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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 10, 2004

SUN HYDRAULICS CORPORATION

(Exact name of registrant as specified in its charter)

<u>Florida</u> (State or other jurisdiction of incorporation)	<u>0-21835</u> (Commission File Number)	<u>59-2754337</u> (IRS Employer Identification No.)
<u>1500 West University Parkway, Sarasota, Florida</u> (Address of principal executive offices)		<u>34243</u> (Zip Code)

Registrant's telephone number, including area code 941-362-1200

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

The Registrant, through its Compensation Committee, adopted the Sun Hydraulics Corporation Performance Share Agreement for use with the Company's non-United States employees (including named executive officers). The awards will be discretionary with the Compensation Committee, and there are no specific performance goals or business criteria that would qualify an employee for an award.

Item 8.01 Other Events.

On December 14, 2004, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing (1) an increase the Company's regular quarterly dividend from a \$0.05 to \$0.075 per common share; (2) the declaration of a \$0.075 per share dividend on its common stock payable on January 15, 2005, to shareholders of record on December 31, 2004; (3) the Company's intention to release 2004 fourth quarter and year-end earnings on Tuesday, March 1, 2005, at approximately 11:00 a.m. E.T., and (4) a March 2, 2005, investor open house, from which the Company will webcast a conference call.

Item 9.01. Financial Statements and Exhibits.

- (c) Exhibits.
 - 99.1 Form of Performance Share Agreement.
 - 99.2 Press release dated December 14, 2004.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn
Richard J. Dobbyn
Chief Financial Officer (Principal Financial and
Accounting Officer)

Dated: December 15, 2004

SUN HYDRAULICS CORPORATION
PERFORMANCE SHARE AGREEMENT

THIS PERFORMANCE SHARE AGREEMENT (the "Agreement") is made and entered into as of the day of December, 2004, by and between **SUN HYDRAULICS CORPORATION**, a Florida corporation (the "Company"), and _____, an individual (the "Employee").

WITNESSETH:

WHEREAS, the Employee is an employee of [*name of Sun foreign subsidiary*], a subsidiary of the Company and is employed in [*name of foreign country where recipient is employed*];

WHEREAS, the Compensation Committee of the Company has determined that it is desirable and in the best interests of the Company to grant to selected employees, in lieu of stock options or restricted shares of the Company's common stock ("Sun Shares") under the Company's existing employee stock plans, the right to receive performance share units ("Performance Shares"), in order to provide them with further incentive to enhance the profitability and financial strength, and achieve long-term corporate objectives of, the Company by linking a component of his or her compensation to the value of Sun Shares;

WHEREAS, the Compensation Committee has authorized the grant of Performance Shares to the Employee on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. **Grant of Performance Shares**. Subject to the terms and conditions of this Agreement, the Company hereby grants to the Employee [*number of shares*] Performance Shares, each of which is intended to represent an amount equal to the value on a pre-tax basis of a share of the common stock of the Company on the date of vesting of each such Performance Share.

2. **Vesting and Redemption**. Each Performance Share shall become vested and shall be redeemed on the respective date set forth below (the "Vesting Date") for the payment hereinafter stated; provided, however, that the Employee continues to be employed by [*name of Sun foreign subsidiary*], the Company, or another subsidiary of the Company on such date.

Number of Performance Shares	Vesting Date

On the Vesting Date, the Performance Shares indicated above shall be redeemed for a cash payment by the Company in an amount equal to the product of (i) the number of Performance Shares vested on such Vesting Date, (ii) the closing bid price for Sun Shares on the Nasdaq National Stock Market on such Vesting Date, converted at the then current exchange rate into the local currency in which the Employee is paid at such time. If the Vesting Date was not a trading day or there were no trades in Sun Shares on such Vesting Date, then the closing bid price and exchange rate on the last day on which there was a trade in Sun Shares shall be used for purpose of the payment.

3. Adjustments in Sun Shares. In the event of any changes in the issued and outstanding shares of the Company’s common stock by reason of a share dividend, split-up, reclassification, recapitalization, subdivision, combination, exchange of shares, merger, consolidation or liquidation by or of the Company, the number of Performance Shares under this Agreement, and the redemption price payable for such Performance Shares, shall be correspondingly adjusted by the Compensation Committee.

4. Change of Control. In the event of a pending or threatened change in control, in connection with any merger, consolidation, acquisition, separation, reorganization, liquidation or like occurrence in which the Company is involved, the Board of Directors may, in its sole discretion, take any one or more of the following actions:

- (i) Accelerate the vesting and redemption of the Performance Shares; and
- (ii) Make any other adjustments or amendments to the Performance Share Agreement.

5. Nontransferability. None of the Performance Shares may be transferred, assigned or pledged by the Employee, either voluntarily or involuntarily. During the Employee’s lifetime, the proceeds of any redemption of the Employee’s Performance Shares shall be paid only to the Employee. Upon the Employee’s death, any unpaid proceeds of a redemption shall be paid to the Employee’s estate.

6. Tax Withholding. The Company shall have the right to deduct from all payments to any Employee or beneficiary any national, state, or local taxes required by law to be withheld or paid by the Employee’s employer with respect to such payments.

7. Forfeiture On Termination of Employment. If the Employee’s employment with the Company or any of its subsidiaries is terminated for any reason, either by the Company or the Employee, during the term of this Agreement, any Performance Shares remaining subject to the restrictions imposed by this Agreement shall be forfeited, to the extent such forfeiture is permissible under the laws of the jurisdiction in which the Employee is then employed. For purposes of this

Agreement, an approved leave of absence shall not result in a termination of this Agreement. An “approved leave of absence” mean an absence approved by the Chief Executive Officer of the Company for military leave, sick leave, or other bona fide leave, as long as the Employee’s right to re-employment is guaranteed by contract, statute or the policy of the Company or the subsidiary by which the Employee was last employed.

8. Grant Not to Affect Employment. This Agreement shall not be construed as giving the Employee any rights with respect to continued employment with the Company, and shall not in any way modify or restrict the Company’s right to terminate such employment.

9. Not an Equity Security. This Agreement is not intended to provide the Employee with any of the voting rights, rights to receive dividends, or other rights granted to shareholders of the Company, and the Performance Shares contemplated by this Agreement shall not be interpreted to give the Employee rights beyond the right to receive the cash payments described in Section 2 above for purposes of any laws or regulations governing the issuance of securities to persons located in [name jurisdiction]

10. Miscellaneous.

A. This Agreement may be executed in one or more counterparts all of which taken together will constitute one and the same instrument.

B. The terms of this Agreement may only be amended, modified or waived by a written agreement executed by both of the parties hereto.

C. The validity, performance, construction and effect of this Agreement shall be governed by the laws of the State of Florida, without giving effect to principles of conflicts of law.

D. In the event any provision of this Agreement should be determined to be unenforceable due to the application of any applicable local law or regulation in effect in the jurisdiction in which the Employee is located, including any local laws that may result in the taxation of Performance Shares prior to the Vesting Date, the remaining provisions shall remain in effect, with any adjustments the Company and the Employee may mutually agree are necessary or desirable to preserve the original intent of the Agreement to the extent possible.

E. Except as otherwise herein provided, this Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and of the Employee and the Employee’s personal representatives.

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

EMPLOYEE

SUN HYDRAULICS CORPORATION

By: _____

President and Chief Executive Officer

Sun Hydraulics Increases Dividend from \$0.05 to \$0.075 per share

Contact:

Richard K. Arter
Investor Relations
941-362-1200
Richard J. Dobbyn
Chief Financial Officer
941-362-1200

SARASOTA, FLA, December 14, 2004 — The Board of Directors of Sun Hydraulics Corporation (NASDAQ: SNHY) has voted to increase the Company's regular quarterly dividend from \$0.05 to \$0.075 per common share. The dividend is payable on January 15, 2005, to shareholders of record as of December 31, 2004.

Sun Hydraulics will release 2004 fourth quarter and year-end earnings on Tuesday, March 1, 2005, at approximately 11:00 a.m. E.T. The Company will host an investor open house the following day, Wednesday, March 2nd, from which it will webcast its conference call. The open house will begin at 3:30 p.m., with the conference call starting promptly at 4:00 p.m. E.T. After the conference call is completed, guests are invited to tour Sun's facilities and share in refreshments.

Sun Hydraulics Corporation is a leading designer and manufacturer of high performance screw-in hydraulic cartridge valves and manifolds for worldwide industrial and mobile markets. For more information about Sun, please visit our website at www.sunhydraulics.com.

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