the Optionee's account, both signed by the Optionee.

Section 12. Tax Withholding. The Company shall have the right to require participating Employees exercising Nonstatutory Options to remit to the Company (or to the Subsidiary Corporation which employs them) an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any shares of Common Stock acquired under the Options. If an Optionee sells, transfers, assigns or otherwise disposes of shares of Common Stock acquired upon the exercise of an ISO within two (2) years after the date on which the ISO was granted or within one (1) year after the receipt of the shares of Common Stock by the Optionee, the Optionee shall promptly notify the Company of such disposition and the Company shall have the right to require the Optionee to remit to the Company the amount necessary to satisfy any federal, state and local tax withholding requirements imposed on the Company by reason of such disposition.

Amounts to which the Company is entitled pursuant to the

preceding paragraph may, at the election of the Optionee and with the approval of the Committee, either (i) be paid in cash, (ii) be withheld from the Optionee's salary or other compensation payable by the Company, or (iii) be withheld in the form of some of the shares of Common Stock otherwise issuable to the Optionee upon exercise of the Options that have a fair market value not less than the minimum amount of tax the Company is required to withhold.

Section 13. Nontransferability of Option. An Option shall not be transferable by the individual to whom it is granted except by (i) will, or (ii) the laws of descent and distribution.

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Section 14. Termination of Employment or Directorship. Subject to any further restrictions contained in the written stock option agreement between the Optionee and the Company, in the event that an Optionee who is an Employee shall cease to be employed by the Company or a Subsidiary Corporation, whether voluntarily or involuntarily, or, in the event that an Optionee who is a Director but not an Employee shall cease to serve as a Director, for any reason other than the Optionee's death or permanent or total disability within the meaning of Section 22(e)(3) of the Code (the "Disability") and shall no longer be employed by any of them, all of the Optionee's rights to further exercise of his or her Options shall expire at the time specified by the Committee in his or her stock option agreement, or, for those Options intended to be Incentive Stock Options, as of a date no later than three (3) months from the date the employment of Optionee is terminated; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date such Option is granted.

Nothing in this Plan shall confer upon any Optionee the right to be continued in the employment of the Company or a Subsidiary Corporation, or to interfere in any way with the right of the Company or a Subsidiary Corporation to terminate the employment of an Optionee, whether for cause or otherwise. For purposes of this Plan, an Optionee's employment with the Company shall not be considered terminated for purposes of determining the exercisability of Incentive Stock Options if the Optionee is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed ninety (90) days, or, if longer, so long as the individual's right to reemployment with the Company or any Subsidiary Corporation is guaranteed either by statute or by contract.

Section 15. Death or Disability of Optionee. In the event of the death of an Optionee while employed by (or serving as a director of) the Company or a Subsidiary Corporation, his or her Option may be exercised (to the extent that the Optionee was entitled to do so at the date of his or her death) by his or her personal representative or by any person or persons who shall have acquired the Option directly from the Optionee by will or by the laws of descent and distribution at any time within three (3) months after the date of his or her death; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date such Option is granted.

In the event of the disability of an Optionee while employed by (or serving as a director of) the Company or a Subsidiary Corporation, his Option may be exercised (to the extent that the Optionee was entitled to do so at the date of disability) by the Optionee at any time within one (1) year after the date of his or her disability; provided, however, that no Option shall be exercisable after the expiration of ten (10) years from the date such Option is granted.

For purposes of this Plan, the determination as to whether an Optionee's employment is terminated because of "disability" shall be vested solely in the Committee and its determination shall be final and conclusive on all parties.

Section 16. Adjustments in Company Common Stock. In the event of any changes in the issued and outstanding shares of the Common Stock by reason of a share dividend, split-up,

reclassification, recapitalization, subdivision, combination, exchange of shares, merger, consolidation or liquidation by or of the Company, the aggregate number and class of shares available under this Plan, as well as the number of shares issuable under each then outstanding Option and the option price payable for such shares, shall be correspondingly adjusted by the Committee; provided, that neither the Stock Option Plan nor the Options outstanding under the plan will be adjusted in a manner that causes any Option intended to be a Incentive Stock Option not to qualify as an incentive stock option within the meaning of Section 422 of the Code.

The Committee may, in its discretion, substitute new option rights for, or cause the Company to assume the duties of any Subsidiary Corporation with respect to, stock options granted to Employees outstanding under any other stock option plan sponsored by a Subsidiary Corporation, by another corporation or by a parent or subsidiary (within the meaning of Section 425 of the Code) of such other corporation, in connection with any merger, consolidation, acquisition, separation, reorganization, liquidation or like occurrence in which the Company is involved.

Section 17. Time of Granting Options. The granting of an Option shall take effect as of the time specified by the Committee in its resolutions granting the Option, or if none, at the time when the written stock option agreement referred to in Section 24 of this Plan shall have been duly executed and delivered by or on behalf of the Company and the Optionee.

Section 18. Rights as a Stockholder. Except as otherwise provided by the laws of the State of Delaware, an Optionee shall have no rights as a stockholder of the Company with respect to any shares covered by his or her Option until the date of the issuance of such shares upon exercise of the Option. Except as otherwise provided in Section 15 of this Plan and by the laws of the State of Delaware, no adjustment shall be made for any dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights on the Common Stock for which the record date is prior to the date a stock certificate for the shares subject to the Option is issued.

Section 19. Amendment of Plan. To the extent permitted by law, the Board may at any time and from time to time modify or amend the Plan in such respects as it shall deem advisable; provided, however, that such modification or amendment shall not change any rights under any outstanding Option without the written consent of the Optionee; provided further, however, that such modification or amendment shall not, without the approval of the stockholders of the Company, change the Plan so as to cause any Option intended to be an Incentive Stock Option to fail to meet the requirements of an incentive stock option under Section 422 of the Code.

Section 20. Term of Plan. No Options shall be granted under this Plan at any time after the tenth (10) anniversary of the date this Plan is first adopted by the Board.

Section 21. Termination of Plan. Notwithstanding anything contained in this Plan to the contrary, the Board may at any time terminate or discontinue this Plan or any Option granted

hereunder provided that such action shall not, without the written consent of the Optionee affected, impair the rights of such Optionee under any Option previously granted under the Plan.

Section 22. Governmental Regulations. This Plan and the granting and exercise of any Option and the obligations of the Company to sell and deliver

shares of Common Stock under any such Option shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies as may be required.

Section 23. Compliance with Securities Laws. Options granted and shares of the Common Stock issued by Company upon the exercise of Options shall be granted and issued only in full compliance with all applicable securities laws including, but not limited to, the Securities Act of 1933, as amended, and the general rules and regulations promulgated thereunder by the Securities and Exchange Commission and applicable state blue sky laws. In connection with such compliance, the Committee may impose such conditions on transfer of the shares of the Common Stock subject to an Option and other restrictions, conditions and limitations as it may deem necessary and appropriate.

Section 24. Proceeds from Sale of Common Stock. The proceeds to be received by the Company upon the exercise of any Option, if other than in shares of the Common Stock, shall be used for general corporate purposes.

Section 25. Obligations of Optionee. The granting of an Option shall impose no obligation upon the Optionee to exercise such Option.

Section 26. Stock Option Agreements. Options granted under this Plan shall be evidenced by written agreements in such form as the Committee shall from time to time approve, which agreements (i) shall comply with and be subject to the terms and conditions of this Plan, (ii) may contain such other provisions not inconsistent with this Plan as the Committee shall deem advisable, including, without limitation, restrictions upon exercise of an Option, (iii) if the Option is intended to be an Incentive Stock Option, shall contain such other limitations and restrictions upon the exercise of the Option as shall be necessary in order that such Option will satisfy the requirements for incentive stock options imposed by Section 422 of the Code, and (iv) shall contain such restrictions as the Committee may determine to be necessary in order that the granting of such Option shall be in compliance with Federal and state securities laws.

Section 27. Effective Date of Plan. The Plan shall become effective on the date it is approved by the Board of Directors of the Company. Notwithstanding the preceding sentence, if the Plan is not approved by vote of the Company's stockholders by the first anniversary of this effective date, it shall terminate and all Options granted hereunder shall be void. No Option granted under this Plan may be exercised until the Plan has been approved by the Company's stockholders.

Section 28. Priority. To the extent that any of the provisions of Sections 421 and 422 of the Code are inconsistent with the provisions of this Plan and such inconsistency would cause

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this Plan not to be treated for Federal income tax purposes as an incentive stock option plan, or any Option expressly intended to be an Incentive Stock Option not to so qualify, the provisions of this Plan and of the Incentive Stock Options granted hereunder shall be deemed to be amended in a manner to comply with the provisions of Section 421 or 422 of the Code, as the case may be.

IN WITNESS WHEREOF, the undersigned, being the duly elected and authorized Secretary of the Company, hereby certifies that this Plan was legally and validly approved by the Board of Directors of the Company on the 5th day of October, 1996.

SUN HYDRAULICS INCORPORATED

By: /s/ Gregory C. Yadley

Gregory C. Yadley, Secretary

EXHIBIT 10.4

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Indemnification Agreement") is made and entered into as of the 5th day of October, 1996, by and between SUN HYDRAULICS INCORPORATED, a Delaware corporation (the "Company"), and _____, an individual ("Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director and/or officer of the Company;

WHEREAS, the Company and Indemnitee recognize the risk of litigation and other claims being asserted against directors and officers of public companies;

WHEREAS, the Certificate of Incorporation (the "Certificate") of the Company requires the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law, and Indemnitee has been serving and continues to serve as a director and/or officer of the Company in part in reliance upon the Certificate; and,

WHEREAS, in recognition of (1) Indemnitee's need for substantial protection against personal liability; (2) the Company's need to induce Indemnitee's continued service to the Company in an effective manner; and (3) Indemnitee's reliance on the Certificate, and to provide Indemnitee with specific contractual assurance that the protection contained in the Certificate will be available to Indemnitee (regardless of, among other things, any amendment to or restatement of the Certificate or any changes in the composition of the Company's Board of Directors or any business combination in which the Company participates), the Company wishes to provide in this Indemnification Agreement for the indemnification of and the advancing of expenses to Indemnitee to the full extent (whether partial or complete) permitted by law and as set forth in this Indemnification Agreement and, if insurance is obtained, for the coverage of Indemnitee under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the premises, the mutual promises, covenants and conditions herein contained, Indemnitee continuing to serve the Company directly, or at its request, to serve another enterprise, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. CERTAIN DEFINITIONS. In addition to the words and terms elsewhere defined in this Indemnification Agreement, certain capitalized words and terms used herein shall have the meanings given to them by the definitions and descriptions in this Section 1, unless the context or use indicates another or different meaning or intent, and such definitions shall be equally applicable to both the singular and plural forms of any of the capitalized words and terms herein defined. The following words and terms are defined terms under this Indemnification Agreement:

1.1 Change in Control. "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13-d-3 under said Act), directly or indirectly, of

securities of the Company representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

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1.2 Claim. "Claim" shall mean any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether instituted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

1.3 Expenses. "Expenses" shall mean attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any Claim relating to any Indemnifiable Event.

1.4 Indemnifiable Event. "Indemnifiable Event" shall mean any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

1.5 Independent Legal Counsel. "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise been retained by or performed services for the Company or Indemnitee within the last two years (other than with respect to matters concerning the rights of Indemnitee under this Indemnification Agreement or of other indemnities under similar indemnification agreements).

1.6 Reviewing Party. "Reviewing Party" shall mean (i) the Board of Directors of the Company by a quorum consisting of directors who were not parties to a Claim in question, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by Independent Legal Counsel.

1.7 Voting Securities. "Voting Securities" shall mean any securities of the Company which vote generally in the election of directors.

2. BASIC INDEMNIFICATION ARRANGEMENT.

A. In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the full extent permitted by the Certificate and by the Delaware General Corporation Law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim.

B. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance").

C. Notwithstanding the foregoing, (i) the obligations of the Company under this Section 2 shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion in any case in which Independent Legal Counsel is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to this Section 2 shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

D. If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of

Directors and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the State of Florida having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. CHANGE IN CONTROL. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under the Certificate, this Indemnification

Agreement or any other agreement or Company Bylaw now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Indemnification Agreement or its engagement pursuant hereto.

4. INDEMNIFICATION FOR ADDITIONAL EXPENSES. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under this Indemnification Agreement or any other agreement, the Certificate or Company Bylaws now or hereafter in effect relating to Claims for Indemnifiable

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Events, and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. PARTIAL INDEMNITY, ETC. If Indemnitee is entitled under any provision of this Indemnification Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Indemnification Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. PRESUMPTION IN FAVOR OF INDEMNITEE; BURDEN OF PROOF. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, there shall exist a rebuttable presumption that Indemnitee has met the applicable standard(s) of conduct and is, therefore, entitled to indemnification pursuant to this Indemnification Agreement, and the burden of proof shall be on the Company to establish that Indemnitee has not met such applicable standard(s) of conduct and is not so entitled to indemnification.

7. NO OTHER PRESUMPTIONS. For purposes of this Indemnification Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that (i) Indemnitee did not meet any particular standard of conduct; or (ii) Indemnitee did not have any particular belief; or, (iii) that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. NONEXCLUSIVITY, ETC. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Certificate, any Company Bylaw, the Delaware General Corporation Law, or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Certificate and this Indemnification Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Indemnification Agreement the greater benefits so afforded by such change.

9. LIABILITY INSURANCE. If the Company obtains directors' and officers' liability insurance, then, to the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. PERIOD OF LIMITATIONS. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee or Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

11. AMENDMENTS, ETC. No supplement, modification or amendment of this Indemnification Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Indemnification Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. SUBROGATION. In the event of payment under this Indemnification Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights. To the extent Indemnitee has been indemnified by the Company hereunder and later receives payments from any insurance carrier covering the same Expenses, judgments, fines, penalties or amounts paid in settlements so indemnified by the Company hereunder, Indemnitee shall immediately reimburse the Company hereunder for all such amounts received from the insurer.

Notwithstanding anything contained herein to the contrary, Indemnitee shall not be entitled to recover amounts under this Indemnification Agreement which, when added to the amount of indemnification payments made to, or on behalf of, Indemnitee, under the Certificate or Company Bylaws, in the aggregate exceed the Expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by Indemnitee ("Excess Amounts"). To the extent the Company has paid Excess Amounts to Indemnitee, Indemnitee shall be obligated to immediately reimburse the Company for such Excess Amounts.

13. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this Indemnification Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, the Certificate or Company Bylaws

or otherwise) of the amounts otherwise indemnifiable hereunder.

14. **RIGHT OF INDIVIDUAL ATTORNEY.** The Company shall not restrict the right of Indemnitee to be represented by and indemnified against the fees and expenses of the attorney of Indemnitee's choice hereunder.

15. **ALLOWANCE FOR COMPLIANCE WITH SEC REQUIREMENTS.** Indemnitee acknowledges that the Securities and Exchange Commission ("SEC") has expressed the opinion that indemnification of directors and officers from liabilities under the Securities Act of 1933, as amended (the "Securities Act") is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Indemnitee hereby agrees that it will not be a breach of this Indemnification Agreement for the Company to undertake with the SEC in connection with the registration for sale of any stock or other securities of the Company from time to time that, in the event a claim for indemnification against liabilities under the Securities Act (other than the payment by the Company of expenses incurred or paid by a director or officer of the Company in the successful defense of any action, suit or proceeding) is asserted in connection with such securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of competent jurisdiction the question of whether or not such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. Indemnitee further agrees that such submission to a court of competent jurisdiction shall not be a breach of this Indemnification Agreement.

16. **ASSIGNMENT; CONTINUING AND BINDING EFFECT.** This Indemnification Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

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This Indemnification Agreement shall not be assigned by the Company or Indemnitee without the prior written consent of the other party hereto, except that the Company may freely assign its rights and obligations under this Indemnification Agreement to any subsidiary for whom Indemnitee is serving as a director and/or officer thereof; provided, however, that no permitted assignment shall release the assignor from its obligations hereunder. Subject to the foregoing, this Indemnification Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors; assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company; spouses; heirs; executors and personal and legal representatives.

16. **SEVERABILITY.** The provisions of this Indemnification Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the full extent permitted by law.

17. **GOVERNING LAW.** This Indemnification Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

18. **COUNTERPARTS.** This Indemnification Agreement may be executed in two or more fully or partially executed counterparts each of which shall be deemed an original binding and the signer thereof against the other signing parties, but all counterparts together shall constitute one and the same instrument. Executed signature pages may be removed from counterpart agreements and attached to one or more fully executed copies of this Agreement.

19. **NOTICE.** Indemnitee shall, as a condition precedent to his right to be indemnified under this Indemnification Agreement, give to the

Company notice in writing as soon as practicable of any claim made against him for which indemnity will or could be sought under this Indemnification Agreement. Notice to the Company shall be directed to the Company at its headquarters located at 1500 West University Parkway, Sarasota, Florida 34243, Attention: President (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three days after the date of postmark if sent by prepaid mail, properly addressed. In addition, Indemnitee shall give the

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Company such information and cooperation as it may reasonably require within Indemnitee's power.

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

Attest: SUN HYDRAULICS INCORPORATED

By:

Gregory C. Yadley, Secretary Clyde G. Nixon, President

[seal]

"INDEMNITEE"

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EXHIBIT 21

SUBSIDIARIES OF THE COMPANY(1)

Organized under the laws of:

Sun Hydraulics Corporation	The State of Florida
Sun Hydraulik Holdings Limited	England and Wales
Sun Hydraulik GmbH	The Federal Republic of Germany
Sun Hydraulics Limited	England and Wales

(1) Gives effect to the Reorganization described in the Prospectus included in the Registration Statement of which this Exhibit is a part.

EXHIBIT 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated September 30, 1996, except as to the subsequent event described in Note 16 which is as of October 5, 1996, relating to the financial statements of Sun Hydraulics Incorporated, which appears in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that Price Waterhouse LLP has not prepared or certified such "Selected Financial Data."

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP
Tampa, Florida
October 15, 1996

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