

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

FORM 10-Q

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

<TABLE>

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For the quarterly period ended March 31, 1998 Commission file number 0-21835

</TABLE>

SUN HYDRAULICS CORPORATION

(Exact Name of Registration as Specified in its Charter)

FLORIDA

59-2754337

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1500 WEST UNIVERSITY PARKWAY
SARASOTA, FLORIDA

34243

(Address of Principal Executive Offices)

(Zip Code)

941/362-1200

(Registrant's Telephone Number, Including Area Code)

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

The Registrant had 6,345,922 shares of common stock, par value \$.001, outstanding as of May 11, 1998.

Sun Hydraulics Corporation
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For the first quarter ended March 31, 1998

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PART I: FINANCIAL INFORMATION

Item 1.

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>

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	MARCH 31, 1998	DECEMBER 31, 1997
	(UNAUDITED)	(UNAUDITED)
	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,967	\$ 1,249
Accounts receivable, net of allowance for doubtful accounts of \$44 and \$47	6,175	4,558
Inventories	6,503	6,775
Other current assets	732	932
	-----	-----
Total current assets	16,377	13,514
Property, plant and equipment, net	40,183	39,789
Other assets	113	86
	-----	-----
Total assets	\$ 56,673	\$ 53,389
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 3,130	\$ 2,847
Accrued expenses and other liabilities	2,039	2,174
Long-term debt due within one year	1,837	1,035
Notes payable to related parties due within one year	785	757
Dividends payable	253	221
Income taxes payable	1,245	380
	-----	-----
Total current liabilities	9,289	7,414
Long-term debt due after one year	6,688	6,620
Notes payable to related parties due after one year	945	1,152

Deferred income taxes	3,213	3,203
	-----	-----
Total liabilities	20,135	18,389
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	-	-
Common stock (Note 3)	6	6
Capital in excess of par value	24,175	24,163
Retained earnings	12,119	10,732
Equity adjustment for foreign currency translation		238 99
	-----	-----
Total shareholders' equity	36,538	35,000
	-----	-----
Total liabilities and shareholders' equity	\$ 56,673	\$ 53,389
	=====	=====

</TABLE>

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

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	MARCH 31,	
	(UNAUDITED)	
	1998	1997
	----	----
<S>	<C>	<C>
NET SALES	\$ 19,133	\$ 14,599
Cost of sales	13,347	10,202
	-----	-----
GROSS PROFIT	5,786	4,397
Selling, engineering and administrative expenses	3,014	2,717
	-----	-----
OPERATING INCOME	2,772	1,680
Interest expense	260	152
Miscellaneous expense (income)	43	(58)
	-----	-----
INCOME BEFORE INCOME TAXES	2,469	1,586
Income tax provision	829	568
	-----	-----
NET INCOME	\$ 1,640	\$ 1,018
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.26	\$ 0.16

WEIGHTED AVERAGE SHARES OUTSTANDING		6,325		6,300
DILUTED NET INCOME PER COMMON SHARE	\$	0.25	\$	0.16
WEIGHTED AVERAGE SHARES OUTSTANDING		6,499		6,514

</TABLE>

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

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

<TABLE>

<CAPTION>

<S>	SHARES <C>	EQUITY ADJUSTMENT					TOTAL
		COMMON STOCK <C>	CAPITAL IN EXCESS OF PAR VALUE <C>	RETAINED EARNINGS <C>	FOR FOREIGN CURRENCY TRANSLATION <C>		
Balance, December 31, 1996	4,000,002	\$ 2,179	\$ 2,719	\$ 17,450	\$ 49	\$ 22,397	
Net proceeds from stock offering	2,300,000	2	19,250		19,252		
Distributions to shareholders			(10,545)	(10,545)			
Dividends declared			(883)	(883)			
Net income			4,710	4,710			
Merger with Sun Holdings (Note 2)		(2,175)	2,123		(52)		
Exercise of stock options	22,000		71		71		
Adjustment for foreign currency translation				50	50		
Balance, December 31, 1997	6,322,002	6	24,163	10,732	99	35,000	
Dividends declared			(253)	(253)			
Net income			1,640	1,640			
Exercise of stock options	3,920		12		12		
Adjustment for foreign currency translation				139	139		
Balance, March 31, 1998 (unaudited)	6,325,922	\$ 6	\$ 24,175	\$ 12,119	\$ 238	\$ 36,538	

</TABLE>

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

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

<TABLE>

<CAPTION>

<S>	THREE MONTHS ENDED	
	MARCH 31, (UNAUDITED) 1998	1997
<C>	----	----
<C>	<C>	<C>

Cash flows from operating activities:		
Net income	\$ 1,640	\$ 1,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,127	990
(Increase) decrease in:		
Accounts receivable	(1,617)	(1,368)
Inventories	272	(284)
Income tax receivable, net	-	344
Other current assets	200	1,034
Other assets	(27)	-
Increase (decrease) in:		
Accounts payable	283	(977)
Accrued expenses and other liabilities	(135)	(105)
Income taxes payable, net	875	1,054
Other liabilities	-	(14)
	-----	-----
Net cash provided by operating activities	2,618	1,692
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(1,521)	(2,253)
Proceeds from dispositions of equipment	-	2
	-----	-----
Net cash used in investing activities	(1,521)	(2,251)
	-----	-----
Cash flows from financing activities:		
Proceeds from debt	2,182	1,610
Repayment of debt	(1,312)	(8,560)
Repayment of notes payable to related parties	(179)	(155)
Proceeds from exercise of stock options	12	-
Net proceeds from stock offering (Note 3)	-	19,252
Cash paid for Sun Holdings merger (Note 3)	-	(52)
Dividends to shareholders	(221)	-
Distributions to shareholders		(9,954)
	-----	-----
Net cash provided by financing activities	482	2,141
	-----	-----
Adjustment for foreign currency translation	139	(63)
	-----	-----
Net increase in cash and cash equivalents	1,718	1,519
Cash and cash equivalents, beginning of period	1,249	1,038
	-----	-----
Cash and cash equivalents, end of period	\$ 2,967	\$ 2,557
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid (received) for:		
Interest (including amounts capitalized)	\$ 265	\$ 400
	=====	=====
Income taxes	\$ (46)	\$ (291)
	=====	=====

</TABLE>

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

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, certain

information and footnotes required by generally accepted accounting principles for complete financial statements are not included herein. The financial statements are prepared on a consistent basis (including normal recurring adjustments) and should be read in conjunction with the consolidated financial statements and related notes contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed by Sun Hydraulics Corporation (the "Company") with the Securities and Exchange Commission on March 30, 1998.

2. BUSINESS

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

3. REORGANIZATION AND INITIAL PUBLIC OFFERING

The consolidated financial statements of the Company consist of the financial position and results of operations of Sun Hydraulics and Sun Holdings. In January 1997, Sun Hydraulics effected a 9.90372627 for 1 stock split. All prior year share amounts reflected in the financial statements include the effect of the stock split. Additionally, Sun Hydraulics issued 374,811 shares of common stock and made a nominal cash payment of \$52 in exchange for all of the issued and outstanding stock of Sun Holdings (the "Reorganization"). The Reorganization was accounted for in a manner similar to a pooling of interest except for shares held by the minority shareholders which were accounted for at the fair market value of their proportionate share of related assets and liabilities, which approximated book value on the date of the transaction.

The Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission effective January 9, 1997, and issued 2,300,000 shares of common stock in an initial public offering ("IPO"), with an initial offering price of \$9.50. The IPO net proceeds of

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\$19,252, the exchange of shares with Sun Holdings, and the distribution of previously taxed S Corporation retained earnings are reflected in the statement of changes in shareholders' equity.

The \$19,252 of net proceeds from the IPO were used as follows: an S Corporation distribution of \$9,446, representing 90% of the total distribution of \$10,545, \$7,676 was paid to extinguish debt, \$1,000 was paid to reduce the mortgage on the manifold facility, and \$1,130 was retained as working capital.

The Company has 20,000,000 authorized shares of common stock, par value \$0.001, with 6,325,922 shares outstanding at March 31, 1998. The Company also has 2,000,000 authorized shares of preferred stock, par value \$0.001, with no shares outstanding.

4. EARNINGS PER SHARE

During the first quarter of 1997, Statement on Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share," was issued. SFAS 128 is in effect for the year ended December 31, 1997 and requires a restatement of previously reported earnings per share. SFAS 128 requires the Company to report both basic earnings per common share, which is based on the weighted average number of common shares outstanding, and diluted earnings per common share, which is based on the weighted average number of common shares outstanding and

all dilutive potential common shares outstanding. All prior years' earnings per share data in this report have been recalculated to reflect the provisions of SFAS 128.

5. INVENTORIES (in thousands)

<TABLE>
<CAPTION>

	March 31, 1998 (unaudited)	December 31, 1997
<S>	<C>	<C>
Raw materials	\$ 184	\$ 214
Work in process	4,576	4,348
Finished goods	1,743	2,213
	-----	-----
	\$ 6,503	\$ 6,775
	=====	=====

</TABLE>

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6. LONG-TERM DEBT (in thousands)

<TABLE>
<CAPTION>

	March 31, 1998 (unaudited)	December 31, 1997
<S>	<C>	<C>
Lines of credit agreements	\$ 1,696	\$ 666
Mortgage note payable-U.S. Manifold facility		4,953
Mortgage note payable-German facility		1,876
	-----	-----
	8,525	7,655
Less amounts due within one year		(1,837)
	-----	-----
	\$ 6,688	\$ 6,620
	=====	=====

</TABLE>

The Company has three revolving lines of credit; one in the United States, one in England, and one in Germany. None of these arrangements contain pre-payment penalties.

The United States had a \$1,700 revolving credit agreement, secured by all inventory and accounts receivable, bearing interest at the lender's prime rate with a maturity date of March 1, 1997. In February 1997, the Company negotiated a one-year, unsecured revolving credit facility to replace the \$1,700 revolving credit agreement. The new credit facility provides for a maximum availability of \$10,000, payable on demand at the lender's prime rate of interest. There are no debt covenants related to this facility. In February 1998, the Company renegotiated this unsecured credit facility with a term of one year and an interest rate equal to the bank lender's prime rate less 1%, or LIBOR plus 1.9% for predetermined periods of time at the Company's option. At March 31, 1998, \$1,650 was outstanding under this credit facility.

In England, the Company has a \$1,200 line of credit, denominated in British pounds, which bears interest at a floating rate equal to 2.25% over the bank's base rate and is a demand note. At March 31, 1998 there was no balance outstanding on this credit facility.

The German line of credit is a demand note denominated in German Marks with interest payable at the lender's prime rate. At March 31, 1998, \$46 was outstanding under this credit facility.

A 10-year mortgage note of \$6,187 was obtained at a fixed interest rate of

8.25% for construction of the manifold facility. Terms on the construction note were interest-only on the balance drawn down through the completion of construction and then conversion to a 10-year mortgage note with a 15-year amortization schedule. The Company applied \$1,000 of the IPO proceeds toward repayment of this note. In March 1998, this mortgage note was renegotiated to an interest rate of 7.875%. Terms are monthly principal and interest payments of \$43 for 8.25 years with remaining principal due July 1, 2006.

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In May 1996, the Company obtained a mortgage loan of approximately \$2,400, 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%. At March 31, 1998, \$1,876 was outstanding under this credit facility.

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

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 sells its products globally through independent distributors.

Demand for the first quarter was substantially the same as the record first quarter of 1997, despite a sharp drop in demand in Asia. Management believes distributors in Asia are adjusting their inventories to an anticipated lower level of activity. Demand in all other major market areas was equal to or greater than the first quarter of 1997. Distributor inventories in the United States increased over 20% since the first of the year. Although this increase is significant, when stated in the number of inventory turns, it is generally in line with historical trends. At the current demand levels and recent production rates, management believes a leveling off of net sales will occur in the near term.

Customer delivery times improved during the first quarter of 1998, and the published production lead times for many types of products were reduced. However, management believes that the Company's responses to customer's product delivery requests are still not satisfactory. As a result, the Company continues to view the improvement of product availability as its major challenge.

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1998 AND 1997

Net sales increased 31.1%, or \$4.5 million to \$19.1 million in the three month period ended March 31, 1998, compared to \$14.6 million in the three month period ended March 31, 1997. Domestic net sales increased 39.6% or \$3.7 million to \$13.1 million in the three month period ended March 31, 1998. This increase reflected strength in both the mobile and industrial equipment sectors of the fluid power industry, and the Company's ability to continue to increase production.

International net sales increased 16.0%, or \$0.8 million to \$6.1 million in the three month period ended March 31, 1998. European net sales increased 27.0% and sales to Asia decreased 16.3%.

Gross profit increased 31.6% or \$1.4 million to \$5.8 million in the three month period ended March 31, 1998, compared to \$4.4 million in the three month

period ended March 31, 1997. This increase primarily was related to the increase in net sales. Gross profit as a percentage of net sales was 30.2% in the three month period ended March 31, 1998, compared to 30.1% in the three month period ended March 31, 1997. The favorable effects of fixed cost absorption by higher net sales were offset by unfavorable product mix and material cost increases. The change in product mix was due to the increased sales of high volume, lower margin, products produced in the recently completed cellular production operation in the United States cartridge plant. Material cost increases relate to product design improvements and the outsourcing of parts to help improve product delivery times.

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Selling, engineering and administrative expenses increased 10.9% or \$0.3 million to \$3.0 million in the three month period ended March 31, 1998, compared to \$2.7 million in the three month period ended March 31, 1997. This increase was due to additional personnel and expenses now required in the new manifold plant in the United States, and new system implementation costs in the United Kingdom. Selling, engineering and administrative expenses as a percentage of net sales decreased to 15.8% this quarter from 18.6% in the same quarter last year.

Interest expense was \$0.3 million for the three month period ended March 31, 1998, an increase of \$0.1 million compared to the three month period ended March 31, 1997. This increase is due to increased debt related to the completion of the new plants in Germany and the United States subsequent to the first quarter of 1997 and working capital financing required during the first quarter of 1998. Miscellaneous expense for the period ended March 31, 1998, consists primarily of currency exchange losses in the United Kingdom, partially offset by interest income in the United States. Interest income for the first quarter of 1998 was lower than the first quarter of 1997, due to the temporary investment of IPO proceeds in 1997.

The provision for income taxes in the three month period ended March 31, 1998, was 33.6% of pretax income compared to 35.8% of pretax income in the three month period ended March 31, 1997. This decrease in rate is primarily due to the change in mix of pretax income among the Company's three operating units in Germany, the United Kingdom and the United States.

Net income for the three month period ended March 31, 1998, increased to \$1.6 million representing 8.6% of net sales compared to \$1.0 million, representing 7.0% for the three month period ended March 31, 1997.

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, pay dividends to shareholders and service debt.

At March 31, 1998, the Company had working capital of \$7.1 million. Cash flow from operations for the three months ended March 31, 1998, was \$2.6 million compared to \$1.7 million for the three months ended March 31, 1997. Approximately, \$0.6 million of the \$0.9 million increase in cash flow from operations was related to the increase in net income.

Capital expenditures for the three months ended March 31, 1998, were \$1.5 million, primarily for machinery and equipment. This compares with \$2.3 million spent on capital in the three months ended March 31, 1997, \$1.2 million of which was for machinery and equipment and \$1.1 million to complete the new facilities in Germany and the United States.

The Company has three revolving lines of credit: one in the United States, one in England, and one in Germany. None of these arrangements contain pre-payment penalties.

In February 1998, the Company renegotiated its one-year, unsecured revolving credit facility in the United States. The credit facility provides for a maximum availability of \$10.0 million, payable on demand and does not contain any debt covenants. The interest rate is equal to the bank lender's prime rate less 1%, or LIBOR plus 1.9% for predetermined periods of time, at the Company's option. At March 31, 1998, there was \$1.7 million outstanding under this credit facility.

A 10-year mortgage note of \$6.1 million was issued by the Company in May 1996, which bears interest at a fixed rate of 8.25% for construction of the new manifold facility in Sarasota, Florida. Terms on the new mortgage note were interest-only on the balance drawn down through the completion of construction and then conversion to a 10-year note with a 15-year amortization schedule. In March 1998, this mortgage note was renegotiated to an interest rate of 7.875%. Terms are monthly principal and interest payments for 8.25 years with remaining principal due July 1, 2006. At March 31, 1998, \$5.0 million was outstanding on this facility.

In addition, the Company has 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 1989 and 1990, in connection with the repurchase of shares of common stock from the former shareholders, and do not allow for prepayment by the Company. At March 31, 1998, \$1.7 million was outstanding under these notes.

The Company has submitted a business interruption insurance claim of \$2.3 million to its insurance carrier. The claim is related to a fire in the manifold plant in the United States which occurred while the plant was under construction. The Company believes that this fire delayed the opening of the new plant which, in turn, delayed the rearrangement of the cartridge operation and the creation of the cellular production for high volume models. The validity and amount of the claim continue to be evaluated by the Company's insurance carrier. No amounts have been recorded related to this claim in the Company's financial statements.

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

The Company declared a quarterly dividend of \$0.04 per share to shareholders of record on March 31, 1998, which was paid on April 15, 1998.

YEAR 2000

Management believes that the computer systems in three of the Company's four locations currently are capable of processing data related to the year 2000. The systems in the United States cartridge plant are not capable of properly processing year 2000 data. The Company plans to replace the current system in time to meet year 2000 requirements. The implementation process for this new system began in the first quarter of 1998. The new system cost is not expected to significantly impact the results of operations. As with any new system implementation, there can be no assurance that the conversion will not significantly impact operations. Also, there can be no assurance that the systems of other companies on which the Company relies will be timely converted or that any such failure to convert by another company will not have an adverse effect on the Company's operations.

SEASONALITY AND INFLATION

The Company does not believe that inflation had a material effect on its operations for the three months ended March 31, 1998 and March 31, 1997. There can be no assurance, however, that the Company's business will not be affected by inflation in the future.

FORWARD-LOOKING INFORMATION

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

Important factors that could cause the actual results to differ materially from those in the forward-looking statements include, among other items, (i) the economic cyclicality of the capital goods industry in general and the hydraulic valve and manifold industry in particular, which directly affect customer orders, lead times and sales volume; (ii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iii) changes in the competitive marketplace that could affect the Company's revenue and/or cost bases, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; (iv) changes in technology or customer requirements, such as standardization of the cavity into which screw-in cartridge valves must fit, which could render the Company's products or technologies noncompetitive or obsolete; (v) new product introductions, product sales mix and the geographic mix of sales nationally and internationally; and (vi) changes relating to the Company's international sales, including changes in regulatory requirements or tariffs, trade or currency restrictions, fluctuations in exchange rates, and tax and collection issues. Further information relating to factors that could cause actual results to differ from those anticipated is included but not limited to information under the headings "Risk Factors" in the Form S-1 Registration Statement and Prospectus for the Company's initial public offering, and "Business" in the Company's Form 10-K for the year ended December 31, 1997. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
<S> <C>	
3.1	Amended and Restated Articles of Incorporation of the Company (previously filed as Exhibit 3.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
4.1	Revolving Credit Agreement, dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida/Sarasota, N.A. (previously filed as Exhibit 4.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
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. (previously filed as Exhibit 4.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).

</TABLE>

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<TABLE>
<S> <C>

- | | |
|-----|---|
| 4.3 | Second Modification to Revolving Credit Agreement, dated May __, 1995, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.3 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference). |
| 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. (previously filed as Exhibit 4.4 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference). |
| 4.5 | Mortgage and Security Agreement, dated January 9, 1992, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.5 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference). |
| 4.6 | Loan Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.6 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference). |
| 4.7 | Security Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.7 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference). |
| 4.8 | Modification and Additional Advance Agreement, dated March 29, 1996, between Suninco, Inc. and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.8 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference). |
| 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. (previously filed as |

Exhibit 4.9 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).

- 4.10 Loan Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.10 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).

</TABLE>

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<TABLE>

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- 4.11 Security Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.11 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.12 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.13 Loan Agreement, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.13 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.14 Mortgage, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.14 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.15 Security Agreement, dated June 14, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.15 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.16 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.17 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.18 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).

</TABLE>

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- 4.19 Mortgage, dated April 11, 1996, between Sun Hydraulik GmbH and Dresdner Bank (previously filed as Exhibit 4.19 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.20 Amendment to Recommended Offer by Sun Hydraulics Corporation to acquire the whole of the issued share capital of Sun Hydraulik Holdings Limited, dated December 17, 1996

(previously filed as Exhibit 2.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).

- 4.21 Master Note, dated February 3, 1997, in the amount of \$10,000,000.00, made by the Company to evidence a line of credit granted to the Company by Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 4.22 Renewal Master Note, dated February 3, 1998, in the amount of \$10,000,000.00, made by the Company to evidence a line of credit granted to the Company by Northern Trust Bank of Florida, N.A.
- 4.23 Modification Agreement, dated March 1, 1998, between the Company and Northern Trust Bank of Florida, N.A.
- 4.24 Modification Note, dated March 1, 1998, in the amount of \$4,965,524.51, between the Company and Northern Trust Bank of Florida, N.A.
- 10.1 Form of Distributor Agreement (Domestic) (previously filed as Exhibit 10.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 10.2 Form of Distributor Agreement (International) (previously filed as Exhibit 10.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 10.3+ 1996 Sun Hydraulics Corporation Stock Option Plan (previously filed as Exhibit 10.3 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
- 10.4+ Amendment No. 1 to 1996 Stock Option Plan (previously filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 and incorporated herein by reference).
- 10.5+ Form of Indemnification Agreement (previously filed as Exhibit 10.4 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).

27.1 Financial Data Schedule for quarter ended March 31, 1998 (for SEC purposes only)

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+ Executive management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

Report on Form 8-K dated March 5, 1998, announcing year end and fourth quarter results, as well as a \$0.04 per share dividend on its common stock payable on April 15, 1998, to shareholders of record on March 31, 1998.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sarasota, State of Florida on May 13, 1998.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn

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

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EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT
NUMBER

EXHIBIT DESCRIPTION

<S> <C>

-
- 3.1 Amended and Restated Articles of Incorporation of the Company (previously filed as Exhibit 3.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.1 Revolving Credit Agreement, dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida/Sarasota, N.A. (previously filed as Exhibit 4.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.3 Second Modification to Revolving Credit Agreement, dated May __, 1995, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.3 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.4 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
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- 4.6 Loan Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.6 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).

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- 4.7 Security Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.7 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.8 Modification and Additional Advance Agreement, dated March 29, 1996, between Suninco, Inc. and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.8 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 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. (previously filed as Exhibit 4.9 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 4.10 Loan Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.10 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
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- 4.15 Security Agreement, dated June 14, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.15 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
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- 4.21 Master Note, dated February 3, 1997, in the amount of \$10,000,000.00, made by the Company to evidence a line of credit granted to the Company by Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
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- 4.23 Modification Agreement, dated March 1, 1998, between the Company and Northern Trust Bank of Florida, N.A.
- 4.24 Modification Note, dated March 1, 1998, in the amount of \$4,965,524.51, between the Company and Northern Trust Bank of Florida, N.A.
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- 10.2 Form of Distributor Agreement (International) (previously filed as Exhibit 10.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183) and incorporated herein by reference).
- 10.3+ 1996 Sun Hydraulics Corporation Stock Option Plan (previously filed as Exhibit 10.3 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
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- 27.1 Financial Data Schedule for quarter ended March 31, 1998 (for SEC purposes only).

</TABLE>

+ Executive management contract or compensatory plan or arrangement.

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Exhibit 4.22

Dated as of February 3, 1998

RENEWAL MASTER NOTE
(CORPORATION, PARTNERSHIP OR JOINT VENTURE)

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

FOR VALUE RECEIVED, on or before February 3, 1999, the scheduled maturity date hereof, Borrower promises to pay to the order of NORTHERN TRUST BANK OF FLORIDA, N.A., a national banking association (hereafter, together with any subsequent holder hereof, called "Lender"), at its banking office at 1515 Ringling Blvd., Sarasota, FL, or at such other place as Lender may direct, the aggregate unpaid principal balance of each advance (a "Loan" and collectively the "Loans") made by Lender to Borrower hereunder. The total principal amount of Loans outstanding at any one time hereunder shall not exceed TEN MILLION AND 00/100 UNITED STATES DOLLARS (\$10,000,000.00).

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

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

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

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

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

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

1. INTEREST.

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

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

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

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

Without limiting Borrower's obligation to repay all outstanding Loans in full on the scheduled maturity date, each Loan at the Bank Offered Rate shall be due and payable in full on its Interim Maturity Date. After the maturity of any Loan, whether by acceleration or otherwise, such Loan shall bear interest until paid, at a rate equal to six percent (6%) in addition to the rate in effect immediately prior to maturity (but not less than the Prime Rate in effect at maturity).

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

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

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

[X] Monthly, on the 1st day of each month, beginning March 1, 1998, with all accrued but unpaid interest being due and payable in full with the final principal payment due hereunder.

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

|| Other N/A

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

2. PREPAYMENTS.

Borrower may prepay without penalty or premium any principal bearing interest at the Prime-Based Rate. If Borrower prepays any principal bearing interest at the Bank Offered Rate in whole or in part, or if the maturity of any such Bank Offered Rate principal is accelerated, then, to the fullest extent permitted by law Borrower shall also pay Lender for all losses (including but not limited to interest rate margin and any other losses of anticipated profits) and expenses incurred by reason of the liquidation or re-employment of deposits acquired by Lender to make the Loan or maintain principal outstanding at the Bank Offered Rate. Upon Lender's demand in writing specifying such losses and

expenses, Borrower shall promptly pay them; Lender's specification shall be deemed correct in the absence of manifest error. Each Loan bearing interest at the Bank Offered Rate shall be conclusively deemed to have been funded by or on behalf of Lender by the purchase of a deposit corresponding in amount to such Loan and in maturity to the Interest Period specified by Lender.

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

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

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

This Note amends, restates, renews and replaces in its entirety the note dated February 3, 1997, in the amount of \$10,000,000.00 and any previously renewed note(s). Borrower hereby expressly confirms that all collateral and guaranties given for such prior note(s) shall secure or guarantee this Note. All amounts outstanding under such previous note(s) shall be deemed automatically outstanding hereunder.

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

Security Agreement dated as of N/A.

Mortgage dated as of N/A on property all or part of which is commonly known as _____

Pledge Agreement dated as of N/A.

Other (describe) N/A

Payment of this Note has been unconditionally guaranteed by N/A (each individually an all collectively referred to as "guarantor") as provided in separately executed guaranties.

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

4. USE OF PROCEEDS. CHECK ONE:

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

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

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

N/A

****If this box is checked and a land trustee is signing the Note, do not take

real estate as collateral.

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

5. REPRESENTATIONS.

Borrower hereby represents and warrants to Lender that:

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

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

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

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

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

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

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

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

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

period of grace; or

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

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

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

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

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

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

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prospects of Borrower, any Subsidiary, any general partner or joint venturer of Borrower, or any guarantor; or final judgment(s) and/or settlement(s) in an aggregate amount in excess of One Hundred Thousand UNITED STATES DOLLARS (\$100,000.00) in excess of insurance for which the insurer has confirmed coverage in writing, a copy of which writing has been furnished to Lender, shall be entered or agreed to in any suit or action commenced against Borrower, any Subsidiary, any general partner or joint venturer of Borrower or any guarantor; or

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

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

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

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

7. DEFAULT REMEDIES.

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

In addition, without limiting the Lender's right to accelerate this Note as provided above, if an Event of Default occurs and is continuing under Section 6(a)-(k) (including without limitation

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failure to furnish or cause to be furnished financial statements as required by this Note or any related document), then, at the Lender's election and beginning five (5) days after written notice of such an Event of Default is given by Lender and continuing until such Event of Default is no longer continuing and the Lender is aware of such fact, the interest rate hereunder shall increase by one quarter of one percent (.25%) during the first thirty (30) day period beginning five (5) days after such notice is given, and increase (cumulatively) by an additional one quarter of one percent (.25%) during and effective with respect to each thirty (30) day period thereafter during which such Event of Default continues. The increased interest rate(s) provided for in the previous sentence shall apply to the entire outstanding principal balance hereunder, and the interest rate shall revert to the otherwise applicable interest rate effective on the date on which the Event of Default is no longer continuing and the Lender is aware of such fact; the provisions of this sentence and the preceding sentence shall not apply if this Note is covered by Regulation Z of the Federal Reserve Board (Truth in Lending) or any like disclosure requirement.

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

8. NO INTEREST OVER LEGAL RATE.

Borrower does not intend or expect to pay, nor does Lender intend or expect to charge, accept or collect any interest which, when added to any fee or other charge upon the principal which may legally be treated as interest, shall be in excess of the highest lawful rate. If acceleration, prepayment or any

other charges upon the principal or any portion thereof, or any other circumstance, result in the computation or earning of interest in excess of the highest lawful rate, then any and all such excess is hereby waived and shall be applied against the remaining principal balance. Without limiting the generality of the foregoing, and notwithstanding anything to the contrary contained herein or otherwise, no deposit of funds shall be required in connection herewith which will, when deducted from the principal amount outstanding hereunder, cause the rate of interest hereunder to exceed the highest lawful rate.

9. PAYMENTS, ETC.

All payments hereunder shall be made in immediately available funds, and shall be applied first to accrued interest and then to principal; however, if an Event of Default occurs, Lender may, in its sole discretion, and in such order as it may choose, apply any payment to interest, principal

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

10. SETOFF.

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

11. NOTICES.

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

12. MISCELLANEOUS.

This Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal law of the State of Florida, and shall be deemed to have been executed in the State of Florida. Unless the context requires otherwise, wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the other. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; references herein to Sections or provisions without reference to the document in which they are contained are references to this Note. This Note shall bind Borrower, its heirs, trustees (including without limitation successor and replacement

trustees), executors, personal representatives, successor and assigns, and shall inure to the benefit of Lender, its successors and assigns, except that Borrower may not transfer or assign any of its rights or interest hereunder without the prior written consent of Lender. Borrower agrees to pay upon demand all expenses (including without limitation attorneys' fees, legal costs and expenses, and time charges of attorneys who may be employees of Lender, in each case whether in or out of court, in original or appellate proceedings or in bankruptcy) incurred or paid by Lender or any holder hereof in connection with the enforcement or preservation of its rights hereunder or under any document or instrument executed in connection herewith. Borrower expressly and irrevocably waives notice of dishonor or default as well as presentment, protest, demand and notice of any kind in connection herewith. If there shall be more than one person or entity constituting Borrower, each of them shall be primarily, jointly and severally liable for all obligations hereunder.

13. WAIVER OF JURY TRIAL, ETC.

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

|| See Rider attached hereto and incorporated herein by reference.

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

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

Address for Notices:

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

Attention:

By: /s/ Jean A. Snyder

Jean A. Snyder
Title: Corporate Accounts Manager

EXHIBIT 4.23

MODIFICATION AGREEMENT

THIS AGREEMENT, entered into on March 1st, 1998, between SUN HYDRAULICS CORPORATION, a Florida corporation ("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:

WHEREAS, Mortgagee is the owner and holder of a promissory note in the original principal amount of \$6,187,000.00 dated June 14, 1996 ("Note"), and

WHEREAS, the Note is secured by a real estate mortgage recorded in Official Records Book 1494, Page 6860, Public Records of Manatee County, Florida, and in Official Records Book 2894, Page 2289, Public Records of Sarasota County, Florida ("Mortgage"), by an assignment of leases recorded in Official Records Book 1494, Page 6872, Public Records of Manatee County, Florida, and in Official Records Book 2894, Page 2301, Public Records of Sarasota County, Florida ("Assignment of Leases"), and by a UCC-1 Financing Statement recorded in Official Records Book 1494, Page 6878 Public Records of Manatee County, Florida, and in Official Records Book 2894, Page 2307, Public Records of Sarasota County, Florida, and filed with the Florida Secretary of State, file #96-0000129270 ("UCC-1") and

WHEREAS, Mortgagor is the owner of the property encumbered by the Mortgage, which is more particularly described in Exhibit "A" attached hereto ("Property"), and the parties desire to modify the Note and Mortgage 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. The terms of the Note have been modified on even date herewith, as evidenced by modification note executed by Mortgagor ("Modification Note"). The unpaid principal balance of the Modification Note, together with accrued interest thereon, will be due and payable July 1, 2006. The Modification 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 document shall be deemed to refer to the Modification Note.

2. 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.

3. Mortgagor hereby warrants to Mortgagee that there are no recorded or unrecorded mortgages, liens, or other encumbrances against the Property other than the Mortgage.

4. Mortgagor agrees to keep and perform fully all of the terms, covenants and conditions of the Modification Note and Mortgage as modified hereby. All terms, covenants and conditions of the Mortgage which are not inconsistent herewith are hereby expressly confirmed, ratified and declared to be in full force and effect.

5. State of Florida documentary stamps in the amount required by law were affixed to the Mortgage and were cancelled pursuant to law. The Modification Note qualifies for the exemption provided for in ss. 201.09, 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 Modification Note, Mortgage, and all other loan documents executed in connection therewith.

6. 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 Modification Note nor defenses or claims against Mortgage with respect to the Note, Mortgage, Modification 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.

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

MORTGAGOR

NORTHERN TRUST BANK OF FLORIDA, N.A.

By: /s/ Terence E. McGannon

Terence E. McGannon
As its Vice President

MORTGAGEE

EXHIBIT 4.24

MODIFICATION NOTE

\$4,965,524.51

March 1, 1998

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, FL 34236, or at such other place as the holder hereof may from time to time designate in writing, the principal sum of Four Million Nine Hundred Sixty Five Thousand Five Hundred Twenty Four and 51/100 Dollars (\$4,965,524.51), 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 seven and seven-eighths percent (7.875%) per annum.

Principal and interest on the loan shall be due and payable in equal monthly installments of \$43,072.18, the first such installment to be due and payable April 1, 1998, with subsequent installments to be due and payable on the same day of every month thereafter until July 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.

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") dated June 14, 1996 made by maker in favor of Lender encumbering real property and personal property described therein (the "Mortgaged Property") located in Manatee and Sarasota Counties, 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 of 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 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 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 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 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 Mortgage 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; (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. The agreements contained in this paragraph to create cross-defaults under all mortgages, notes, obligations and agreements between Maker, and any

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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 within said 30 day period, and such default does not threaten to impair Lender's security for this Note, then the 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 Borrower, whichever is first. In the event the default is not cured with 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 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 ("Default Rate"). In the event the Default Rate 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 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

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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 ventures, 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 modification of that certain note dated June 14, 1996 in the original principal amount of \$6,187,000.00. State of Florida documentary stamps in the amount required by law were paid on the mortgage securing the note which this Note modifies, 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

4

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

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

</LEGEND>

<MULTIPLIER> 1,000

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<FN>

<F1>Net of allowance for doubtful amounts of \$44.

<F2>Net of accumulated depreciation of \$16,314.

</FN>

</TABLE>