

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

FORM 10-Q

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

For the quarterly period ended October 2, 1999 Commission file number 0-21835

SUN HYDRAULICS CORPORATION

(Exact Name of Registration as Specified in its Charter)

FLORIDA

59-2754337

(State or Other Jurisdiction of
Incorporation or Organization)

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

1500 WEST UNIVERSITY PARKWAY
SARASOTA, FLORIDA

34243

(Address of Principal Executive Offices)

(Zip Code)

941/362-1200

(Registrant's Telephone Number, Including Area Code)

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

The Registrant had 6,384,948 shares of common stock, par value \$.001, outstanding as of November 12, 1999.

Sun Hydraulics Corporation
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For the third quarter ended October 2, 1999

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PART I: FINANCIAL INFORMATION

Item 1.

SUN HYDRAULICS CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS)

<TABLE>
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	OCTOBER 2, 1999	DECEMBER 31, 1998	
	(UNAUDITED)	(UNAUDITED)	
	<C>	<C>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,087	\$ 1,592	
Accounts receivable, net of allowance for doubtful accounts of \$219 and \$169	6,750	5,342	
Inventories	7,237	8,125	
Other current assets	752	891	
	-----	-----	
Total current assets	15,826	15,950	
Property, plant and equipment, net	45,619	44,003	
Investment in joint venture	162	246	
Other assets	912	820	
	-----	-----	
Total assets	\$ 62,519	\$ 61,019	
	=====	=====	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$ 2,327	\$ 2,877	
Accrued expenses and other liabilities	1,633	2,065	
Long-term debt due within one year	2,802	4,302	
Notes payable to related parties due within one year	375	578	
Dividends payable	255	254	
Income taxes (receivable) payable	(25)	245	
	-----	-----	
Total current liabilities	7,367	10,321	

Long-term debt due after one year	10,621	6,461
Notes payable to related parties due after one year	201	566
Deferred income taxes	3,641	3,656
	-----	-----
Total liabilities	21,830	21,004
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	-	-
Common stock	6	6
Capital in excess of par value	24,486	24,386
Retained earnings	15,693	15,363
Accumulated other comprehensive income	504	260
	-----	-----
Total shareholders' equity	40,689	40,015
	-----	-----
Total liabilities and shareholders' equity	\$ 62,519	\$ 61,019
	=====	=====

</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	
	OCTOBER 2, 1999	SEPTEMBER 30, 1998
	-----	-----
	(UNAUDITED)	
	<C>	<C>
NET SALES	\$ 17,664	\$ 17,664
Cost of sales	13,174	13,132
	-----	-----
GROSS PROFIT	4,490	4,532
Selling, engineering and administrative expenses	3,157	2,864
	-----	-----
OPERATING INCOME	1,333	1,668
Interest expense	264	216
Miscellaneous expense (income)	151	(1,586)
	-----	-----
INCOME BEFORE INCOME TAXES	918	3,038
Income tax provision	303	1,015
	-----	-----
NET INCOME BEFORE EQUITY LOSS IN JOINT VENTURE	615	2,023
Equity loss in joint venture	27	--

NET INCOME	-----	-----
	\$ 588	\$ 2,023
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.09	\$ 0.32
WEIGHTED AVERAGE SHARES OUTSTANDING	6,384	6,354
DILUTED NET INCOME (PER COMMON SHARE)	\$ 0.09	\$ 0.31
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,536	6,560

</TABLE>

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

<TABLE>
<CAPTION>

	NINE MONTHS ENDED	
	OCTOBER 2,	SEPTEMBER 30,
	1999	1998
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
NET SALES	\$ 52,050	\$ 54,381
Cost of sales	40,100	39,078
	-----	-----
GROSS PROFIT	11,950	15,303
Selling, engineering and administrative expenses	9,317	8,911
	-----	-----
OPERATING INCOME	2,633	6,392
Interest expense	693	707
Miscellaneous expense (income)	228	(1,588)
	-----	-----
INCOME BEFORE INCOME TAXES	1,712	7,273
Income tax provision	532	2,430
	-----	-----
NET INCOME BEFORE EQUITY LOSS IN JOINT VENTURE	1,180	4,843
Equity loss in joint venture	84	--
	-----	-----
NET INCOME	\$ 1,096	\$ 4,843
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.17	\$ 0.76
WEIGHTED AVERAGE SHARES OUTSTANDING	6,378	6,340
DILUTED NET INCOME PER COMMON SHARE	\$ 0.17	\$ 0.74
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,531	6,561

</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 AND COMPREHENSIVE INCOME
(IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	SHARES <C>	ACCUMULATED					TOTAL
		COMMON STOCK <C>	EXCESS OF PAR VALUE <C>	OTHER RETAINED EARNINGS <C>	COMPREHENSIVE INCOME <C>		
Balance, December 31, 1996		4,000	\$ 2,179	\$ 2,719	\$ 17,450	\$ 49	\$ 22,397
Net proceeds from stock offering		2,300	2	19,250		19,252	
Distributions to shareholders				(10,545)		(10,545)	
Dividends declared				(883)		(883)	
Merger with Sun Holdings (Note 2)			(2,175)	2,123		(52)	
Exercise of stock options	22		71			71	
Comprehensive income:							
Net income				4,710		4,710	
Other comprehensive income:							
Foreign currency translation adjustments				50		50	
Comprehensive income						4,760	
Balance, December 31, 1997		6,322	6	24,163	10,732	99	35,000
Dividends declared				(1,016)		(1,016)	
Exercise of stock options	39		223			223	
Comprehensive income:							
Net income				5,647		5,647	
Other comprehensive income:							
Foreign currency translation adjustments				161		161	
Comprehensive income						5,808	
Balance, December 31, 1998		6,361	6	24,386	15,363	260	40,015
Dividends declared				(766)		(766)	
Exercise of stock options		22		75		75	
Issue of stock	2		13			13	
Tax effect of non-qualified stock options			12			12	
Comprehensive income:							
Net income				1,096		1,096	
Other comprehensive income:							
Foreign currency translation adjustments				244		244	
Comprehensive income						1,340	
Balance, October 2, 1999 (unaudited)		6,385	\$ 6	\$ 24,486	\$ 15,693	\$ 504	\$ 40,689

</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>

	NINE MONTHS ENDED	
	OCTOBER 2, 1999	SEPTEMBER 30, 1998
	(UNAUDITED)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 1,096	\$ 4,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,705	3,328
Loss on disposal of assets	139	--
Compensation expense-stock issued		13
Provision for deferred income taxes		(3)
(Increase) decrease in:		
Accounts receivable	(1,408)	(1,208)
Inventories	888	(762)
Other current assets	139	31
Other assets	(8)	162
Increase (decrease) in:		
Accounts payable	(550)	591
Accrued expenses and other liabilities		(432)
Income taxes payable, net	(270)	770
Net cash provided by operating activities	3,309	7,847
Cash flows from investing activities:		
Investment in Korea Fluid Power (Note 3)		--
Capital expenditures	(5,517)	(6,017)
Proceeds from dispositions of equipment		56
Net cash used in investing activities	(5,461)	(6,660)
Cash flows from financing activities:		
Proceeds from debt	10,357	5,882
Repayment of debt	(7,697)	(5,977)
Repayment of notes payable to related parties		(568)
Proceeds from exercise of stock options		75
Dividends to shareholders	(764)	(728)
Net cash provided by (used in) financing activities	1,403	(1,158)
Effect of exchange rate changes on cash and cash equivalents	244	196
Net (decrease) increase in cash and cash equivalents		(505)
Cash and cash equivalents, beginning of period		1,592
Cash and cash equivalents, end of period	\$ 1,087	\$ 1,474
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest (including amounts capitalized)	\$ 777	\$ 737

Income taxes	\$ 805	\$ 1,660	
	=====	=====	
Non-cash tax effect of non-qualified stock options	\$ 12	\$ --	
	=====	=====	
Stock issued to employees	\$ 13	\$ --	
	=====	=====	

</TABLE>

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

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

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, certain information and footnotes required by generally accepted accounting principles for complete financial statements are not included herein. The financial statements are prepared on a consistent basis (including normal recurring adjustments) and should be read in conjunction with the consolidated financial statements and related notes contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed by Sun Hydraulics Corporation (the "Company") with the Securities and Exchange Commission on March 30, 1999.

2. BUSINESS

Sun Hydraulics Corporation and its wholly-owned subsidiaries (the "Company") design, manufacture and sell screw-in cartridge valves and manifolds used in hydraulic systems. The Company has facilities in the United States, the United Kingdom, Germany, and Korea. Sun Hydraulics Corporation ("Sun Hydraulics"), with its main offices located in Sarasota, Florida, designs, manufactures and sells through independent distributors in the United States. Sun Hydraulik Holdings Limited ("Sun Holdings"), a wholly-owned subsidiary of Sun Hydraulics, was formed to provide a holding company vehicle for the European market operations; its wholly-owned subsidiaries are Sun Hydraulics Limited (a British corporation, "Sun Ltd.") and Sun Hydraulik GmbH (a German corporation, "Sun GmbH"). Sun Ltd. operates a manufacturing and distribution facility located in Coventry, England, and Sun GmbH, located in Erkelenz, Germany, designs, manufactures and markets the Company's products in German-speaking European markets. Sun Hydraulics Korea Corporation ("Sun Korea"), a wholly-owned subsidiary of Sun Hydraulics, was acquired September 28, 1998 (see Note 3). Sun Korea, located in Incheon, South Korea, operates a manufacturing and distribution facility.

3. ACQUISITION AND JOINT VENTURE

On September 28, 1998, Sun Hydraulics acquired 100% of the equity shares of Korea Fluid Power Co. Ltd., which had been the Company's exclusive distributor in South Korea since 1988. This wholly-owned subsidiary's name was changed to Sun Hydraulics Korea Corporation in January 1999. The acquisition price paid by the Company was \$860. The amounts paid in excess of the net book value have been capitalized as goodwill, and are amortized over a period of 15 years. Goodwill is recorded under other assets in the Company's financial statements, and was \$529, net of amortization as of October 2, 1999.

On November 1, 1998, Sun Hydraulics entered into a 50/50 joint venture agreement ("joint venture") with Links Lin, the owner of Sun Hydraulics Corporation's Taiwanese distributor.

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This agreement provides for an initial capital contribution of \$250, which is recorded in Investment in joint venture in the Company's financial statements.

4. LONG-TERM DEBT (in thousands)

<TABLE>
<CAPTION>

	October 2, 1999	December 31, 1998	
	----- (unaudited)	-----	-----
<S>	<C>	<C>	
Lines of credit agreements-unsecured		\$ 2,316	\$ 3,974
Lines of credit agreements-secured		3,859	--
Secured notes payable-Korea		28	177
Mortgage note payable-U.S. Manatee County facility		4,760	4,864
Mortgage note payable-German facility		1,468	1,748
Secured notes payable-German equipment		992	--
	-----	-----	-----
Less amounts due within one year	13,423	(2,802)	(4,302)
	-----	-----	-----
	\$ 10,621	\$ 6,461	
	=====	=====	

</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.

On July 23, 1999, the Company replaced its \$10,000 unsecured revolving credit facility with a five year, secured, revolving credit facility of \$7,500, and a one-year unsecured, revolving credit facility of \$5,000. The \$7,500 credit facility has an interest rate equal to the bank lender's prime rate less 1% for the first year, and the treasury bill rate plus 1.75% for the remaining four years. The \$5,000 credit facility has an interest rate equal to the bank lender's prime rate less 1% or LIBOR plus 1.9% for predetermined periods of time, at the Company's option. At October 2, 1999, the interest rate for both the secured and unsecured facilities was 7.25%, and the balances outstanding were \$3,859 and \$2,300, respectively.

In February 1999, the Company negotiated three loans in Germany, secured by equipment; a ten year 5.1% fixed interest rate loan for approximately \$300, a ten year 5.1% fixed interest rate loan for approximately \$100, and a ten year 3.5% fixed interest rate loan for approximately \$800. At October 2, 1999, the outstanding balance on these facilities was \$257, \$0, and \$735, respectively.

5. SEGMENT REPORTING

In 1998, the Company adopted Statement of Accounting Standards No. 131, "Disclosures about Segments of Enterprise and Related Information" ("SFAS 131"). SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach of determining reportable segments of an organization. The management approach designates the internal organization that is used by management for making operational decisions and addressing performance as the source of determining the Company's reportable segments. Management bases its financial decisions by the geographical location of its operations.

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

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

Segment information is as follows:

<TABLE>

<CAPTION>

	United States <C>	Korea <C>	United Kingdom <C>	Germany <C>	Elimination <C>	Consolidated <C>
NINE MONTHS ENDED OCTOBER 2, 1999						
Sales to unaffiliated customers						
	\$ 36,933	\$ 2,926	\$ 8,240	\$ 3,951	\$ -	\$ 52,050
Intercompany sales	5,945	-	1,627	25	(7,597)	-
Operating profits	1,226	51	1,007	253	96	2,633
Identifiable assets	47,126	2,753	8,689	6,299	(2,348)	62,519
Depreciation expense	2,806	56	609	234	-	3,705
Capital expenditures	4,007	54	1,090	366	-	5,517

NINE MONTHS

ENDED SEPTEMBER 30, 1998

Sales to unaffiliated

customers	\$ 41,455	\$ -	\$ 9,231	\$ 3,695	\$ -	\$ 54,381
Intercompany sales	6,397	-	1,740	34	(8,171)	-
Operating profits	4,652	-	1,669	131	(60)	6,392
Identifiable assets	43,602	2,430	8,416	5,900	(222)	60,126
Depreciation expense	2,643	-	529	156	-	3,328
Capital expenditures	4,342	77	1,123	475	-	6,017

</TABLE>

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<TABLE>

<CAPTION>

	United States <C>	Korea <C>	United Kingdom <C>	Germany <C>	Elimination <C>	Consolidated <C>
THREE MONTHS ENDED OCTOBER 2, 1999						
Sales to unaffiliated customers						
	\$ 12,700	\$ 1,052	\$ 2,653	\$ 1,259	\$ -	\$ 17,664
Intercompany sales	2,108	-	546	11	(2,665)	-
Operating profits	917	14	339	70	(7)	1,333
Depreciation expense	946	37	205	77	-	1,265
Capital expenditures	1,816	8	534	24	-	2,382

THREE MONTHS

ENDED SEPTEMBER 30, 1998

Sales to unaffiliated

customers	\$ 13,445	\$ -	\$ 3,006	\$ 1,213	\$ -	\$ 17,664
Intercompany sales	2,291	-	610	8	(2,909)	-
Operating profits	1,217	-	518	(1)	(66)	1,668
Depreciation expense	817	-	182	60	-	1,059
Capital expenditures	1,460	77	438	413	-	2,388

</TABLE>

Total liabilities attributable to foreign operations were \$4,410, and \$5,384, at October 2, 1999, and September 30, 1998, respectively. Net foreign

currency losses reflected in results of operations were \$123 and \$97 for the nine months ended October 2, 1999, and September 30, 1998, respectively. Operating profit is total sales and other operating income less operating expenses. In computing segment operating profit, interest expense and net miscellaneous income (expense) have not been deducted (added).

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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.

Orders in the third quarter of 1999 were \$16.6 million, an increase of \$1.1 million, or 6.9%, from the second quarter of 1999. Domestic orders increased \$1.3 million, or 13.9%. As management expected, distributors reduced their orders and, thus, inventories during the second quarter partially in response to the Company's improved delivery times. Management believes that the increase in domestic orders in the third quarter represents demand in line with end-user requirements. An increase in Asian orders of \$0.2 million was more than offset by decreases in European orders of \$0.4 million, and Canadian orders of \$0.1 million.

Net sales in the third quarter were \$17.7 million, an increase of \$1.7 million, or 11.0%, compared to the second quarter of 1999, and approximately the same as net sales for the quarter ended September 30, 1998. The net sales increase from the previous quarter was due primarily to an increase in production output in the United States operations. Second quarter production output in the United States was adversely affected by the implementation of a fully-integrated operating system that began on May 1, 1999. The system affects all aspects of the business, and many difficulties were encountered during implementation. Third quarter production output, and the related net sales increase, compared to the second quarter, represents a return to shipment volumes achieved in the first quarter of 1999. Management believes productivity will continue to improve as a result of the ongoing efforts to "fine tune" the new operating system.

The Company implemented a new software system on November 1, 1999, in its Coventry, England, operation. This system has been running parallel for several months, and management expects minimal disruption to business operations due to the implementation. However, as with any system conversion, there can be no assurance that the timing of the conversion will be met precisely and that the conversion process will not adversely impact operating results.

Production capacity expansion plans in the United States operation is scheduled for completion by the end of 1999. The high-volume cartridge production cell, currently operating in the Sarasota facility, will be moved to the Manatee facility in December during the holiday shutdown to minimize production disruptions associated with the physical movement of machinery. A new, fully-automated assembly machine, that will become part of the high-volume production cell, is currently operating in the Manatee facility. New test stands and additional equipment for the cell are installed and operating in the Manatee plant, and a new heat treat facility is scheduled for completion by the end of the year.

Orders for the Company's electrically actuated cartridge valve products (solenoid valves), introduced in Europe in April 1999, are not yet significant. These new products were officially

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released to the Company's North American distributors in September 1999. Management anticipates that demand for these products will build slowly as distributors evaluate the products' performance in initial applications and begin to stock products. The solenoid valve products address a new market for the Company, and management believes that, in time, solenoid sales will bring additional demand for manifolds and non-solenoid cartridge valve sales.

The Company's joint venture in China has begun production of manifold products and had a minimal amount of sales in the third quarter. The Korean operation is seeing an improved business climate and has not experienced any cash flow problems related to financial restructuring at its largest customer, Daewoo Group. Management will continue to monitor this situation.

Gross profit as a percent of sales was 25.4%, in the quarter ended October 2, 1999, an increase over the previous three quarters. The gross profit improvement is due primarily to reduced material costs in the United States operation. Management anticipates there will be further improvements in the cost and quality of purchased parts for cartridge valves resulting from a supplier improvement initiative started at the end of 1998. Management also anticipates that investments made in equipment for the manufacture of high volume cartridge valves will result in increased productivity for these products during the first quarter of 2000.

COMPARISON OF THREE MONTHS ENDED OCTOBER 2, 1999 AND SEPTEMBER 30, 1998

Net sales were \$17.7 million for the quarter ended October 2, 1999, and for the quarter ended September 30, 1998. The Korean operation, acquired in September 1998, provided additional net sales of \$0.7 million for the quarter ended October 2, 1999. Excluding the Korean operation, net sales decreased 4.2%, or \$0.7 million. Approximately \$0.3 million of the decrease was due to a slowdown in orders in the United Kingdom. Additionally, sales declined in the United States operation as production output continued to be hampered by problems associated with the implementation of a fully-integrated operating system.

Gross profit was \$4.5 million for the quarter ended October 2, 1999; approximately the same as the quarter ended September 30, 1998. Gross profit as a percentage of net sales was 25.4% for the third quarter of 1999, compared to 25.7% for the third quarter of 1998. Direct labor and manufacturing overhead increases were offset by decreased material costs. The decrease in material cost is due primarily to a supplier improvement initiative started at the end of 1998.

Selling, engineering and administrative expenses increased 10.2%, or \$0.3 million, to \$3.2 million in the quarter ended October 2, 1999, compared to \$2.9 million in the quarter ended September 30, 1998. This increase is due primarily to the acquisition of the Korean operation.

Interest expense was \$0.3 million for the quarter ended October 2, 1999, compared to \$0.2 million for the quarter ended September 30, 1998. This increase was due to an increase in the average indebtedness outstanding under secured and unsecured lines of credit.

Miscellaneous expense was \$0.2 million for the quarter ended October 2, 1999, compared to miscellaneous income of \$1.5 million in the quarter ended September 30, 1998. The expense in

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the quarter ended October 2, 1999, is due primarily to foreign currency exchange losses, and the income in the quarter ended September 30, 1998, is due primarily to the settlement of a business interruption insurance claim.

The provision for income taxes for the quarter ended October 2, 1999, was 33.0% of pretax income, compared to 33.4% of pretax income for the quarter ended September 30, 1998. Tax savings were realized in the United States from the Sun Hydraulics Foreign Sales Corporation and in Korea from provisions of local law. Excluding income from the Korean operation, the provision for income taxes was 33.2% of pretax income, approximately the same as the quarter ended September 30, 1998.

COMPARISON OF NINE MONTHS ENDED OCTOBER 2, 1999 AND SEPTEMBER 30, 1998

Net sales decreased 4.3%, or \$2.3 million, to \$52.1 million in the nine month period ended October 2, 1999, compared to \$54.4 million in the nine month period ended September 30, 1998. Adjusting for the incremental net sales related to the Korean operation, acquired in September 1998, net sales decreased 8.2%, or \$4.4 million, to \$50.0 million, in the nine month period ended October 2, 1999, compared to the nine month period ended September 30, 1998. The decrease in net sales was due primarily to reduced production associated with the implementation of a new fully integrated operating system in the United States. Additionally, shipments and orders of manifolds and "assemblies" (a combination of manifolds and cartridges), in the United States operation were significantly less in the nine months ended October 2, 1999, compared to the same period last year. Sales in the United Kingdom declined \$1.0 million for the nine months ended October 2, 1999, which was partially offset by an increase in sales in the German operation of \$0.3 million.

Gross profit decreased 21.9%, or \$3.4 million, to \$12.0 million in the nine month period ended October 2, 1999, compared to \$15.3 million in the nine month period ended September 30, 1998. Gross profit as a percentage of net sales was 23.0% in the nine month period ended October 2, 1999, compared to 28.1% in the nine month period ended September 30, 1998. The gross profit percentage decrease was due to the net sales spread over an increased cost base and production inefficiencies related to the implementation of the new operating system in the United States. Additionally, the United States operation's net sales of manifolds and assemblies, which have a higher margin than individual cartridges, were a lower percentage of total net sales for the nine month period ended October 2, 1999.

Selling, engineering and administrative expenses increased 4.6%, or \$0.4 million, to \$9.3 million in the nine month period ended October 2, 1999, compared to \$8.9 million in the nine month period ended September 30, 1998. This increase was due primarily to the incremental expenses of the Korean operation acquired in September 1998. Incremental operating system implementation costs and increased wages were partially offset by decreases in fringe benefit costs, and advertising and catalog costs.

Interest expense was \$0.7 million for the nine month period ended October 2, 1999, approximately the same as the nine month period ended September 30, 1998. Miscellaneous expense of \$0.2 million for the period ended October 2, 1999, consisted primarily of a loss on the disposal of certain equipment in the United States operation no longer used in production, and

losses on foreign currency exchange transactions. Miscellaneous income of \$1.6 million for the nine months ended September 30, 1998, consisted primarily of a business interruption insurance claim.

The provision for income taxes in the nine month period ended October 2, 1999, was 31.1% of pretax income compared to 33.4% of pretax income in the nine month period ended September 30, 1998. Excluding income from the Korean operation, the provision for income taxes in the nine months ended October 2, 1999, was 32.8%. Tax savings were realized in the United States from the Sun Hydraulics Foreign Sales Corporation and in Korea from provisions of local law.

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

At October 2, 1999, the Company had working capital of \$8.5 million. Cash flow from operations for the quarter ended October 2, 1999, decreased \$4.5 million, to \$3.3 million, compared to \$7.8 million for the quarter ended September 30, 1998. This decrease was due primarily to a decrease in income from operations, reduced levels of inventory on hand, and the receipt, in 1998, of a business insurance interruption claim. Capital expenditures, consisting primarily of purchases of machinery and equipment, were \$5.5 million for the quarter ended October 2, 1999, compared to \$6.0 million of capital expenditures for the quarter ended September 30, 1998.

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.

As of the quarter ended July 3, 1999, the Company had a revolving credit facility in the United States, which provided for a maximum availability of \$10.0 million, payable on demand with no debt covenants 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. On July 23, 1999, the Company replaced the \$10.0 million unsecured revolving credit facility with a five year, secured, revolving credit facility of \$7.5 million, and a one-year unsecured, revolving credit facility of \$5.0 million. The \$7.5 million credit facility has an interest rate equal to the bank lender's prime rate less 1% for the first year, and the treasury bill rate plus 1.75% for the remaining four years. The \$5.0 million credit facility has an interest rate equal to the bank lender's prime rate less 1% or LIBOR plus 1.9% for predetermined periods of time, at the Company's option. At October 2, 1999, the interest rate for both the secured and unsecured facilities was 7.25%, and the balances outstanding were \$3.9 million and \$2.3 million, respectively.

A 10-year mortgage loan of \$6.2 million was obtained, at a fixed interest rate of 8.25%, for construction of the Manatee County 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. In April 1999, this mortgage note was renegotiated to an interest rate of 7.375%. Terms are monthly principal and interest payments with remaining principal due July 1, 2006. At October 2, 1999, \$4.8 million was outstanding under this mortgage loan.

In February 1999, the Company negotiated three loans in Germany secured by equipment, a ten year 5.1% fixed interest rate loan for approximately \$0.3 million, a ten year 5.1% fixed interest rate loan for approximately \$0.1 million, and a ten year 3.5% fixed interest rate loan for approximately \$0.8 million. At October 2, 1999, the outstanding balance on these facilities was \$1.0 million.

The Company has notes payable to five former shareholders that bear interest at a weighted rate of 15% and have terms expiring in one to four years. These notes were issued by the Company in 1989 and 1990, in connection with the repurchase of shares of common stock from former shareholders and do not allow for prepayment by the Company. At October 2, 1999, \$0.6 million was outstanding under these notes.

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

The Company declared quarterly dividends of \$0.04 per share to

shareholders of record on September 30, 1999, June 30, 1999, and March 31, 1999, which were paid on October 15, 1999, July 15, 1999, and April 15, 1999, respectively.

YEAR 2000 READINESS DISCLOSURE

Management continues to evaluate the issues associated with the year 2000 in an effort to minimize the impact of the millennium date change on its business operations, information technology systems, and production infrastructure. In general, these issues arise from the fact that many existing computer systems, including hardware, software and embedded technology, only use the last two digits to refer to a year. Accordingly, many of these computer systems will not properly recognize a year that begins with "20" instead of the familiar "19." If not corrected, these computer systems could fail or create erroneous results.

The Company has established the following four-phased approach to address the year 2000 issue: (1) assessment, (2) testing, (3) renovation and (4) validation. With regard to its internal operations, the assessment phase consist of (i) the inventory of all systems, including hardware, software and embedded systems (such as the Company's CNC equipment) in all of Company's locations, (ii) the identification of all critical applications, and (iii) the collection of all internal source codes. All material aspects of the internal assessment phase are now complete.

With regard to its external relationships, the assessment phase includes surveying the Company's material suppliers, distributors, and customers to determine the potential exposure to the Company if such parties fail to correct their year 2000 issues in a timely manner. The Company has now received responses to all but five of its critical third party questionnaires.

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The Company is testing its critical applications for year 2000 readiness and anticipates completion of this testing during December 1999. The Company defines "year 2000 ready" to mean that neither the performance nor functionality of any of its critical systems, including both information technology and non-information technology systems, will be materially affected by dates prior to, during and after the year 2000. Certain software subsystems and routines have been identified which require modification to be fully year 2000 compliant. Management believes that these modifications will be completed during December 1999.

As a result of such testing, the Company has entered its renovation phase by replacing the computer operating systems in its United States Sarasota facility, and is in the process of replacing its computer operating system in its United Kingdom facility, with "enterprise manufacturing systems" that, according to representations made by the systems' manufacturers, are currently year 2000 ready. The Company believes that its other locations' systems are year 2000 ready.

The final phase of the Company's year 2000 readiness plan is a validation phase, during which upgraded systems will be re-tested. The Company anticipates all phases of its year 2000 readiness plan, including the validation phase, will be completed during December 1999.

The most likely worst-case scenario which might result from a lack of Company or third party year 2000 readiness would be a temporary but significant interruption in the Company's production capability. The Company has developed contingency plans that focus primarily on continued production without the availability of internal computer systems. Alternative sources for external supply of critical components have been identified, although no backup or contingent orders have been placed. Most critical components can be produced in-house at additional cost. Major manufacturing equipment is capable of being reset to an appropriate date that mirrors the year 2000 to allow continued production as necessary. Production scheduling and related administrative functions necessary to maintain production output can be accomplished manually until alternative processes can be put in place. A significant interruption in the Company's business due to a year 2000 non-compliance issue could have a

material adverse effect on the Company's financial position, operations, and liquidity. There can be no assurance that the Company will be year 2000 ready or that the systems of other companies upon which the Company relies similarly will be year 2000 ready by December 31, 1999. Additionally, there can be no assurance that the Company's contingency plans will substantially reduce the risk of year 2000 non-compliance.

The Company estimates that the total costs of its year 2000 project will be \$1.3 million, including costs of approximately \$1.2 million incurred through October 2, 1999. These expenditures are being funded through operating cash flows. Although there can be no assurances thereof, the estimated costs of the year 2000 project are not expected to have a material impact on the Company's business, operations or financial condition in future periods.

SEASONALITY AND INFLATION

The Company generally has experienced reduced activity during the fourth quarter of the year, largely a result of fewer working days due to holiday shutdowns. The Company does not believe that inflation had a material effect on its operations for the periods ended October 2,

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1999, and September 30, 1998. There can be no assurance, however, that the Company's business will not be affected by inflation in the future.

EURO

On January 1, 1999, eleven member countries of the European Union established fixed conversion rates between their national currencies and the "euro," which will ultimately result in the replacement of the currencies of these participating countries with the euro (the "Euro Conversion"). The Company is currently assessing the potential impact of the Euro Conversion and has initiated an internal analysis to plan for the conversion and implement remediation measures. The Company's analysis will encompass the costs and consequences of incomplete or untimely resolution of any required systems modifications, various technical and operational challenges and other risks including possible effects on the Company's financial position and results of operations. Costs associated with the Euro Conversion are being expensed by the Company during the period in which they are incurred and are not currently anticipated to be material. The Company presently believes that, with remediation measures, any material risks associated with the Euro Conversion can be mitigated.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on borrowed funds, which could affect its results of operations and financial condition. At October 2, 1999, the Company had approximately \$6.2 million in variable-rate debt outstanding and, as such, the market risk is immaterial based upon a 10% increase or decrease in interest rates. The Company manages this risk by selecting debt financing at its U.S. bank lender's prime rate less 1%, or the Libor rate plus 1.9%, whichever is the most advantageous.

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; (vi) the Company's Year 2000 readiness plans and costs; and (vii) 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.

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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; (vi) the Company's ability to become Year 2000 ready, including the Company's ability to identify all critical systems that will be impacted by the Year 2000, the Company's ability, in a cost-efficient manner, to correct, upgrade or replace such systems, and the Year 2000 readiness of third parties with which the Company has material relationships; and (vii) 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, "Business" in the Company's Form 10-K for the year ended December 31, 1998, and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Form 10-Q for the quarter ended October 2, 1999. 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:

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EXHIBIT NUMBER -----	EXHIBIT DESCRIPTION -----
3.1	Amended and Restated Articles of Incorporation of the Company (previously filed as Exhibit 3.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183) and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company
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).
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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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4.11	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 (pound)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 (pound)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).

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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. (previously filed as Exhibit 4.22 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).

- 4.23 Modification Agreement, dated March 1, 1998, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.23 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).
- 4.24 Renewal Master Note, dated as of February 3, 1998, in the amount of \$4,965,524.51, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.24 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).
- 4.25 Renewal Master Note, dated of February 3, 1999, in the amount of \$4,965,524.51, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.25 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 1999 and incorporated herein by reference).
- 4.26 Renewal Master Note, dated July 23, 1999, in the amount of \$5,000,000.00 between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.26 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 1999 and incorporated herein by reference).
- 4.27 Loan Agreement, dated July 23, 1999, in the amount of \$7,500,000.00, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 1999 and incorporated herein by reference).

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- 4.28 Security Agreement, dated July 23, 1999, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 1999 and incorporated herein by reference).
- 4.29 Promissory Note, dated July 23, 1999, in the amount of \$7,500,000.00, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.29 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 1999 and incorporated herein by reference).
- 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 period ended July 3, 1999 (for SEC purposes only).

+ Executive management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

Report on Form 8-K dated July 29, 1999, announcing an expected second quarter loss of between \$0.03 and \$0.05 per share.

Reports on Form 8-K and 8-K/A dated August 11, 1999, announcing results for the quarter ended July 3, 1999.

Report on Form 8-K dated September 20, 1999, announcing a \$0.04 per share dividend on its common stock payable on October 15, 1999, to shareholders of record on September 30, 1999.

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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 November 15, 1999.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn

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

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- 4.29 Promissory Note, dated July 23, 1999, in the amount of \$7,500,000.00, between the Company and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.29 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 1999 and incorporated herein by reference).
- 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 period ended July 3, 1999 (for SEC purposes only).

+ Executive management contract or compensatory plan or arrangement.

EXHIBIT 3.2

AMENDED AND RESTATED
BYLAWS

OF

SUN HYDRAULICS CORPORATION

Set forth below are the Bylaws of Sun Hydraulics Corporation, a Florida corporation (the "Corporation"), as adopted by the Board of Directors of the Corporation effective as of December 17, 1996, as amended on February 26, 1999.

ARTICLE I

Offices

Section 1. Registered Office. The address of the Corporation's registered office in the State of Florida is 1500 University Parkway, Sarasota, Florida 34230.

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

ARTICLE II

Meetings of Shareholders

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

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

Section 3. Special Meeting. Special Meetings of Shareholders may be called by the Chairman, the President, a majority of the Board of Directors and shall be called if the holders of fifty percent (50%) of the votes entitled to be cast on any issue proposed to be considered at the proposed meeting sign, date and deliver a written demand or several such written demands for the special meeting describing the purpose or purposes for the meeting to the Corporation's Secretary.

Only business within the purpose or purposes described in the special meeting notice may be conducted at such special meeting. Written notice of a Special Meeting must state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called and shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each shareholder entitled to vote at such meeting.

Section 4. Quorum. Except as otherwise provided by law or by the Articles of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or

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

Section 5. Voting. Unless otherwise required by law, the Articles of Incorporation or these Bylaws (i) any question brought before any meeting of shareholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat, and (ii) each shareholder represented at a meeting of shareholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such shareholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three (3) years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of shareholders, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

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

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by

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Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of shareholders.

Section 8. Notice of Business. At any annual meeting of shareholders, only such business shall be conducted as shall have been (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or to the direction of the Board of Directors, or (c) otherwise properly brought before the annual meeting by a shareholder who is a shareholder of record at the time of the giving of the notice provided for in this Section 8 of this Article II and who shall be entitled to vote at such meeting. If the outstanding shares of the capital stock are held by more than thirty (30) shareholders, then no action required or permitted to be taken at any annual or special meeting of shareholders of the Corporation may be taken by written consent without a meeting of such shareholders.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days prior to the anniversary of the date of the proxy statement relating to the prior year's annual meeting of shareholders. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a

brief description of the business desired to be brought before the annual meeting, (ii) the reasons for conducting such business at the meeting, (iii) the name and record address of the shareholder proposing such business, (iv) the class or series and number of shares of the Corporation which are owned beneficially or of record by the shareholder, (v) a description of all arrangements or understandings between the shareholder and any other person or persons (including their names) in connection with the proposal of such business by the shareholder and any material interest of the shareholder in such business, and (vi) a representation that the shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

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

The officer of the Corporation presiding at the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 8 of this Article II, and if he or she should so determine, shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 8 of this Article II, a shareholder also shall comply with all applicable requirements of

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the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 8 of this Article II.

ARTICLE III

Directors

Section 1. Number of Directors. The number of Directors shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the Directors then in office. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board of Directors. Each Director shall be elected for a three-year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, but in no case shall a decrease in the number of Directors shorten the term of any incumbent Director.

Section 2. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors at the annual meeting may be made at a meeting of shareholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors or by any shareholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Article III. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or

re-election as a Director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of Directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and (v) the consent of the person to serve as a Director of the Corporation, if so elected; and (b) as to the shareholder giving the notice (i) the name and record address of shareholder, (ii) the class or series and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder, (iii) a description of all arrangements or understandings between the shareholder and each proposed nominee and any other person pursuant to which the nominations are to be made, (iv) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the persons named, and (v) certain other information. The Corporation may require any

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proposed nominee to furnish such other information as reasonably may be required by the Corporation to determine the eligibility of such proposed nominee to serve as Director of the Corporation. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth herein.

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

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

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

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

Section 4. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Florida. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President or by a majority of the Board of Directors. Notice of a special meeting must be given at least two (2) days prior to the date of the meeting by written notice pursuant to the notice provisions of these Bylaws. The notice of a special meeting need not describe the purpose of the special meeting.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Articles of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors,

the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of the Board. Unless otherwise provided by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

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

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

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

Section 10. Interested Directors. No contract or transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the

Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose if (a) the fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested Directors; (b) the fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or written consent; or (c) the contract or transaction is fair and reasonable as to the Corporation at the time it is authorized by the Board of Directors, a committee, or the shareholders.

ARTICLE IV

Officers

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

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

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

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

Section 5. Vice Chairman. In the absence or disability of the Chairman, or if there be none, the Vice Chairman shall preside at all meetings of the shareholders and the Board of Directors. The Vice Chairman of the Board of Directors also shall perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these Bylaws or by the Board of Directors.

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

Section 7. Vice President. At the request of the President or in his or her absence or in the event of his or her inability or refusal to act (and if there be no Chairman or Vice Chairman of the Board of Directors), the Vice

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

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

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to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

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

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

Section 11. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his or her disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of

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

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

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ARTICLE V

Stock

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman or Vice Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned in the Corporation.

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

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

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

Section 5. Record Date. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than seventy (70) days nor less than ten (10) days before the date of such meeting, nor more than seventy (70) days prior to any other action. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any

adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred and twenty (120) days after the date fixed for the original meeting.

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

ARTICLE VI

Notices

Section 1. Notices. Whenever written notice is required by law, the Articles of Incorporation or these Bylaws, to be given to any Director, member of a committee or shareholder, such notice may be given by mail, addressed to such Director, member of a committee or shareholder, at his or her address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by electronic facsimile, or telegram, telex or cable. Written notices delivered personally, by mail, telegram, telecopy or nationally recognized overnight courier service (such as Federal Express, Airborne, UPS, Emery or Purolator) to each Director at his or her address. Such notice shall be effective upon the earliest of (a) receipt, (b) five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed, or (c) the day after its deposit with such an overnight courier service, marked for next day delivery. Such written notice shall include the date, time and place of the meeting.

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

ARTICLE VII

General Provisions

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

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equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

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

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

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

ARTICLE VIII

Indemnification

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

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of

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another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer or other person is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such proceeding; (b) if such a quorum is not obtainable or, event if obtainable, by majority vote of a committee duly designated by the Board of Directors (in which Directors who are parties may participate) consisting solely of two or more Directors not at the time parties to the proceeding; (c) by independent legal counsel (1)

selected by the Board of Directors prescribed in paragraph (a) or the committee prescribed in paragraph (b); or (2) if a quorum of the Directors cannot be obtained for paragraph (a) and the committee cannot be designated under paragraph (b), selected by majority vote of the full Board of Directors (in which Directors who are parties may participate); or (d) by the shareholders by a majority vote of a quorum consisting of shareholders who were not parties to such proceeding or, if no such quorum is obtainable, by a majority vote of shareholders who were not parties to such proceeding. To the extent, however, that a Director or officer of the Corporation has been successful in the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith, without the necessity of authorization in the specific case.

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

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is or was serving at the request of the Corporation as a Director, officer, employee or agent. The provisions of this Section 4 of this Article VIII shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

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

Section 6. Expenses Payable in Advance. Expenses incurred by a Director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VIII. Such expenses (including attorney's fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or

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

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

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors and officers, so that any person who is or was a Director or officer of such constituent corporation, or is or was a Director or officer of such constituent corporation serving at the request of such constituent corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such indemnification relates to his or her acts while serving in any of the foregoing capacities, of such constituent corporation, as he or she would have with respect to such constituent corporation if this separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a Director or officer of the Corporation which imposes duties on, or involves services by, such Director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of this Article VIII by the shareholders of the Corporation shall not adversely affect any rights to indemnification and advancement of expenses existing pursuant to this Article VIII with respect to any acts or omissions occurring prior to such repeal or modification.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any Director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

ARTICLE IX

Amendments

The Corporation's Board of Directors may amend or repeal these Bylaws unless: (a) the Articles of Incorporation or law reserves the power to amend the Bylaws generally, or a particular Bylaw provision exclusively, to the shareholders; or (b) the shareholders, in amending or repealing the Bylaws generally or a particular Bylaw provision, provide expressly that the Board of Directors may not amend or repeal the Bylaws or that Bylaw provision.

The Corporation's shareholders may amend or repeal the Corporation's Bylaws even though the Bylaws also may be amended or repealed by its Board of Directors.

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

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