



Nominating Committee Statement of Policy

In the interests of establishing procedures and policies for good corporate governance, the Nominating Committee of the Board of Directors of Sun Hydraulics Corporation has adopted the following Statement of Policy Regarding Director Nominations, effective as of March 13, 2004.

Qualifications of Directors

The Committee believes that to be considered for membership on the Board of Directors, a candidate should meet the following criteria:

- must, above all, be of proven integrity with a record of substantial achievement.
- must have demonstrated ability and sound judgment that usually will be based on broad experience.
- must be able and willing to devote the required amount of time to the Company's affairs, including attendance at Board and committee meetings and the annual shareholders' meeting.
- must possess a judicious and somewhat critical temperament that will enable objective appraisal of management's plans and programs.
- must be committed to building sound, long-term Company growth.

Other than the foregoing, the Committee does not believe that there is any single set of qualities or skills that an individual must possess to be an effective member of the Board of Directors. Rather, each candidate should be considered in light of the strengths of the other members of the Board of Directors and the needs of the Board and the Company at the time of the election. For example, there may be a perceived need for a Director with particular expertise in an industry or field, such as a Director who has the financial expertise to qualify him or her for service on the Company's Audit Committee. Therefore, the Committee does not believe that it is appropriate to establish any specific, minimum qualifications for a candidate for election as a Director of the Company other than the foregoing.

Identification and Evaluation of Candidates for Nomination

The Committee shall take whatever actions it deems necessary under the circumstances to identify qualified candidates for nomination for election as a member of the Board of Directors, including the use of professional search firms, recommendations from Directors, members of senior management and security holders. All such candidates for any particular seat on the board shall be evaluated based upon the same criteria, which criteria shall include that set forth in this policy and such other criteria as shall be determined by the Committee to be suitable under the circumstances existing at the time of the election, based upon the needs of the Board and the Company at the time of the election.

Procedures for Recommendation of Candidates by Security Holders

In order to have the Committee consider a candidate recommended by a security holder, the security holder must provide to the Corporate Secretary of the Company, at least [120] days prior to the date of the shareholders' meeting at which the election of Directors is to occur, a written notice of such security holder's desire that such person be nominated for election at the upcoming shareholders meeting; provided, however, that in the event that less than 120 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) business 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.

A shareholder's notice of recommendation shall set forth

- a. as to each person whom the shareholder proposes be considered for nomination for 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 during the past five years,
 - iii. the number of shares of Company common stock 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, if so elected; and
- b. as to the shareholder giving the notice
 - i. the name and record address of shareholder,
 - ii. the number of shares of Company common stock 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, and
 - iv. a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person(s) named.