Colfax CORP
Form S-1
January 04, 2008
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As filed with the Securities and Exchange Commission on January 4, 2008

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OF 1933

Colfax Corporation

(Exact name of registrant as specified in its charter)

Delaware	**3561**	**54-1887631**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

8730 Stony Point Parkway, Suite 150

Richmond, VA 23235

(804) 560-4070

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

John A. Young

President and Chief Executive Officer

8730 Stony Point Parkway, Suite 150

Richmond, VA 23235

(804) 560-4070

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date hereof.

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of Registration Fee(2)
Common Stock, $0.01 par value per share	$ 300,000,000	$ 11,790

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.
(2) Calculated pursuant to Rule 457(a) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion

Preliminary Prospectus dated January 4, 2008

PROSPECTUS

Shares

Common Stock

This is Colfax Corporation s initial public offering. Colfax Corporation is selling all of the shares being offered.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol CFX.

Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 10 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Colfax Corporation	$	$

The underwriter may also purchase up to an additional shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2008.

Merrill Lynch & Co.

The date of this prospectus is , 2008

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You should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

This summary is qualified in its entirety by the more detailed information and the consolidated financial statements and related notes appearing elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled Risk Factors, our consolidated financial statements and the related notes, before making an investment decision. Unless otherwise indicated, references in this prospectus to Colfax, the company, we, our and us refer to Colfax Corporation and its subsidiaries. In this prospectus, we present Adjusted EBITDA, which we consider a key indicator of financial performance and cash flow potential. We believe that Adjusted EBITDA facilitates comparisons between periods and companies by excluding differences related to capital structures (affecting interest expense), tax positions and other items not indicative of the principal operating activities of the company. Adjusted EBITDA is not a measurement of financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measure of performance derived in accordance with GAAP. Please see note (3) to Summary Consolidated Financial and Other Information for a description of how we use Adjusted EBITDA, its limitations and a reconciliation of this non-GAAP financial measure to GAAP net income. We define Adjusted EBITDA as net income before the effects of interest expense, taxes, depreciation, amortization, discontinued operations, legacy asbestos (gain) expense, legacy legal expense and other items not related to principal operating activities.

Our Business

We are a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. Our products serve a variety of applications in five strategic markets: commercial marine, oil and gas, power generation, global navy and general industrial. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used. Our products are marketed principally under the Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the markets in which we participate, with Allweiler dating back to 1860. For the nine months ended September 28, 2007 and the year ended December 31, 2006, we had net sales of $362.6 million and $393.6 million, net income of $35.9 million and $0.1 million and Adjusted EBITDA of $60.0 million and $65.1 million, respectively.

We serve a global customer base across multiple markets through a combination of direct sales and marketing associates and third-party distribution channels. Our customer base is highly diversified and includes commercial, industrial, marine and governmental customers such as Alfa Laval, Cummins, General Dynamics, Hyundai Heavy Industries, Siemens, Solar Turbines, Thyssenkrupp, the U.S. Navy and various sovereign navies around the world. We have a large installed base, which, combined with the critical nature of the applications in which our products are used, leads to a tendency for our customers to replace like for like products. This tendency leads to significant aftermarket demand for replacement products as well as for spare parts and maintenance service.

We employ a comprehensive set of tools and processes known as the Colfax Business System, or CBS. CBS is a disciplined strategic planning and execution methodology designed to achieve excellence and world-

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class financial performance in all aspects of our business by focusing on the *Voice of the Customer* and continuously improving quality, delivery and cost.

We have an experienced management team that has established a focused industrial manufacturing business with strong market positions within the fluid handling industry. We believe we are well positioned to continue to grow by enhancing our product offerings and expanding our customer base in each of our strategic markets. We also have successfully completed and integrated several acquisitions and expect to continue to pursue acquisitions of complementary businesses that will broaden our product portfolio, expand our geographic footprint or enhance our position in our strategic markets.

Our Market Opportunity

The global fluid handling industry is highly fragmented, with over 10,000 companies competing across numerous markets and sectors of the economy. Because fluid handling products often are used in critical applications, we believe the most successful industry participants are those that have the technical capabilities to meet customer specifications, offer products with reputations for quality and reliability and can provide timely delivery and strong aftermarket support.

We believe there is strong growth potential for our products and services in our strategic markets, which are global in nature and have a need for highly engineered, critical fluid handling solutions. We believe that our global presence positions us to compete successfully in all of our markets throughout the world.

Our Competitive Strengths

We believe that the following competitive strengths position us as a premium provider of fluid handling products and will contribute to our future growth:

- *Strong Market Positions, Broad Product Portfolio and Leading Brands*. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We offer a broad portfolio of fluid handling products that fulfill critical needs of customers across numerous industries. Our brands are among the oldest and most recognized in the markets in which we participate.

- *Strong Application Expertise*. We believe that our reputation for quality and technical expertise positions us as a premium supplier of fluid handling products. With over 140 years of experience, we have significant expertise in designing and manufacturing fluid handling products that are used in critical applications, such as lubricating power generation turbines, transporting crude oil through pipelines and transferring heavy fuel oil in commercial marine vessels.

- *Extensive Global Sales, Distribution and Manufacturing Network*. We sell our products through over 300 direct sales and marketing associates and more than 500 authorized distributors in 80 countries. We believe that our global reach within the highly fragmented, worldwide fluid handling industry provides us with an ability to better serve our customers. Our European, North American and Asian manufacturing capabilities provide us with the ability to optimize material sourcing, transportation and production costs and lower foreign currency risk.

- *We Use CBS to Continuously Improve Our Business*. CBS is our business system designed to encourage a culture of continuous improvement in all aspects of our operations and strategic planning. Modeled on the Danaher Business System, CBS focuses on conducting root-cause analysis, developing process improvements and implementing sustainable systems. Our approach addresses the entire business, not just manufacturing operations.

- *Large Installed Base Generating Aftermarket Sales and Service*. With a product history dating back to 1860, we have a significant installed base across numerous industries. Because of the critical applications in which our products are used and the high quality and reliability of our products, we

believe there is a tendency for our customers to replace like for like products. This tendency leads to significant aftermarket demand for replacement products as well as spare parts and for repair and maintenance service. In the nine months ended September 28, 2007, we estimate that approximately 25% of our revenues were derived from aftermarket sales and services.

Broad and Diverse Customer Base. Our customer base spans numerous industries and is geographically diverse. Approximately 66% of our sales for the first nine months of 2007 were derived from operations outside of the U.S. In addition, no single customer represented more than 3% of our sales during that period.

Management Team with Extensive Industry Experience and Focus on Strategic Development. We are led by a senior management team with an average of over 20 years of experience in industrial manufacturing. John A. Young, our President and Chief Executive Officer, is one of our founders and played a key role in developing the acquisition strategy that formed our company. Since 1995, as part of this strategy, we have acquired 12 companies and divested businesses that do not fit within our long-term growth strategy.

Our Growth Strategy

We intend to continue to increase our sales, expand our geographic reach, broaden our product offerings and improve our profitability through the following strategies:

Apply CBS to Drive Profitable Sales Growth and Increase Shareholder Value. The core element of our management philosophy is CBS, which we implement in each of our businesses. CBS is a strategic planning and execution methodology designed to achieve world-class excellence in all aspects of our business. CBS focuses our organization on continuous improvement and performance goals by empowering our associates to develop innovative strategies to meet customer needs. Rather than a static process, CBS continues to evolve as we benchmark ourselves against best-in-class industrial companies.

Execute Market Focused Strategies. We believe that our five strategic markets are attractive due to their ongoing capital expenditure requirements, growth rates and global nature.

Commercial Marine We intend to continue to increase our installed base of products and grow our aftermarket sales and service revenues. We also intend to expand our capabilities in the Asia Pacific region by utilizing our Chinese and Indian facilities to offer locally manufactured products, reduce production costs and provide local customer service and support.

Oil and Gas We intend to continue our strategy of offering oil and gas customers increased efficiency and lower total cost of ownership by replacing legacy products currently in use with our more efficient products. We also intend to capture the growing need for complex turnkey systems through the development of solutions that can undertake the difficult task of handling varying mixtures of heavy crude oil, natural gas and water at the same time. We intend to continue to target the fast growing oil and gas markets around the world, including Asia and developing nations.

Power Generation We intend to use our extensive expertise in power generation applications to continue our growth as a provider of turnkey systems in this market. We also intend to use our global presence to strengthen relationships with large original equipment manufacturers.

Global Navy We intend to continue to design, develop and manufacture high value fluid handling systems to meet the needs of evolving naval requirements worldwide. For example, we are currently working with the U.S. Navy to incorporate advanced electronics and controls into our products, and we are also focused on expanding our repair and service capabilities for naval customers.

General Industrial We intend to continue to apply our application expertise to supply our customers in diverse industries such as chemicals, pulp and paper processing and commercial construction with a portfolio of products that can solve their most critical fluid handling needs. We also intend to grow our presence in the general industrial market by targeting new applications for our existing products, deploying regionally focused strategies and utilizing our global presence and sales channels to sell our solutions worldwide.

Target Fast Growing Regions by Leveraging Our Global Manufacturing, Sales and Distribution Network. We intend to continue to utilize our strong global presence and worldwide network of distributors to capitalize on growth opportunities by selling regionally developed and marketed products and solutions throughout the world. As our customers have become increasingly global in scope, we have increased our global reach to serve our customers by maintaining a local presence in numerous markets and investing in sales and marketing capabilities worldwide. For example, we have recently expanded our manufacturing capabilities by establishing a plant in China and acquiring an Indian manufacturer of fluid handling products.

Develop New Products, Applications and Technologies. We will continue to engineer our key products to meet the needs of new and existing customers and also to improve our existing product offerings to strengthen our market position. We intend to develop technological, or SMART, solutions, which incorporate advanced electronics, sensors and controls, through the use of our *Voice of the Customer* process to solve specific customer needs. We believe our SMART solutions will reduce our customers total cost of ownership by providing real-time diagnostic capabilities to minimize downtime, increase operational efficiency and avoid unnecessary costs.

Grow Our Offerings of Systems and Solutions. We will continue to provide high value added fluid handling solutions by utilizing our engineering and application expertise and our brand recognition and sales channels to drive incremental revenue. We intend to establish regional system manufacturing capabilities to address our customers desire to purchase turnkey modules and their preference for outsourced assembly. Part of our strategy is to continue to seek a greater share of overall project value by providing complete systems and solutions, particularly where we control project design.

Continue to Pursue Strategic Acquisitions that Complement our Platform. We believe that the fragmented nature of the fluid handling industry presents substantial consolidation and growth opportunities for companies with access to capital and the management expertise to execute a disciplined acquisition and integration program. We believe that we can identify a number of attractive acquisition candidates in the future and that strategic acquisition growth will give us a competitive advantage over small competitors through greater purchasing power, a larger global sales and distribution network and a broader portfolio of products and services.

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Other Information

Company Information

We were organized as a Delaware corporation in 1998. Our principal executive offices are located at 8730 Stony Point Parkway, Suite 150, Richmond, Virginia 23235, and our main telephone number at that address is (804) 560-4070. Our corporate website address is www.colfaxcorp.com. **The contents of our website are not a part of this prospectus.**

Trademarks

We have rights to a variety of trade names, service marks and trademarks for use in our business, including Colfax, Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith in the U.S. and, where appropriate, in other countries. This prospectus also includes product names and other trade names and service marks owned by us and other companies. The trade names and service marks of other companies are the property of those other companies.

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The Offering

Common stock offered by us	shares
Common stock outstanding after the offering	shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million based on the midpoint of the price range set forth on the cover page of this prospectus. We intend to use these net proceeds to repay $ million of indebtedness outstanding under our credit facility, to pay dividends to existing preferred stockholders that have been declared but unpaid in the amount of $ million, to pay special bonuses of $ million to certain of our executives under previously adopted executive compensation plans and the balance, if any, for working capital and other general corporate purposes. See Use of Proceeds below.
Reserved shares	At our request, the underwriter has reserved for sale, at the initial public offering price, up to shares offered by this prospectus for sale to some of our directors, officers, employees, distributors, customers, business associates and related persons. See Underwriting.
Proposed NYSE symbol	CFX
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of the common stock.

The number of shares outstanding after the offering excludes shares reserved for issuance under our 2008 omnibus incentive plan. Unless we indicate otherwise, the information in this prospectus:

- reflects a - for -1 split of our outstanding common stock that occurred on , 2008;
- assumes the conversion of all of our outstanding preferred stock into common stock upon completion of this offering;
- assumes the application of the net proceeds of this offering in the manner described in Use of Proceeds ;
- assumes the filing of our restated certificate of incorporation and the adoption of our amended and restated bylaws immediately before the completion of this offering;
- assumes that the initial public offering price of the common stock will be $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and

assumes that the underwriter does not exercise its overallotment option.

Summary Consolidated Financial and Other Information

The following table sets forth our summary consolidated financial and other information as of the dates for the periods indicated. The financial data for the three years in the period ended December 31, 2006 are derived from our consolidated financial statements, which have been audited by Ernst & Young LLP. The financial data for the nine months in the periods ended September 28, 2007 and September 29, 2006 are derived from our unaudited interim financial statements, which have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The results of any interim period are not necessarily indicative of the results that may be expected for a full year.

You should read this information in conjunction with the consolidated financial statements and the notes to those consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

	Nine months ended		Year ended December 31,		
	September 28,	September 29,			
Dollars in thousands, except per share amounts	**2007**	**2006**	**2006**	**2005**	**2004**
Statement of Operations Data:					
Net sales	$ 362,602	$ 280,184	$ 393,604	$ 345,478	$ 309,653
Cost of sales	236,226	184,863	256,806	222,353	197,907
Gross profit	126,376	95,321	136,798	123,125	111,746
Selling, general and administrative expenses	75,277	50,777	80,103	74,594	77,434
Research and development expenses	3,075	2,490	3,336	2,855	3,175
Legacy asbestos (gain) expense	(23,714)	24,367	33,816	18,112	29,412
Operating income	71,738	17,687	19,543	27,564	1,725
Interest expense	14,416	10,416	14,186	9,026	6,918
Provision (benefit) for income taxes	21,432	3,400	3,866	6,907	(6,010)
Income from continuing operations	35,890	3,871	1,491	11,631	817
Net income	35,890	3,871	94	12,247	57,306
Earnings (loss) per share from continuing operations basic and diluted[1]	13,653	2,376	915	(1,209)	(8,314)

	As of September 28, 2007	
Dollars in thousands	**Actual**	**As Adjusted[2]**
Balance Sheet Data:		
Goodwill and intangibles, net	$ 178,849	$
Asbestos insurance asset, including current portion	321,542	
Total assets	878,554	
Asbestos liability, including current portion	383,123	
Total debt, including current portion	227,437	

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	Nine months ended		Year ended December 31,		
	September 28,	September 29,			
Dollars in thousands	**2007**	**2006**	**2006**	**2005**	**2004**
Other Data:					
Adjusted EBITDA[3]	$ 59,980	$ 41,977	$ 65,068	$ 55,780	$ 46,861

(1) Computed based on income from continuing operations available to holders of common stock.

(2) As adjusted to give effect to our sale of common stock in this offering at an assumed offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the receipt and application of the net proceeds thereof as described under Use of Proceeds.

(3) We consider Adjusted EBITDA a key indicator of financial performance and cash flow potential. We define Adjusted EBITDA as net income before the effects of interest expense, taxes, depreciation, amortization, discontinued operations, legacy asbestos (gain) expense, legacy legal expense and other items not related to principal operating activities. We believe that Adjusted EBITDA facilitates comparisons between periods and companies by excluding differences related to capital structures (affecting interest expense), tax positions and other items not indicative of the principal operating activities of the company. We use Adjusted EBITDA in our internal budgeting process, in management s consideration of performance, and as an element in determining executive compensation. Further, Adjusted EBITDA and similar measures are widely used by investors, rating agencies and securities analysts as a key measure of financial performance and debt-service capabilities.

Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measure of performance derived in accordance with GAAP. Because Adjusted EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. We believe that consideration of Adjusted EBITDA, together with a careful review of our results reported under GAAP, including net income, is the most informed method of analyzing our company.

The following table reconciles the GAAP measure of net income to Adjusted EBITDA:

	Nine months ended		Year ended December 31,		
	September 28,	September 29,			
Dollars in thousands	**2007**	**2006**	**2006**	**2005**	**2004**
Net income	$ 35,890	$ 3,871	$ 94	$ 12,247	$ 57,306
Interest expense	14,416	10,416	14,186	9,026	6,918
Provision (benefit) for income taxes	21,432	3,400	3,866	6,907	(6,010)
Discontinued operations expense (income)			1,397	(616)	(56,489)
Depreciation and amortization	11,206	8,275	11,481	11,430	9,872
Legacy asbestos (gain) expense[1]	(23,714)	24,367	33,816	18,112	29,412
Legacy legal expenses[2]			8,330	3,100	
Other post-employment benefit settlement[3]		(9,102)	(9,102)	(251)	
Cross currency swap[4]				(2,075)	2,075
Environmental indemnification[5]				(3,100)	
Write-off of loan costs[6]					2,777
Management fees[7]	750	750	1,000	1,000	1,000
Adjusted EBITDA	$ 59,980	$ 41,977	$ 65,068	$ 55,780	$ 46,861

(footnotes on following page)

(1) Legacy asbestos (gain) expense includes changes in projected asbestos liability, actual asbestos defense costs as well as legal costs related to the actions against two of our subsidiaries respective insurers and a former parent company of one of our subsidiaries. See Management s Discussion and Analysis of Financial Condition and Results of Operations Asbestos-Related Litigation and Critical Accounting Estimates Asbestos Liabilities and Insurance Assets for a discussion of our expectations regarding future asbestos-related expenses.
(2) Legacy legal expense relates to reserves established at one of our subsidiaries to settle legal matters related to divested businesses.
(3) In 2005 and 2006, we settled portions of our other post-employment benefits liability that we had retained as part of the sale of the power transmission business in 2004.
(4) During 2004, we recorded a loss on a cross currency swap. In 2005, we were able to exit the swap for zero cost.
(5) The contract under which we purchased the operations of Warner Electric from Dana Corporation (Dana) in February of 2000 contained a clawback provision that entitled us to funds from the seller if certain environmental indemnifications, primarily related to the Roscoe, Illinois location, were not utilized. We reached final settlement with Dana during 2005 and received cash and recorded income of approximately $3.1 million in that period.
(6) During 2004, deferred loan costs of approximately $2.1 million and a premium paid of approximately $0.7 million were written off due to the early extinguishment of debt resulting from the sale of the power transmission business.
(7) For all years presented above, a management fee of $1.0 million per year was paid to Colfax Towers, a party related by common ownership. This fee is paid in equal quarterly installments. See Certain Relationships and Related Party Transactions. These payments will not continue after this offering.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with the other information in this prospectus, before making an investment decision. If any of the following risks actually occur, our business, financial condition or operating results could suffer. As a result, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock.

Risks Related to Our Business

The majority of our sales are derived from international operations. We are subject to specific risks associated with international operations.

In the first nine months of 2007, we derived approximately 66% of our sales from operations outside of the U.S. with manufacturing facilities in seven countries. Sales from international operations, export sales and the use of manufacturing facilities outside of the U.S. are subject to risks inherent in doing business outside the U.S. These risks include:

- economic instability;
- partial or total expropriation of our international assets;
- trade protection measures, including tariffs or import-export restrictions;
- currency exchange rate fluctuations and restrictions on currency repatriation;
- significant adverse changes in taxation policies or other laws or regulations; and
- the disruption of operations from political disturbances, terrorist activities, insurrection or war.

Significant movements in foreign currency exchange rates may harm our financial results.

We are exposed to fluctuations in currency exchange rates. In the first nine months of 2007, approximately 66% of our sales were denominated in currencies other than the U.S. dollar. We do not engage to a material extent in hedging activities intended to offset the risk of exchange rate fluctuations. Any significant change in the value of the currencies of the countries in which we do business against the U.S. dollar could affect our ability to sell products competitively and control our cost structure, which, in turn, could adversely affect our results of operations and financial condition.

A significant portion of our revenues and income are denominated in Euros and Swedish Kronor. Consequently, depreciation of the Euro or Krona against the U.S. dollar has a negative impact on the income from operations of our European operations. Large fluctuations in the rate of exchange between the Euro, the Krona and the U.S. dollar could have a material adverse effect on our results of operations and financial condition.

We are dependent on the availability of raw materials, as well as parts and components used in our products.

While we manufacture many of the parts and components used in our products, we require substantial amounts of raw materials and purchase some parts and components from suppliers. The availability and prices for raw materials, parts and components may be subject to curtailment or change due to, among other things, suppliers allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. Any change in the supply of, or price for, these raw materials or parts and components could materially affect our business, financial condition, results of operations and cash flow. In addition, delays in delivery of components or raw materials by our suppliers could cause delays in our delivery of products to our customers.

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The markets we serve are highly competitive and some of our competitors may have resources superior to ours. Responding to this competition could reduce our operating margins.

We sell most of our products in highly fragmented and competitive markets. We believe that the principal elements of competition in our markets are:

- the ability to meet customer specifications;
- application expertise and design and engineering capabilities;
- product quality and brand name;
- timeliness of delivery;
- price; and
- quality of aftermarket sales and support.

In order to maintain and enhance our competitive position, we intend to continue our investment in manufacturing quality, marketing, customer service and support and distribution networks. We may not have sufficient resources to continue to make these investments and we may not be able to maintain our competitive position. Our competitors may develop products that are superior to our products, develop methods of more efficiently and effectively providing products and services or adapt more quickly than we do to new technologies or evolving customer requirements. Some of our competitors may have greater financial, marketing and research and development resources than we have. As a result, those competitors may be better able to withstand the effects of periodic economic downturns. In addition, pricing pressures could cause us to lower the prices of some of our products to stay competitive. We may not be able to compete successfully with our existing competitors or with new competitors. If we fail to compete successfully, the failure would have a material adverse effect on our business and results of operations.

Acquisitions have formed a significant part of our growth strategy in the past and are expected to continue to do so. If we are unable to identify suitable acquisition candidates or integrate the businesses we acquire or realize the intended benefits, our growth strategy may not succeed. Acquisitions involve numerous risks, including risks related to integration and undisclosed liabilities.

Historically, our business strategy has relied on acquisitions. We expect to derive a significant portion of our growth by acquiring businesses and integrating those businesses into our existing operations. We intend to seek acquisition opportunities both to expand into new markets and to enhance our position in our existing markets. However, our ability to do so will depend on a number of steps, including our ability to:

- identify suitable acquisition candidates;
- negotiate appropriate acquisition terms;
- obtain financing that we may need to complete proposed acquisitions;
- complete the proposed acquisitions; and

integrate the acquired business into our existing operations.

If we fail to achieve any of these steps, our growth strategy may not be successful.

In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired company, the potential loss of key employees of the acquired company and the diversion of our management s attention from other business concerns. This is the case particularly in the fiscal quarters immediately following the completion of an acquisition because the operations of the acquired business are integrated into the acquiring businesses operations during this period. We cannot be sure that we will accurately anticipate all of the changing demands that any future acquisition may impose on our management, our operational and management information systems and our financial systems. Once integrated, acquired operations may not achieve levels of revenue, profitability or productivity comparable with those that our existing operations achieve, or may otherwise not perform as we expected.

We may fail to discover liabilities relating to a future acquisition during the due diligence investigation and we, as the successor owner, might be responsible for those liabilities. Although we seek to minimize the impact of potential undiscovered liabilities by structuring acquisitions to minimize liabilities and obtaining indemnities and warranties from the selling party, these methods may not fully protect us from the impact of undiscovered liabilities. For example, indemnities or warranties are often limited in scope, amount or duration, and may not fully cover the liabilities for which they were intended. If indemnities or warranties are limited, the liabilities that are not covered by the limited indemnities or warranties could have a material adverse effect on our business and financial condition.

We may require additional capital to finance our growth. If the terms on which the additional capital is available are unsatisfactory or if the additional capital is not available at all, we may not be able to pursue our growth strategy.

Our growth strategy will require additional capital investment to complete acquisitions, integrate the completed acquisitions into our existing operations and to expand into new markets.

We intend to pay for future acquisitions using a combination of cash, capital stock, notes and assumption of indebtedness. To the extent that we do not generate sufficient cash internally to provide the capital we require to fund our growth strategy and future operations, we will require additional debt or equity financing. We cannot be sure that this additional financing will be available or, if available, will be on terms acceptable to us. If we fail to obtain sufficient additional capital in the future, that failure will limit our ability to implement our business strategy. In addition, even if future debt financing is available, it may result in (1) increased interest expense, (2) increased term loan payments, (3) increased leverage, and (4) decreased income available to fund further acquisitions and expansion. It may also limit our ability to withstand competitive pressures and make us more vulnerable to economic downturns. If future equity financing is available, it may dilute the equity interests of our existing stockholders.

A material disruption at any of our manufacturing facilities could adversely affect our ability to generate sales and meet customer demand.

If operations at our manufacturing facilities were to be disrupted as a result of significant equipment failures, natural disasters, power outages, fires, explosions, terrorism, adverse weather conditions or other reasons, our financial performance could be adversely affected as a result of our inability to meet customer demand for our products. Interruptions in production could increase our costs and reduce our sales. Any interruption in production capability could require us to make substantial capital expenditures to remedy the situation, which could negatively affect our profitability and financial condition. We maintain property damage insurance which we believe to be adequate to provide for reconstruction of facilities and equipment, as well as business interruption insurance to mitigate losses resulting from any production interruption or shutdown caused by an insured loss. However, any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could adversely affect our financial performance.

Changes in the general economy and the cyclical nature of our markets could harm our operations and financial performance.

Our financial performance depends, in large part, on conditions in the markets we serve and on the general condition of the global economy. Any sustained weakness in demand, downturn or uncertainty in the global economy could reduce our sales and profitability and affect our financial performance. In addition, our

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products are sold in many industries, some of which are cyclical and may experience periodic downturns. Cyclical weakness in the industries we serve could lead to reduced demand for our products and affect our profitability and financial performance.

The loss of key management could have a material adverse effect on our ability to run our business.

Because our senior management has been key to our growth and success, we may be adversely affected if we lose any member of our senior management. We are highly dependent on our senior management team, including John Young, our President and Chief Executive Officer, as a result of their extensive experience. The loss of key management or the inability to attract, retain and motivate sufficient numbers of qualified management personnel could have a material adverse effect on us and our business.

Available insurance coverage, the number of future asbestos-related claims and the average settlement value of current and future asbestos-related claims of two of our subsidiaries could be different than we have estimated, which could materially and adversely affect our financial condition, results of operation and cash flow.

Two of our subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers and were not manufactured by any of our subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. For purposes of our financial statements, we have estimated the future claims exposure and the amount of insurance available based upon certain assumptions with respect to future claims and liability and defense costs. We estimate the liability costs to be incurred in resolving pending and forecasted claims for the next 15 year period. Our decision to use a 15 year period is based on our belief that this is the extent of our ability to forecast liability costs. We also estimate the amount of insurance proceeds available for such claims based on the current financial strength of the various insurers, our estimate of the likelihood of payment and applicable current law. We reevaluate these estimates regularly. Although we believe our current estimates are reasonable, a change in the time period used for forecasting our liability costs, the actual number of future claims brought against us, the cost of resolving these claims, the likelihood of payment by, and the solvency of, insurers and the amount of remaining insurance available could be substantially different than our estimates, and future revaluation of our liabilities and insurance recoverables could result in material adjustments to these estimates, any of which could materially and adversely affect our financial condition, results of operations and cash flow. In addition, the company incurs defense costs related to those claims that are subject to the same variables that apply to insurance payments for indemnity.

Our international operations are subject to the laws and regulations of the United States and many foreign countries. Failure to comply with these laws may affect our ability to conduct business in certain countries and may affect our financial performance.

We are subject to a variety of laws regarding our international operations, including the Foreign Corrupt Practices Act and regulations issued by the U.S. Customs Service, the Bureau of Export Administration and the regulations of various foreign governmental agencies. We cannot predict the nature, scope or effect of future regulatory requirements to which our international sales and manufacturing operations might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries in which some of our products may be manufactured or sold, or could restrict our access to, and increase the cost of obtaining, products from foreign sources. In addition, actual or alleged violations of these laws could result in enforcement actions and financial penalties that could result in substantial costs.

Our foreign subsidiaries have done and may continue to do business in countries subject to U.S. sanctions and embargoes, including Iran, Sudan and Syria, and we have limited managerial oversight over those activities.

From time to time, certain of our foreign subsidiaries sell products to companies and entities located in, or controlled by the governments of, certain countries that are or have previously been subject to sanctions and embargoes imposed by the U.S. government and the United Nations, such as Iran, Sudan and Syria. Although the applicable sanctions and embargoes do not prohibit our foreign subsidiaries from selling products and providing services in those countries, they do prohibit Colfax Corporation, its U.S. personnel and its domestic subsidiaries, as well as employees of our foreign subsidiaries who are U.S. citizens, from participating in, approving or otherwise facilitating any aspect of the business activities in those countries. These constraints on our ability to have U.S. persons, including our senior management, provide managerial oversight and supervision may negatively affect the financial or operating performance of such business activities. We cannot be certain that our attempts to comply with laws restricting involvement of our U.S. personnel in these activities will be effective, and as a consequence we may face enforcement or other actions if our compliance efforts are not effective. In addition, some of these countries, including Iran, are or previously have been identified by the State Department as terrorist-sponsoring states, and may be subject to increasingly restrictive sanctions. Because certain of our foreign subsidiaries have contact with and transact business in such countries, including sales to enterprises controlled by agencies of the governments of such countries, our reputation may suffer due to our association with these countries, which may have a material adverse effect on the price of our common stock.

If we fail to comply with export control regulations, we could be subject to substantial fines or other sanctions.

Some of our products manufactured or assembled in the United States are subject to the U.S. Export Administration Regulations, administered by the U.S. Department of Commerce, Bureau of Industry and Security, which require that we obtain an export license before we can export such products to specified countries. Additionally, some of our products are subject to the International Traffic in Arms Regulations, which restrict the export of certain military or intelligence-related items, technologies and services to non-U.S. persons. Failure to comply with these laws could harm our business by subjecting us to sanctions by the U.S. government, including substantial monetary penalties, denial of export privileges and debarment from U.S. government contracts.

Approximately 45% of our employees are represented by foreign trade unions. If the representation committees responsible for negotiating with these unions on our behalf are unsuccessful at negotiating new and acceptable agreements when the existing agreements with our employees covered by the unions expire, we could experience business disruptions or increased costs.

As of September 28, 2007, we had approximately 2,002 employees worldwide. In certain countries, labor and employment laws are more restrictive than in the U.S. and, in many cases, grant significant job protection to employees, including rights on termination of employment. In Germany, Sweden and the Netherlands, by law, some of our employees are represented by trade unions in these jurisdictions, which subjects us to arrangements very similar to collective bargaining agreements. If our employees represented by foreign trade unions were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our operations. Such disruption could interfere with our business operations and could lead to decreased productivity, increased labor costs and lost revenue.

Although we have not experienced any recent strikes or work stoppages, we cannot offer any assurance that the representation committees that negotiate with the foreign trade unions on our behalf will be successful in negotiating new collective bargaining agreements or other employment arrangements when the current ones expire. Furthermore, future labor negotiations could result in significant increases in our labor costs.

Our manufacturing business is subject to the possibility of product liability lawsuits, which could harm our business.

In addition to the asbestos-related liability claims described above, as the manufacturer of equipment for use in industrial markets, we face an inherent risk of exposure to other product liability claims. Although we maintain strict quality controls and procedures, we cannot be sure that our products will be free from defects. In addition, some of our products contain components manufactured by third-parties, which may also have defects.

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We maintain insurance coverage for product liability claims. Our insurance policies have limits, however, that may not be sufficient to cover claims made against us. In addition, this insurance may not continue to be available to us at a reasonable cost. With respect to components manufactured by third-party suppliers, the contractual indemnification that we seek from our third-party suppliers may be limited and thus insufficient to cover claims made against us. If our insurance coverage or contractual indemnification is insufficient to satisfy product liability claims made against us, the claims could have an adverse effect on our business and financial condition. Even claims without merit could harm our reputation, reduce demand for our products, cause us to incur substantial legal costs and distract the attention of our management.

As a manufacturer, we are subject to a variety of environmental and health and safety laws for which compliance could be costly. In addition, if we fail to comply with such laws, we could incur liability that could result in penalties and costs to correct any non-compliance.

Our business is subject to international, federal, state and local environmental and safety laws and regulations, including laws and regulations governing emissions of: regulated air pollutants; discharges of wastewater and storm water; storage and handling of raw materials; generation, storage, transportation and disposal of regulated wastes; and worker safety. These requirements impose on our business certain responsibilities, including the obligation to obtain and maintain various environmental permits. If we were to fail to comply with these requirements or fail to obtain or maintain a required permit, we could be subject to penalties and be required to undertake corrective action measures to achieve compliance. In addition, if our non-compliance with such regulations were to result in a release of hazardous materials to the environment, such as soil or groundwater, we could be required to remediate such contamination, which could be costly. Moreover, noncompliance could subject us to private claims for property damage or personal injury based on exposure to hazardous materials or unsafe working conditions. Changes in applicable requirements or stricter interpretation of existing requirements may result in costly compliance requirements or otherwise subject us to future liabilities.

As the present or former owner or operator of real property, or generator of waste, we could become subject to liability for environmental contamination, regardless of whether we caused such contamination.

Under various federal, state and local laws, regulations and ordinances, and, in some instances, international laws, relating to the protection of the environment, a current or former owner or operator of real property may be liable for the cost to remove or remediate contamination on, under, or released from such property and for any damage to natural resources resulting from such contamination. Similarly, a generator of waste can be held responsible for contamination resulting from the treatment or disposal of such waste at any off-site location (such as a landfill), regardless of whether the generator arranged for the treatment or disposal of the waste in compliance with applicable laws. Costs associated with liability for removal or remediation of contamination or damage to natural resources could be substantial and liability under these laws may attach without regard to whether the responsible party knew of, or was responsible for, the presence of the contaminants. In addition, the liability may be joint and several. Moreover, the presence of contamination or the failure to remediate contamination at our properties, or properties for which we are deemed responsible, may expose us to liability for property damage or personal injury, or materially adversely affect our ability to sell our real property interests or to borrow using the real property as collateral. We cannot be sure that we will not be subject to environmental liabilities in the future as a result of historic or current operations that have resulted or will result in contamination.

Failure to maintain and protect our trademarks, trade names and technology may affect our operations and financial performance.

The market for many of our products is, in part, dependent upon the goodwill engendered by our trademarks and trade names. Trademark protection is therefore material to a portion of our business. The failure to protect our trademarks and trade names may have a material adverse effect on our business, financial condition and operating results. Litigation may be required to enforce our intellectual property rights, protect our trade

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secrets or determine the validity and scope of proprietary rights of others. Any action we take to protect our intellectual property rights could be costly and could absorb significant management time and attention. As a result of any such litigation, we could lose any proprietary rights we have. In addition, it is possible that others will independently develop technology that will compete with our patented or unpatented technology. The development of new technologies by competitors that may compete with our technologies could reduce demand for our products and affect our financial performance.

If we are unable to complete our assessment as to the adequacy of our internal controls over financial reporting as of December 31, 2009 as required by Section 404 of the Sarbanes-Oxley Act of 2002, or if material weaknesses are identified and reported, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of your investment and make it more difficult for us to raise capital in the future.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include in their annual reports on Form 10-K a report of management on the company s internal controls over financial reporting, including management s assessment of the effectiveness of the company s internal controls over financial reporting as of the company s fiscal year end. In addition, the independent registered public accounting firm auditing a public company s financial statements must also attest to, and report on, the operating effectiveness of the company s internal controls. While we will expend significant resources in developing the necessary documentation and testing procedures, 2009 will be the first year for which we must complete the assessment and undergo the attestation process required by Section 404 and there is a risk that we may not be able to comply with all of its requirements. If we do not timely complete our assessment or if our internal controls are not designed or operating effectively as required by Section 404, our independent registered public accounting firm may issue a qualified opinion on the effectiveness of our internal controls. It is possible that material weaknesses in our internal controls could be found. If we are unable to remediate any material weaknesses by December 31, 2009, our independent registered public accounting firm would be required to issue an adverse opinion on our internal controls. If our independent registered public accounting firm renders an adverse opinion due to material weaknesses in our internal controls, then investors may lose confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and make it more difficult for us to raise capital in the future.

Risks Related to This Offering

Some of our stockholders may exert significant influence over us.

As of September 28, 2007, two of our directors and principal stockholders, Mitchell P. Rales and Steven M. Rales, beneficially owned 170,213.81 shares and 170,213.81 shares of our preferred stock, respectively, which, on an as-converted basis, represent an aggregate of approximately % of our outstanding common stock. It is expected that the combined ownership of Mitchell Rales and Steven Rales will be reduced as a result of this offering to approximately % of our outstanding shares. Even after this offering, however, the level of ownership of these stockholders, and their service on our board of directors, will enable them to continue to exert significant influence over all matters involving us, including matters presented to our stockholders for approval, such as election and removal of our directors and change of control transactions. This concentration of ownership and voting power may also have the effect of delaying or preventing a change in control of our company and could prevent stockholders from receiving a premium over the market price if a change in control is proposed. The interests of these persons may not coincide with the interests of the other holders of our common stock with respect to our operations or strategy.

We intend to use a large portion of the net proceeds of this offering to repay indebtedness outstanding under our existing credit facility, pay previously undeclared and unpaid dividends and pay bonuses to certain executives.

Our management has broad discretion to determine how to use the net proceeds of this offering, and has elected to apply a large portion of the proceeds to repay indebtedness outstanding under our credit facility, pay

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previously declared and unpaid dividends to existing preferred stockholders and pay special bonuses to certain of our executives under previously adopted executive compensation plans.

Using a large portion of the net proceeds of this offering in the manner described above means that we will have available a small portion of the cash proceeds of the offering for use for other corporate purposes. As a result, we may need to seek additional debt or equity financing to fund operations and future growth. If we are not able to incur additional debt or sell additional equity on favorable terms, we may be unable to fund operations or expand our business, which could adversely affect our financial condition.

Future sales of our shares after this offering, or the perception that such sales could occur, could negatively affect the market price of our stock.

Future sales of a substantial amount of our common stock in the public market following this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock. Beginning approximately 180 days after completion of this offering, shares of our common stock will be eligible for sale in the public market, of which shares will be subject to volume, manner of sale and other limitations contained in Rule 144 adopted under the Securities Act of 1933, as amended (the Securities Act). We cannot predict the effect that future sales made under Rule 144, Rule 701 or otherwise will have on the market price of our common stock.

We have no intention of paying cash dividends on our common stock in the foreseeable future.

We currently expect to retain future earnings, if any, to finance operations and our acquisition strategy, and do not anticipate paying any cash dividends for the foreseeable future. Therefore, you may not receive any return on an investment in our common stock unless you sell your common stock for a price greater that the price that you paid for it.

Investors in this offering will experience immediate dilution in combined net tangible book value per share.

The initial public offering price per share will significantly exceed the combined net tangible book value per share of our common stock. As a result, investors in this offering will experience immediate dilution of $ in combined net tangible book value per share based on an initial public offering price of $, which is the midpoint of our expected price range. This dilution occurs in large part because our earlier investors paid substantially less than the initial public offering price when they purchased their shares. Investors in this offering may also experience additional dilution as a result of shares of common stock that may be issued in connection with a future acquisition.

Our common stock has no prior public market, and our stock price could be volatile and could decline after this offering.

Before this offering, our common stock had no public market. We will negotiate the initial public offering price per share with the underwriter and, therefore, that price may not be indicative of the market price of our common stock after the offering. We cannot assure you that an active public market for our common stock will develop after this offering, or that if it does develop, it will be sustained. In the absence of a public trading market, you may not be able to liquidate your investment in our common stock. In addition, the market price of our common stock could be subject to significant fluctuations after this offering. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;
- changes in sales or earnings estimates or publication of research reports by analysts;
- speculation in the press or investment community;

- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional stockholders or other large stockholders;
- product liability, including asbestos, lawsuits against us;
- changes in accounting principles;
- general market conditions; and
- domestic and international, political and economic factors unrelated to our performance that affect our production facilities or our markets.

In particular, we cannot assure you that you will be able to resell your shares at or above the initial public offering price. The stock markets have experienced extreme volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In the past, following periods of volatility in the market price of a company s securities, class action litigation has often been instituted against the company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management s attention and resources, which would harm our business, operating results and financial condition.

Provisions in our charter documents and Delaware law may delay or prevent an acquisition of our company, which could decrease the value of your shares.

Our certificate of incorporation and bylaws and Delaware law contain provisions that may make it difficult for a third-party to acquire us without the consent of our board of directors. These provisions include prohibiting stockholders from taking action by written consent, prohibiting special meetings of stockholders called by stockholders and prohibiting stockholder nominations and approvals without complying with specific advance notice requirements. In addition, our board of directors has the right to issue preferred stock without stockholder approval, which our board of directors could use to effect a rights plan or poison pill that could dilute the stock ownership of a potential hostile acquirer and may have the effect of delaying, discouraging or preventing an acquisition of our company. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding voting stock. Although Mitchell Rales and Steven Rales, both individually and in the aggregate, hold more than 15% of our outstanding voting stock, this provision of Delaware law does not apply to them.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations (including, in particular, the sections therein labeled Outlook and Asbestos-Related Litigation) and Business, contains forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include:

- risks associated with our international operations;
- significant movements in foreign currency exchange rates;
- the competitive environment in our industry;
- our ability to identify and successfully integrate attractive acquisition targets;
- the amount of and our ability to estimate our asbestos-related liabilities;
- the solvency of our insurers and the likelihood of payment for asbestos-related claims;
- our ability to manage and grow our business and execution of our business and growth strategies;
- the level of capital investment and expenditures by our customers in our strategic markets;
- our ability to expand our business in our targeted markets;
- our ability to cross-sell our product portfolio to existing customers;
- our financial performance; and
- others risks and factors listed under Risk Factors and elsewhere in this prospectus.

In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipate believes, estimates, predicts, potential, continue or the negative of these terms or other comparable terminology. Although we believe that th expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus.

INDUSTRY AND MARKET DATA

Industry and market data used in this prospectus are based on independent industry publications from sources such as The Freedonia Group, Elsevier, European Industrial Forecasting, the Hydraulic Institute and other publicly available information.

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USE OF PROCEEDS

We estimate that we will receive $ million in net proceeds from our sale of the shares of common stock sold by us in the offering (or approximately $ million if the underwriter exercises its overallotment option in full). Our estimated net proceeds from the offering represent the amount we expect to receive after the underwriting discount and our payment of the other expenses of the offering payable by us. For purposes of estimating our net proceeds, we have assumed that the initial public offering price of the common stock will be $, which is the midpoint of the price range set forth on the cover page of this prospectus.

We intend to use $ of the proceeds we receive from this offering to pay in full the indebtedness outstanding under our credit facility. As of September 28, 2007, we had approximately $226.6 million principal amount, along with accrued interest, outstanding under our credit facility. The weighted average interest rate at September 28, 2007 of our indebtedness under the credit facility was 7.4%. Within our credit facility, the revolving line of credit expires on May 30, 2010 and the term loan matures on December 19, 2011. We also intend to use $ million of the proceeds of this offering to pay to existing preferred stockholders dividends that have been declared but unpaid due to the restrictions on payment of dividends contained in our credit facility. We will also use approximately $ million of the proceeds of this offering to pay amounts due, as a result of this offering, to participants in our 2001 Employee Appreciation Rights Plan (the 2001 Plan) and our 2006 Executive Stock Rights Plan (the 2006 Plan), which are bonus plans for certain executive officers. See Management Compensation Discussion and Analysis for additional information concerning these plans. We intend to use the balance of the net proceeds, if any, for working capital and other general corporate purposes, which may include funding for possible acquisitions. We have no agreement with respect to any future acquisition, although we assess opportunities on an ongoing basis and from time to time hold discussions with other companies regarding potential transactions.

DIVIDEND POLICY

We intend to retain our earnings for use in the operation and expansion of our business and we do not anticipate paying any dividends on the common stock in the foreseeable future. Payment of future dividends, if any, will be determined in the sole discretion of our board of directors and will depend upon, among other things, the future earnings, operations, capital requirements and general financial condition and prevailing business and economic conditions, as well as statutory restrictions on our ability to pay dividends.

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CAPITALIZATION

The following table shows, as of September 28, 2007, our cash and cash equivalents and our capitalization:

- on an actual basis; and
- on an as adjusted basis, to give effect to (1) the sale of common stock by us in this offering at an assumed public offering price of $ per share, the midpoint of our price range set forth on the cover page of this prospectus after the deduction of the estimated underwriting discount and offering expenses payable by us, (2) the application of the net proceeds of this offering in the manner described under Use of Proceeds and (3) the automatic conversion of all of our outstanding preferred stock into shares of common stock upon completion of this offering.

The share data in the table below are based on shares outstanding as of September 28, 2007. The number of outstanding shares as of that date excludes shares of common stock reserved for future issuance under our 2008 omnibus incentive plan.

You should read this table in conjunction with our consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

	September 28, 2007	
(in thousands, except share data)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 13,887	$
Total debt, including current portion	227,437	
Shareholders equity:		
Preferred stock, undesignated, $0.001 par value per share; 256,785 shares authorized; 174,785 shares issued and outstanding actual, 0 shares issued and outstanding as adjusted	1	
Common stock, $0.001 par value per share; 1,632 shares authorized actual, shares authorized as adjusted; 1,629 shares issued and outstanding actual, shares issued and outstanding as adjusted	1	
Additional paid-in capital	201,681	
Retained earnings (deficit)	(126,065)	
Accumulated other comprehensive loss	(48,632)	
Total shareholders equity	26,986	
Total capitalization	$ 268,310	$

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DILUTION

Purchasers of the common stock in the offering will suffer an immediate and substantial dilution in net tangible book value per share. Dilution is the amount by which the initial public offering price paid by purchasers of shares of our common stock exceeds the net tangible book value per share of our common stock after the offering. Net tangible book value represents the amount of our total tangible assets reduced by our total liabilities. Tangible assets equal our total assets less goodwill and intangible assets. Net tangible book value per share represents our net tangible book value divided by the number of shares of common stock outstanding. As of September 28, 2007, our net tangible book value was $ million and our net tangible book value per share was $.

After giving effect to the sale of shares of common stock in the offering at an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the application of the estimated net proceeds of this offering, our adjusted net tangible book value as of September 28, 2007 would have been $ million, or $ per share. This represents an immediate in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares in the offering. The following table illustrates this per share dilution:

		Per Share
Assumed initial public offering price per share		$
Net tangible book value per share as of September 28, 2007	$	
Increase attributable to conversion of convertible preferred stock		
Pro forma net tangible book value per share as of September 28, 2007		
Increase in combined net tangible book value per share attributable to new investors		
Adjusted net tangible book value per share after this offering		
Dilution per share to new investors		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our adjusted net tangible book value after the offering by approximately $ million and dilution per share to new investors by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions.

If the underwriter exercises in full its option to purchase additional shares, the adjusted net tangible book value per share after the offering would be $ per share, the increase in net tangible book value per share to existing stockholders would be $ per share and the dilution to new investors would be $ per share.

The following table summarizes as of September 28, 2007, after giving effect to the conversion of all outstanding shares of convertible preferred stock into an aggregate of shares of common stock upon the closing of this offering, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid, or to be paid, by existing stockholders and by new investors purchasing common stock in this offering. The calculation below is based on an assumed initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, before deduction of estimated underwriting discounts and commissions and offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%	$	%	$
New investors					$
Total		100%	$	100%	

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The share data in the table above are based on shares outstanding as of September 28, 2007. The number of outstanding shares at that date excludes shares of common stock reserved for future issuance under our 2008 omnibus incentive plan.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the total consideration paid by new investors by $ million and increase (decrease) the percentage of total consideration paid by new investors by approximately %, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

If the underwriter exercises in full its option to purchase additional shares, the percentage of shares of common stock held by existing stockholders will decrease to approximately % of the total number of shares of our common stock outstanding after this offering and will increase the number of shares held by new investors to , or % of the total number of shares of our common stock outstanding after this offering.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table contains selected historical financial and other data for the five years in the period ended December 31, 2006 and the nine month periods ended September 28, 2007 and September 29, 2006. The financial data for the five years in the period ended December 31, 2006 are derived from our consolidated financial statements, which have been audited by Ernst & Young LLP. The financial data for the nine months in the periods ended September 28, 2007 and September 29, 2006 are derived from our unaudited interim financial statements, which have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The results of any interim period are not necessarily indicative of the results that may be expected for a full year.

In reviewing the following information, it should be noted that we acquired the net assets of Zenith Pump (Zenith) on June 30, 2004, the net assets of Portland Valve Inc. (Portland Valve) on August 6, 2004, Tushaco Pump Private Limited (Tushaco) on August 9, 2005, and Lubrication Systems Company of Texas (LSC) on January 31, 2007, and we divested our power transmission business on November 30, 2004.

You should read this information in conjunction with the consolidated financial statements and the notes to those consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

Dollars in thousands, except per share amounts	Nine months ended September 28, 2007	Nine months ended September 29, 2006	Year ended December 31, 2006	2005	2004	2003[1]	2002[1]
Statement of Operations Data:							
Net sales	$ 362,602	$ 280,184	$ 393,604	$ 345,478	$ 309,653	$ 266,698	$ 242,792
Cost of sales	236,226	184,863	256,806	222,353	197,907	167,104	146,937
Gross profit	126,376	95,321	136,798	123,125	111,746	99,594	95,855
Selling, general and administrative expenses	75,277	50,777	80,103	74,594	77,434	72,058	77,261
Research and development expenses	3,075	2,490	3,336	2,855	3,175	3,072	2,215
Legacy asbestos (gain) expense	(23,714)	24,367	33,816	18,112	29,412	20,132	1,877
Operating income	71,738	17,687	19,543	27,564	1,725	4,332	14,502
Interest expense	14,416	10,416	14,186	9,026	6,918	6,941	10,456
Provision (benefit) for income taxes	21,432	3,400	3,866	6,907	(6,010)	8,687	3,304
Income (loss) from continuing operations	35,890	3,871	1,491	11,631	817	(11,296)	742
Net income (loss)	35,890	3,871	94	12,247	57,306	(15,678)	(113,628)
Earnings (loss) per share from continuing operations basic and diluted[2]	13,653	2,376	915	(1,209)	(8,314)	(6,925)	(89)

Dollars in thousands	September 28, 2007	December 31, 2006	2005	2004	2003	2002[1]
Balance Sheet Data:						
Goodwill and intangibles, net	$ 178,849	$ 154,231	$ 149,793	$ 152,681	$ 132,395	$ 122,511
Asbestos insurance asset, including current portion	321,542	297,106	261,941	193,386	158,506	77,311
Total assets	878,554	797,226	700,574	707,881	700,829	576,745
Asbestos liability, including current portion	383,123	388,920	338,535	266,668	211,643	115,970
Total debt, including current portion	227,437	188,720	158,454	125,051	179,938	331,551

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Dollars in thousands	Nine months ended September 28, 2007	September 29, 2006	Year ended December 31, 2006	2005	2004	2003(1)	2002(1)
Other Data:							
Adjusted EBITDA(3)	$ 59,980	$ 41,977	$ 65,068	$ 55,780	$ 46,861	$ 42,983	$ 37,833

(1) Financial data for periods prior to May 30, 2003 are presented on a combined basis. On that date, through a series of capital contributions and exchanges of equity securities by the current shareholders, entities that were previously under common ownership became subsidiaries of Colfax Corporation.

(2) Computed based upon income from continuing operations available to holders of common stock.

(3) We consider Adjusted EBITDA a key indicator of financial performance and cash flow potential. We define Adjusted EBITDA as net income before the effects of interest expense, taxes, depreciation, amortization, discontinued operations, legacy asbestos (gain) expense, legacy legal expense, and other items not related to principal operating activities. We believe that Adjusted EBITDA facilitates comparisons between periods and companies by excluding differences related to capital structures (affecting interest expense), tax positions and other items not indicative of the principal operating activities of the company. We use Adjusted EBITDA in our internal budgeting process, in management s consideration of performance, and as an element in determining executive compensation. Further, Adjusted EBITDA and similar measures are widely used by investors, rating agencies and securities analysts as a key measure of financial performance and debt-service capabilities.

Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measure of performance derived in accordance with GAAP. Because Adjusted EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. We believe that consideration of Adjusted EBITDA, together with a careful review of our results reported under GAAP, including net income, is the most informed method of analyzing our company.

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The following table reconciles the GAAP measure of net income to Adjusted EBITDA:

	Nine months ended		Year ended December 31,				
	September 28,	September 29,					
Dollars in thousands	**2007**	**2006**	**2006**	**2005**	**2004**	**2003**	**2002**
Net income (loss)	$ 35,890	$ 3,871	$ 94	$ 12,247	$ 57,306	$ (15,678)	$ (113,628)
Interest expense	14,416	10,416	14,186	9,026	6,918	6,941	10,456
Provision (benefit) for income taxes	21,432	3,400	3,866	6,907	(6,010)	8,687	3,304
Discontinued operations expense (income)			1,397	(616)	(56,489)	4,382	114,370
Depreciation and amortization	11,206	8,275	11,481	11,430	9,872	6,865	6,265
Legacy asbestos (gain) expense[(1)]	(23,714)	24,367	33,816	18,112	29,412	20,132	1,877
Legacy legal expense[(2)]			8,330	3,100			14,891
Other post-employment benefit settlement[(3)]		(9,102)	(9,102)	(251)			
Cross currency swap[(4)]				(2,075)	2,075		
Environmental indemnification[(5)]				(3,100)			
Transaction-related costs[(6)]						9,986	298
Write-off of loan costs[(7)]					2,777	1,168	
Management fees[(8)]	750	750	1,000	1,000	1,000	500	
Adjusted EBITDA	$ 59,980	$ 41,977	$ 65,068	$ 55,780	$ 46,861	$ 42,983	$ 37,833

(1) Legacy asbestos (gain) expense includes changes in projected asbestos liability costs, actual asbestos defense costs as well as legal costs related to the actions against two of our subsidiaries respective insurers and a former parent company of one of our subsidiaries. See Management s Discussion and Analysis of Financial Condition and Results of Operations Asbestos-Related Litigation and Critical Accounting Estimates Asbestos Liabilities and Insurance Assets for a discussion of our expectations regarding future asbestos-related expenses.

(2) Legacy legal expense relates to reserves established at one of our subsidiaries to settle legal matters related to divested businesses.

(3) In 2005 and 2006, we settled portions of our other post-employment benefits liability that we had retained as part of the sale of the power transmission business in 2004.

(4) During 2004, we recorded a loss on a cross currency swap. In 2005, we were able to exit the swap for zero cost.

(5) The contract under which we purchased the operations of Warner Electric from Dana in February of 2000 contained a clawback provision that entitled us to funds from the seller if certain environmental indemnifications, primarily related to the Roscoe, Illinois location, were not utilized. We reached final settlement with Dana during 2005 and received cash and recorded income of approximately $3.1 million in that period.

(6) During 2002, the company recorded expenses related to acquisition transactions that did not occur. During 2003, the company expensed transaction-related costs of $2.9 million, loan costs of $3.0 million and a break-up fee of $4.0 million all related to a planned acquisition that was never consummated.

(7) During 2004, deferred loan costs of approximately $2.1 million and a premium paid of approximately $0.7 million were written off due to the early extinguishment of debt resulting from the sale of the power transmission business. During 2003, the company recorded an expense of $1.2 million in costs related to early extinguishment of debt.

(8) Beginning in the third quarter of 2003, a management fee of $1.0 million per year was paid to Colfax Towers, a party related by common ownership. This fee is paid in equal quarterly installments. See Certain Relationships and Related Party Transactions. These payments will not continue after this offering.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information has been derived from our audited and unaudited historical financial statements, adjusted to give pro forma effect to:

- the conversion of all our outstanding preferred stock into common stock upon completion of this offering;
- the sale of common stock by us in this offering at an assumed public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus less the estimated underwriting discount and other fees and expenses associated with this offering;
- the payment in full of the outstanding indebtedness under our credit facility, including the associated reduction in interest expense and amortization of debt issuance costs;
- the payment of dividends to existing preferred stockholders that have been declared but unpaid due to the restrictions on payment of dividends contained in our credit facility; and
- the discontinuance of a management fee to a related party following this offering (collectively, the Transactions).

The unaudited pro forma condensed consolidated statements of operations do not reflect any charges related to (1) the expected loss of approximately $ million on extinguishment of debt resulting from the payment in full of our credit facility, or (2) the payment of approximately $ million due, as a result of this offering, to participants in our 2001 Plan and our 2006 Plan, which are bonus plans for certain executive officers because such charges are non-recurring in nature.

The unaudited pro forma condensed consolidated statement of operations for the nine months ended September 28, 2007 and the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2006 give effect to the Transactions as if they had occurred on January 1, 2006. The unaudited pro forma condensed consolidated balance sheet as of September 28, 2007 gives effect to the Transactions as if they had occurred on September 28, 2007.

The unaudited pro forma condensed consolidated financial information referred to above is presented for informational purposes only and does not purport to represent what our results of operations of financial position would have been had the Transactions occurred at such time or to project our results of operations for any future period or date.

The pro forma adjustments are based upon available information and various assumptions that we believe are reasonable. The pro forma adjustments and certain assumptions are described in the accompanying notes. Other information included under this heading has been presented to provide additional analysis.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and our historical financial statements and the related notes to such financial statements included elsewhere in this prospectus.

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COLFAX CORPORATION

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Nine Months Ended September 28, 2007			For the Year Ended December 31, 2006		
	Colfax Corp.	Pro Forma Adjustments	Pro Forma	Colfax Corp.	Pro Forma Adjustments	Pro Forma
Net sales	$ 362,602			$ 393,604		
Cost of sales	236,226			256,806		
Gross profit	126,376			136,798		
Selling, general and administrative expenses	75,277	(a)		80,103	(a)	
Research and development expenses	3,075			3,336		
Legacy asbestos (gain) expense	(23,714)			33,816		
Operating income	71,738			19,543		
Interest expense	14,416	(b)		14,186	(b)	
Income before income taxes	57,322			5,357		
Provision for income taxes	21,432	(c)		3,866	(c)	
Income from continuing operations	$ 35,890			$ 1,491		
Earnings per share from continuing operations basic and diluted	$ 13,653			$ 915		
Weighted average common shares outstanding	1,629	(d)		1,629	(d)	

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

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COLFAX CORPORATION

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

September 28, 2007

(Dollars in thousands)

(Unaudited)

	Colfax Corp.	Adjustments	Pro Forma
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 13,887		
Trade receivables, net	76,664		
Other receivables	467		
Inventories, net	68,060		
Deferred income taxes, net	8,264		
Asbestos insurance asset	26,632		
Prepaid expenses	6,651		
Other current assets	3,275	(e)	
Total current assets	203,900		
Deferred income taxes, net	51,785		
Property, plant and equipment, net	84,742		
Goodwill and intangibles, net	178,849		
Asbestos insurance receivable	52,276		
Long-term asbestos insurance asset	294,910		
Deferred loan costs, pension and other assets	12,092	(f)	
	$ 878,554		
LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)			
CURRENT LIABILITIES:			
Accounts payable	$ 39,437		
Accrued asbestos liability	29,032		
Accrued liabilities	60,822		
Current portion of long-term debt and notes payable	2,602	(g)	
Total current liabilities	131,893		
Long-term debt, less current portion	224,835	(g)	
Long-term dividend payable to shareholders	22,889	(h)	
Long-term asbestos liability	354,091		
Pension and accrued post-retirement benefits	83,175		
Deferred tax liability	8,259		
Other liabilities	26,426		
Total liabilities	851,568		
Shareholders equity:			
Preferred stock	1	(i)	
Common stock	1	(e),(i)	
Additional paid-in capital	201,681	(e)	
Retained deficit	(126,065)	(e),(h),(j)	
Cumulative foreign currency translation adjustment	16,572		

Pension and post-retirement plan adjustment, net	(65,204)
Total shareholders equity	26,986
	$ 878,554

The accompanying notes are an integral part of these pro forma financial statements.

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Notes to Pro Forma Condensed Consolidated Financial Statements

(Unaudited)

(a) Reflects adjustment to eliminate a $1.0 million annual management fee paid to Colfax Towers, a related party by common ownership. See Certain Relationships and Related Party Transactions. Payment of this management fee is to be discontinued following this offering.

(b) Reflects adjustment to reduce interest expense and amortization of debt issuance costs associated with the repayment in full of the outstanding indebtedness under our credit facility.

(c) Reflects the estimated tax effect of the pro forma adjustments at an incremental tax rate of 35%.

(d) The following table summarizes the pro forma effect to our weighted average common shares outstanding for the nine months ended September 28, 2007 and the year ended December 31, 2006:

Weighted average common shares outstanding before this offering	1,629
Preferred stock conversion	
Pro forma number of shares issued in this offering (based on midpoint of the range on the cover of this prospectus)	
Pro forma weighted average common shares outstanding	

(e) The following table presents the adjustments to reflect the impact of gross proceeds of the offering of $ million and related underwriting discounts and other fees and expenses of approximately $ million:

(In thousands)	
Sources:	
Proceeds from this offering	$
Uses:	
Payment in full of credit facility	$
Payment of dividends to preferred stockholders	
Underwriting discounts and commissions and other fees and expenses associated with this offering	
Payment to participants in our 2001 Plan and our 2006 Plan	
Total uses	$

Assuming the number of shares we offer, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses, a $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the range on the cover of this prospectus) would increase (decrease) the amount by $ million.

(f) Reflects the adjustment to eliminate deferred debt issuance costs associated with the repayment in full of the outstanding indebtedness under our credit facility.

(g) Reflects the repayment in full of our outstanding credit facility.

(h) Reflects the payment of dividends to existing preferred stockholders that have been declared but unpaid due to the restrictions on payment of dividends contained in our credit facility.

(i) Reflects the conversion of all preferred stock into common stock.

(j) Represents a one-time expense of $ associated with the early retirement of our credit facility.

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

The following discussion of our financial condition and results of operations should be read together with Selected Consolidated Financial and Other Data, Risk Factors and the financial statements and related notes included elsewhere in this prospectus. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see Special Note Regarding Forward-Looking Statements.

Overview

We are a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. Our products serve a variety of applications in five strategic markets: commercial marine, oil and gas, power generation, global navy and general industrial. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used. Our products are marketed principally under the Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the markets in which we participate, with Allweiler dating back to 1860.

We believe that one of our most significant competitive advantages comes through a comprehensive set of tools and processes we employ that we refer to as the Colfax Business System (CBS). CBS is a disciplined strategic planning and execution methodology designed to achieve excellence and world-class financial performance in all aspects of our business by focusing on the *Voice of the Customer* and continuously improving quality, delivery and cost.

Key Factors and Risks Affecting Our Reported Results

Our growth and financial performance are driven by many factors, principally our ability to serve increasingly global markets, fluctuations in the relationship of foreign currencies to the U.S. dollar, our estimates concerning the availability of insurance proceeds to cover asbestos litigation expenses and liabilities, the amounts of asbestos litigation expenses and liabilities, the general economic conditions within our five strategic markets, our ability to pass through cost increases through pricing, the impact of sales mix and our ability to continue to grow through acquisitions. These key factors have impacted our results of operations in the past and are likely to affect them in the future.

Global Operations

For the nine months ended September 28, 2007, approximately 66% of our sales were derived from operations outside of the U.S. As measured by sales, we manufacture most of our products outside of the United States. We sell our products through over 300 direct sales and marketing associates and more than 500 authorized distributors in 80 countries. Accordingly, we are affected by levels of industrial activity and economic and political factors in countries throughout the world. Our ability to grow and our financial performance will be affected by our ability to address a variety of challenges and opportunities that are a consequence of our global operations, including efficiently utilizing our global sales, manufacturing and distribution capabilities, the expansion of market opportunities in Asia, successfully completing global strategic acquisitions and engineering innovative new product applications for end users in a variety of geographic markets. However, we believe that our geographic, end market and product diversification limits the impact that any one country or economy could have on our consolidated results.

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Foreign Currency Fluctuations

A significant portion of our sales, approximately 66% for the nine months ended September 28, 2007, is denominated in currencies other than the U.S. dollar, especially the Euro and the Swedish Krona. Because much of our manufacturing and employee costs are outside the U.S., a significant portion of our costs are also denominated in currencies other than the U.S. dollar. Changes in the relationship of these currencies to the U.S. dollar may impact our profitability. In some markets, sales are denominated in currencies other than the local currency for that business, which may result in both margin fluctuations and transaction gains and losses.

Asbestos Liabilities

Our financial results have been, and will likely in the future be, affected by our actual and estimated asbestos liabilities and the availability of insurance to cover these liabilities and defense costs related to asbestos personal injury litigation against two of our subsidiaries. Assessing asbestos liabilities and insurance assets requires judgments concerning matters such as the uncertainty of litigation, anticipated outcome of settlements, the number and cost of pending and future claims, the outcome of legal action against our insurance carriers and their continued solvency. For a further discussion of these estimates and how they may affect our future results, see Asbestos-Related Litigation and Critical Accounting Estimates Asbestos Liabilities and Insurance Assets.

Economic Conditions in Strategic Markets

Our organic growth and profitability strategy focuses on five strategic markets: commercial marine, oil and gas, power generation, global navy and general industrial. Demand for our products depends on the level of new capital investment and planned maintenance by our customers. The level of capital expenditures depends, in turn, on the general economic conditions within that market. While demand within each of these strategic markets can be cyclical, the diversity of these markets limits the impact of a downturn in any one of these markets on our consolidated results.

Pricing

We believe our customers place a premium on quality, reliability, availability, design and application engineering support. Our highly engineered fluid handling products typically produce higher margins than products with commodity-like qualities. However, we are sensitive to price movements in our raw materials supply base. Our largest material purchases are for components and raw materials consisting of steel, iron, copper and aluminum. Historically, we have been successful in passing raw material price increases on to our customers. While we seek to take actions to manage this risk, including commodity hedging where appropriate, such increased costs may adversely impact earnings. Our 2007 and 2008 pricing strategy includes passing through raw material price increases to our customers as well as identifying additional price increase opportunities.

Sales and Cost Mix

Our profit margins vary in relation to the relative mix of many factors, including the type of product, the geographic location in which the product is manufactured, the end market for which the product is designed and the percentage of total revenue represented by aftermarket sales and services. Aftermarket business, including spare parts and other value added services, is generally a higher margin business and a significant component of our profitability.

Strategic Acquisitions

We complement our organic growth with strategic acquisitions. Acquisitions significantly affect our reported results and can make period to period comparisons of results difficult. As a consequence, we report our sales growth between periods both from organic sales and acquired businesses. We intend to continue to pursue acquisitions of complementary businesses that will broaden our product portfolio, expand our geographic footprint or enhance our position within our strategic markets.

In June 2004, we acquired the assets of Zenith Pump (Zenith), a leading manufacturer of precision metering pumps for the general industrial market. Shortly thereafter, in August 2004, we acquired the net assets of Portland Valve, Inc. (Portland Valve), a manufacturer of specialty valves used primarily for naval applications.

In August 2005, we acquired Tushaco Pumps Private Limited (Tushaco), a leading manufacturer of rotary positive displacement pumps in India. The acquisition of Tushaco provided us with an established presence to serve the South Asian market. Tushaco s manufacturing and design experience also enables us to utilize its products as a low cost supplier to our other operations and to optimize our global engineering resources.

In January 2007, we completed the acquisition of Lubrication Systems Company of Texas (LSC), a manufacturer of fluid handling systems, including oil mist lubrication and oil purification systems. LSC strengthens our presence in the oil and gas end market, particularly in the downstream refinery segment, broadens our overall lubrication portfolio, and presents the opportunity to expand its product application to other markets.

Most recently, in November 2007, we acquired Fairmount Automation, Inc. (Fairmount), an original equipment manufacturer of mission critical programmable automation controllers in fluid handling applications primarily for the U.S. Navy. In addition to strengthening our existing position with the U.S. Navy, we intend to leverage Fairmount s experienced engineering talent and technology expertise to develop a portfolio of fluid handling solutions with diagnostic and prognostic capabilities for industrial applications.

Outlook

We believe that we are well positioned to continue to grow organically by enhancing our product offerings and expanding our customer base in each of our strategic markets. During 2006 and through September 28, 2007, we experienced strong demand in the majority of our strategic markets, and we expect favorable market conditions to continue throughout 2008 as follows:

- In the commercial marine industry, we expect growth in international trade and high demand for crude oil to continue to create demand for container ships and tankers.

- We expect activity within the global oil and gas market to remain favorable as capacity constraints and increased global demand keep oil and gas prices elevated.

- In the power generation industry, we expect activity in Asia and the Middle East to be robust as economic growth continues to drive significant investment in energy infrastructure projects.

- In the global navy industry, we expect that sovereign nations outside of the U.S. will continue to expand their fleets as they address national security concerns. In the U.S., we expect Congress to continue to appropriate funds for new ship construction for the next generation of naval vessels as older classes are decommissioned. We also expect increased demand for integrated fluid handling systems and solutions for both new ship platforms and existing ship classes that reduce operating costs and improve efficiency as the U.S. Navy seeks to man vessels with fewer personnel.

- In the general industrial market, we expect that the continued economic development of regions throughout the world will continue to drive increased capital investment and will benefit local suppliers as well as international exporters of fluid handling equipment.

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Our global manufacturing sales and distribution network allows us to target fast growing regions throughout the world. Our greenfield production facility in Wuxi, China that we opened during 2005 became fully operational during 2006. In addition, our Indian business demonstrated strong growth and expanded our presence in the South Asia region. We intend to leverage our investments in India and China to substantially grow our market share in these emerging markets and plan to continue to invest in sales and marketing resources to increase our overall coverage.

We will also continue to target aftermarket opportunities in our strategic markets as we generally are able to generate high margins on aftermarket parts and service. For the nine months ended September 28, 2007, aftermarket sales and services represented approximately 25% of our revenues.

We also expect to continue to grow as a result of strategic acquisitions. We believe that the extensive experience of our management team in acquiring and effectively integrating acquisition targets should enable us to capitalize on opportunities in the future.

Key Performance Measures

The discussion of our results of operations that follows focuses on some of the key financial measures that we use to evaluate our business. We evaluate growth using several measures. Organic sales and margin is defined as the sales and margin from existing businesses excluding the impact of acquisitions and foreign exchange rates. Also, orders and order backlog are highly indicative of our future revenue and thus a key measure of anticipated performance.

We measure financial performance through upper quartile ranking in our peer group of industrial fluid handling companies. Analysts for our industry track many financial and non-financial performance measures such as revenue growth, gross profit margin, Adjusted EBITDA margin and net working capital as a percentage of sales.

Net working capital is defined as trade receivables plus inventories less accounts payable, excluding the effects of acquisitions and foreign currency translation. Net working capital as a percentage of sales is a key ratio used by analysts for our industry to measure capital efficiency.

We consider Adjusted EBITDA and Adjusted EBITDA margin as key indicators of financial performance and cash flow potential. We define Adjusted EBITDA as net income before the effects of interest expense, taxes, depreciation, amortization, legacy asbestos (gain) expense, legacy legal expense and other items not related to principal operating activities. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of sales. We believe that Adjusted EBITDA facilitates comparisons between periods and companies by excluding differences related to capital structures (affecting interest expense), tax positions and other items not indicative of the core operating activities of the company. We use Adjusted EBITDA and Adjusted EBITDA margins in our internal budgeting process, in management s consideration of performance, and as an element in determining executive compensation. Further, Adjusted EBITDA and similar measures are widely used by investors, rating agencies and securities analysts as a key measure of financial performance and debt-service capabilities.

Adjusted EBITDA is not a measurement of financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as an indicator of operating performance or any other measure of performance derived in accordance with GAAP. Because Adjusted EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business. We believe that consideration of Adjusted EBITDA, together with a careful review of our results reported under GAAP, including net income, is the most informed method of analyzing our company.

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Asbestos-Related Litigation

Two of our subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers and were not manufactured by any of our subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of the subsidiaries customers, including the U.S. Navy.

In 2003, one of our subsidiaries brought an action in the New Jersey Superior Court, Mercer County, against a large number of its insurers and its former parent to resolve a variety of disputes concerning insurance coverage for the asbestos personal injury claims asserted against it. In 2004 its primary insurance carrier ceased payments alleging that its policies were exhausted. The subsidiary requested proof of exhaustion which the primary carrier refused to provide. Thereafter, most of the subsidiary s excess and umbrella carriers also refused to provide payments for a variety of reasons, including reliance upon the lack of evidence of exhaustion and other timing and allocation defenses. Generally, the insurance companies have not contested coverage. As a result, in 2004, the subsidiary began making substantially all of the payments required to cover liability and defense costs for the asbestos-related lawsuits while pursuing a lawsuit against the insurers. In addition, in this lawsuit, the subsidiary alleges that its former parent is responsible for any coverage that would have been provided by any insurance company that is insolvent.

In 2007, certain of the insurance carriers agreed to settle with the subsidiary by reimbursing the subsidiary for amounts the subsidiary paid for liability and defense costs in the past as well as entering into formal agreements detailing the payment of future liability and defense costs in an agreed to allocation for that insurer. In addition, a number of non-settling insurance carriers have made payments of significant amounts for liability and defense costs paid by the subsidiary in the past and continue to pay a share of liability and defense costs as they are incurred. As a result, the subsidiary s insurance carriers are once again paying a substantial portion of the subsidiary s current asbestos-related costs. We believe that costs will continue to be paid by these insurance carriers. Trial currently is scheduled for April 2008. Although impossible to predict with certainty, we believe that all or substantially all of the insurers that are defendants in the coverage litigation will be ordered to provide coverage in accordance with their policies.

To date, our other subsidiary involved in asbestos litigation has had all of its liability and defense costs, excluding litigation costs of pursuing insurance coverage, covered in full by its primary and umbrella insurance carrier, subject to potential retrospective premiums under its primary policy. The subsidiary has a substantial amount of umbrella and excess insurance available to it from solvent carriers. The subsidiary is currently in litigation in the Delaware Chancery Court with its primary and umbrella insurer and with a third-party company concerning the availability of insurance under certain policies issued to the then-parent of both the subsidiary and the third-party company. While coverage for the claims is not in dispute, the third-party company is seeking a partition of the insurance policy limits for its sole benefit. We believe that this action is without merit. The subsidiary has also brought an action against all of its insurers in Massachusetts Superior Court. In that action, the subsidiary primarily seeks declaratory relief regarding the excess insurers obligations to fund in full the defense and settlement of the asbestos lawsuits following the exhaustion of the underlying umbrella policies.

Seasonality

We experience seasonality in our fluid handling business. As our customers seek to fully-utilize capital spending budgets before the end of the year, our shipments generally peak during the fourth quarter. Also, our European operations typically experience a slowdown during the July and August holiday season.

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Results of Operations

Sales and Orders

The following table presents components of our growth for the periods indicated:

	Sales		Orders		Backlog at Period End
(Amounts in millions)	**$**	**%**	**$**	**%**	**$**
Nine Months Ended September 29, 2006	**$ 280.2**		**$ 328.9**		**$ 174.9**
Components of Growth:					
Organic	43.9	15.7%	53.8	16.4%	
Acquisitions	20.9	7.5%	21.1	6.4%	
Foreign Currency Translation	17.6	6.2%	21.2	6.4%	
Total Growth	82.4	29.4%	96.1	29.2%	
Nine Months Ended September 28, 2007	**$ 362.6**		**$ 425.0**		**$ 257.3**

For the nine months ended September 28, 2007, sales increased by $82.4 million, or 29.4% over the comparable period in 2006. Of this growth, sales from existing businesses contributed 15.7%, the acquisition of LSC on January 31, 2007 contributed 7.5% and currency translation accounted for 6.2%. Organic growth was primarily attributable to increased volume and demand in the oil and gas and commercial marine end markets. The currency translation amount was due primarily to the weakening of the U.S. dollar against the Euro during the first nine months of 2007.

Orders for the nine months ended September 28, 2007, of $425.0 million increased $96.1 million, or 29.2%, over the comparable period of 2006. Backlog, which consists of unfilled orders, as of September 28, 2007 of $257.3 million increased $82.4 million, or 47.1%, as compared to $174.9 million at September 29, 2006. Organic order growth was primarily attributable to strong organic growth in our strategic end markets, most notably the oil and gas, commercial marine and power generation markets.

The following table presents components of our growth for the periods indicated:

	Sales		Orders		Backlog at Period End
(Amounts in millions)	**$**	**%**	**$**	**%**	**$**
Year Ended December 31, 2004	**$ 309.6**		**$ 321.8**		**$ 104.5**
Components of Growth:					
Organic	16.3	5.3%	22.4	7.0%	
Acquisitions	19.3	6.2%	25.5	7.9%	
Foreign Currency Translation	0.3	0.1%	0.7	0.2%	
Total Growth	35.9	11.6%	48.6	15.1%	
Year Ended December 31, 2005	**$ 345.5**		**$ 370.4**		**$ 118.3**

Components of Growth:					
Organic	40.7	11.8%	65.6	17.7%	
Acquisitions	4.8	1.4%	4.4	1.2%	
Foreign Currency Translation	2.6	0.7%	1.9	0.5%	
Total Growth	48.1	13.9%	71.9	19.4%	
Year Ended December 31, 2006	**$ 393.6**		**$ 442.3**		**$ 179.3**

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As detailed in the above table, sales for the year ended December 31, 2006 of $393.6 million were $48.1 million, or 13.9%, higher than the $345.5 million recorded in the prior year. Of the $48.1 million increase, $40.7 million was organic growth attributable to increased volume and demand in the general industrial, commercial marine, power generation and oil and gas end markets, $4.8 million was due to the acquisition of Tushaco on August 9, 2005 and $2.6 million was due to the positive impact of foreign exchange rates.

Orders for the year ended December 31, 2006 of $442.3 million increased $71.9 million, or 19.4%, as compared to $370.4 million for the year ended December 31, 2005. Backlog of $179.3 million at December 31, 2006 increased $61.0 million, or 51.6%, compared to $118.3 million at December 31, 2005. Both increased orders and backlog were attributable primarily to strong organic growth in our strategic end markets, especially the oil and gas, power generation and commercial marine end-markets.

Sales for the year ended December 31, 2005 of $345.5 million were $35.9 million, or 11.6%, higher than the $309.6 million recorded for the year ended December 31, 2004. Of the $35.9 million increase, $16.3 million was attributable to organic growth related to increased demand in the commercial marine, global navy and oil and gas end markets. $19.3 million of the increase relates to the purchases of the net assets of Zenith on June 30, 2004, Portland Valve on August 6, 2004 and Tushaco on August 9, 2005. Foreign exchange rates had a minimal impact on sales, contributing $0.3 million to the overall increase.

Orders for the year ended December 31, 2005 of $370.4 million increased $48.6 million, or 15.1%, as compared to $321.8 million for the year ended December 31, 2004. Backlog at December 31, 2005 of $118.3 million increased $13.8 million, or 13.2%, as compared to $104.5 million at December 31, 2004. Both increased orders and backlog are primarily attributable to acquisitions, as well as increased demand in the commercial marine, global navy and oil and gas end markets.

Gross Profit

The following table presents our gross profit figures for the periods indicated:

	Nine Months Ended September 28,	Nine Months Ended September 29,	Year Ended December 31,		
(Amounts in millions)	**2007**	**2006**	**2006**	**2005**	**2004**
Gross profit	$ 126.4	$ 95.3	$ 136.8	$ 123.1	$ 111.7
Gross profit margin	34.9%	34.0%	34.8%	35.6%	36.1%

Gross profit of $126.4 million for the nine months ended September 28, 2007 increased $31.1 million, or 32.6%, from $95.3 million in the comparable 2006 period. Of the $31.1 million increase, $16.4 million was attributable to organic growth, $8.3 million was due to the acquisition of LSC on January 31, 2007 and $6.4 million was due to the impact of foreign exchange rates. Gross profit margin increased to 34.9% for the nine months ended September 28, 2007 compared to 34.0% for the nine months ended September 29, 2006. Margin improvement was primarily due to growth in higher margin product lines particularly the LSC product lines and oil and gas product lines.

For the year ended December 31, 2006, gross profit increased by $13.7 million, or 11.1%, to $136.8 million from $123.1 million in the prior year. Of the $13.7 million increase, $11.1 million was attributable to organic growth, $1.7 million was due to the acquisition of Tushaco on August 9, 2005 and $0.9 million was due to the impact of foreign exchange rates. Gross profit margin declined from 35.6% to 34.8%, largely as a result of product mix. A significant portion of our organic growth in the year ended December 31, 2006 was from centrifugal pump products that are used in commercial marine applications and which have a lower gross profit margin than the average for our other products.

For the year ended December 31, 2005, gross profit increased by $11.4 million, or 10.2%, to $123.1 million from $111.7 million for the year ended December 31, 2004. Of the $11.4 million increase,

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$6.0 million was attributable to organic growth, $5.3 million was due to the acquisitions of Tushaco, Zenith and Portland Valve and $0.1 million was due to the impact of foreign exchange rates. Gross profit margins declined from 36.1% to 35.6% primarily due to product mix since a significant portion of the organic growth was for lower margin, commercial marine products.

Selling, General and Administrative Expenses (SG&A)

The following table presents our selling, general and administrative expenses for the periods indicated:

	Nine Months Ended		Year Ended December 31,		
	September 28,	September 29,			
(Amounts in millions)	**2007**	**2006**	**2006**	**2005**	**2004**
SG&A expenses	$ 75.3	$ 50.8	$ 80.1	$ 74.6	$ 77.4
SG&A expenses as a percent of sales	20.8%	18.1%	20.4%	21.6%	25.0%

Selling, general and administrative expenses increased $24.5 million to $75.3 million for the first nine months of 2007 compared to $50.8 million for the comparable period in 2006. Of the $24.5 million increase, $5.8 million was due to the acquisition of LSC and $3.5 million was due to the impact of foreign exchange rates. The remaining increase of $15.2 million was primarily due to the recognition of a one-time $9.1 million gain on the settlement of other post-employment benefits during the nine months ended September 29, 2006 and increased variable selling expenses of approximately $8.6 million, driven by increased sales volume.

For the year ended December 31, 2006, selling, general and administrative expenses increased $5.5 million to $80.1 million compared to $74.6 million for the year ended December 31, 2005. The increase was primarily due to $8.4 million of legacy legal expenses incurred during 2006 and a $4.0 million increase in variable selling expenses, especially commissions, driven by higher sales volume. These increases were offset in part by a one-time $9.1 million gain in 2006 on the settlement of the other post-employment benefits liability retained as part of the sale of the power transmission business in 2004. Also contributing to the increase was the recognition of a $2.1 million gain on the settlement of a cross currency swap agreement in 2005. Legacy legal expense relates to reserves established at one of our subsidiaries to settle legal matters related to businesses that were divested prior to our acquisition of the subsidiary. Selling, general and administrative expenses as a percent of sales decreased since costs that are primarily fixed in nature such as administrative salaries, rent and depreciation grew only marginally, approximately 3.0%, compared to the 13.9% growth in sales. Expansion of our Asian operations, through our Tushaco and Wuxi operations, increased total selling, general and administrative expenses by approximately $2.3 million from 2005 to 2006.

For the year ended December 31, 2005, selling, general and administrative expenses decreased $2.8 million to $74.6 million compared to $77.4 million for the year ended December 31, 2004. The decrease was primarily due to a $4.2 million increase in the fair value of the Euro-denominated cross currency swap in 2005 and a $2.8 million loss on the early extinguishment of debt in 2004 offset in part by a $2.9 million increase in variable selling expenses. Selling, general and administrative expenses as a percent of sales decreased since costs that are primarily fixed in nature such as administrative salaries, rent and depreciation grew only marginally, approximately 1.0%, compared to the 11.6% growth in sales.

Legacy Asbestos (Gain) Expense

The table below presents legacy asbestos (gain) expense for the periods indicated:

	Nine Months Ended		Year Ended December 31,		
	September 28,	September 29,			
(Amounts in millions)	**2007**	**2006**	**2006**	**2005**	**2004**
Legacy asbestos (gain) expense	$ (23.7)	$ 24.4	$ 33.8	$ 18.1	$ 29.4
Legacy asbestos (gain) expense as a percentage of sales	(6.5)%	8.7%	8.6%	5.2%	9.5%

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Legacy asbestos (gain) expense for the first nine months of 2007 decreased $48.1 million from $24.4 million in the comparable 2006 period to $(23.7) million in the current period. This decrease was primarily caused by our revaluation of the insurance asset of one of our subsidiaries, based on a series of favorable rulings in an action by our subsidiary against its insurers, offset to a small degree by the increased cost of that litigation, as well as a $6.3 million gain related to cash settlements received from certain insurers related to insurance policies which are not included in our 15 year estimate of asbestos-related liability cost. See Asbestos-Related Litigation above and Critical Accounting Estimates Asbestos Liabilities and Insurance Assets below for a further discussion of developments in asbestos litigation since December 31, 2006.

For the year ended December 31, 2006, legacy asbestos expense increased $15.7 million to $33.8 million from $18.1 million for the year ended December 31, 2005. This increase was primarily due to $9.4 million of increased liability costs and $8.2 million of increased legal costs related to pursuing actions against our asbestos insurers.

Legacy asbestos expense decreased $11.3 million from $29.4 million for the year ended December 31, 2004 to $18.1 million for the year ended December 31, 2005. This decrease was primarily the result of change in claims experience.

Operating Income

The table below presents operating income data for the periods indicated:

	Nine Months Ended		Year Ended December 31,		
	September 28,	September 29,			
(Amounts in millions)	**2007**	**2006**	**2006**	**2005**	**2004**
Operating income	$ 71.7	$ 17.7	$ 19.5	$ 27.6	$ 1.7
Operating margin	19.8%	6.3%	5.0%	8.0%	0.6%

Operating income for the nine months ending September 28, 2007 increased approximately $54.0 million to $71.7 million from $17.7 million for the nine months ending September 29, 2006. This increase was primarily due to a $48.1 million decrease in legacy asbestos expenses and a $31.1 million increase in gross profit offset in part by a $24.5 million increase in selling, general and administrative expenses. Operating margin increased from 6.3% for the nine months ending September 29, 2006 to 19.8% for the nine months ended September 28, 2007.

For the year ended December 31, 2006, operating income declined approximately $8.1 million to $19.5 million from $27.6 million for the year ended December 31, 2005. This decline was primarily due to a $15.7 million increase in legacy asbestos expenses and a $5.5 million increase in selling, general and administrative expenses offset in part by a $13.7 million increase in gross profit. Operating margin decreased from 8.0% in 2005 to 5.0% in 2006.

For the year ended December 31, 2005, operating income increased approximately $25.9 million to $27.6 million from $1.7 million for the year ended December 31, 2004. This increase was primarily due to an $11.4 million increase in gross profit and an $11.3 million reduction in legacy asbestos expenses. Operating margin increased from 0.6% in 2004 to 8.0% in 2005.

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Adjusted EBITDA

The following table reconciles the GAAP measure of net income to Adjusted EBITDA for the nine-month periods ended September 28, 2007 and September 29, 2006 and for the years ended December 31, 2006, 2005 and 2004. See Key Performance Measures above for a discussion of how we use Adjusted EBITDA, and its limitations.

	Nine Months Ended		Year Ended December 31,		
	September 28,	September 29,			
(Amounts in millions)	2007	2006	2006	2005	2004
Net Income	$ 35.9	$ 3.9	$ 0.1	$ 12.2	$ 57.3
Interest expense	14.4	10.4	14.2	9.0	6.9
Provision (benefit) for income taxes	21.4	3.4	3.9	6.9	(6.0)
Discontinued operations expense (income)			1.4	(0.6)	(56.5)
Depreciation and amortization	11.2	8.3	11.5	11.4	9.9
Legacy asbestos (gain) expense(1)	(23.7)	24.4	33.8	18.1	29.4
Legacy legal expenses(2)			8.3	3.1	
Other post-employment benefit settlement(3)		(9.1)	(9.1)	(0.3)	
Cross currency swap(4)				(2.1)	2.1
Environmental indemnification(5)				(3.1)	
Write-off of loan costs(6)					2.8
Management fees(7)	0.8	0.8	1.0	1.0	1.0
Adjusted EBITDA(8)	$ 60.0	$ 42.0	$ 65.1	$ 55.8	$ 46.9
Adjusted EBITDA margin	16.5%	15.0%	16.5%	16.2%	15.1%

(1) Legacy asbestos (gain) expense includes changes in projected asbestos liability, actual asbestos defense costs as well as legal costs related to the actions against two of our subsidiaries respective insurers and a former parent company of one of the subsidiaries. See Asbestos-Related Litigation above and Critical Accounting Estimates Asbestos Liabilities and Insurance Assets below for a further discussion of legacy asbestos expenses.

(2) Legacy legal expense relates to reserves established at one of our subsidiaries to settle legal matters related to divested businesses.

(3) In 2005 and 2006, we settled portions of our other post-employment benefits liability that we had retained as part of the sale of the power transmission business in 2004.

(4) During 2004, we recorded a loss on a cross currency swap. In 2005, we were able to exit the swap for zero cost.

(5) The contract under which we purchased the operations of Warner Electric from Dana Corporation (Dana) in February 2000 contained a clawback provision that entitled us to funds from the seller if certain environmental indemnifications, primarily related to the Roscoe, Illinois location, were not utilized. We reached final settlement with Dana during 2005 and received cash and recorded income of approximately $3.1 million in that period.

(6) During 2004, deferred loan costs of approximately $2.1 million and a premium paid of approximately $0.7 million, were written off due to the early extinguishment of debt resulting from the sale of the power transmission business.

(7) For all years presented above, a management fee of $1.0 million was paid to Colfax Towers, a party related by common ownership. This fee is paid in equal quarterly installments. See Certain Relationships and Related Party Transactions. These payments will not continue after this offering.

(8) Table may not sum due to rounding.

For the nine months ended September 28, 2007, Adjusted EBITDA increased by $18.0 million to $60.0 million, or 16.5% of sales, from $42.0 million, or 15.0% of sales in the comparable 2006 period. This

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increase was primarily due to organic growth in our key end markets, especially oil and gas, for the first nine months of 2007 compared to the comparable period in 2006, the acquisition of LSC and the positive effect of foreign exchange rates. Of the $18.0 million increase, organic growth contributed $10.8 million, or 3.0% of sales.

For the year ended December 31, 2006 Adjusted EBITDA increased $9.3 million to $65.1 million, or 16.5% of sales, from $55.8 million, or 16.2% of sales in the comparable 2005 period. This increase was primarily due to increased demand in our key end markets and the positive effect of foreign exchange rates. Of the $9.3 million increase, organic growth contributed $7.0 million or 1.8% of sales.

For the year ended December 31, 2005 Adjusted EBITDA increased $8.9 million to $55.8 million, or 16.2% of sales, from $46.9 million, or 15.1% of sales in the comparable 2004 period. This increase was due primarily to both acquisition and organic growth offset in part by the negative effect of foreign exchange rates. Of the $8.9 million increase, organic growth contributed $5.7 million, or 1.7% of sales.

Interest Expense

For a description of our outstanding indebtedness, please refer to Liquidity and Capital Resources Financing Activities and Indebtedness below.

Interest expense of $14.4 million for the nine months ended September 28, 2007 was approximately $4.0 million higher than the comparable 2006 period. The increase was primarily due to higher debt levels in 2007 due to borrowings incurred to fund the acquisition of LSC. An increase in the weighted average interest rate on our variable rate borrowings from 6.65% in 2006 to 7.41% in 2007 contributed approximately $1.3 million to the increase in interest expense.

Interest expense of $14.2 million for the year ended December 31, 2006 was approximately $5.2 million higher than 2005. The increase in interest expense in 2006 was primarily due to higher debt levels during the year, due to borrowings incurred to pre-fund our domestic defined benefit pension obligation of $18.8 million and cash paid for asbestos claims of $32.7 million. An increase in the weighted average interest rate on our variable rate borrowings from 5.68% in 2005 to 6.85% in 2006 contributed approximately $2.0 million to the increase in interest expense, excluding the $0.4 million favorable impact of an increase in the fair value of our $90.0 million notional value interest rate collar. Please see Quantitative and Qualitative Disclosures about Market Risk below for a further discussion of the interest rate collar.

For the year ended December 31, 2005, interest expense increased $2.1 million to $9.0 million from $6.9 million for the year ended December 31, 2004. The increase is primarily due to the allocation of $5.9 million of interest expense to discontinued operations in 2004.

Provision for Income Taxes

Our effective tax rate can be affected by changes in the mix of earnings in the countries with differing statutory rates, changes in the valuation of deferred tax assets and liabilities and changes in tax law. Notably, under APB 23, foreign earnings considered not permanently reinvested in the local jurisdiction must be recognized as a deferred tax expense in the year that it is considered to be not permanently reinvested. The tax effect of significant unusual items or changes in tax law is reflected in the period in which they occur.

The effective income tax rate for the first nine months of 2007 was 37.4% as compared to an effective tax rate of 46.8% for the nine months ended September 29, 2006. Our effective tax rate for the nine months ended September 28, 2007 was higher than the U.S. federal statutory rate of 35% primarily due to state taxes and the inclusion of foreign earnings included in U.S. taxable income offset by deferred tax benefits recognized by our German subsidiary as a result of the German tax rate reduction from approximately 38% to 30.5% to be effective on January 1, 2008. Our effective tax rate for the nine months ended September 29, 2006 was higher

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than the U.S. federal statutory rate of 35% primarily due to the inclusion of undistributed foreign earnings of a foreign subsidiary as a deferred tax expense that was considered not permanently reinvested, in accordance with APB 23.

For the year ended December 31, 2006, our effective income tax rate was 72.2% as compared to an effective tax rate of 37.3% for the year ended December 31, 2005. Our 2006 effective tax rate was significantly higher than the U.S. federal statutory rate of 35% primarily due to state taxes and the inclusion of undistributed foreign earnings of a foreign subsidiary that was considered not permanently reinvested as a deferred tax expense in accordance with APB 23. Deferred income taxes for 2005 also included a deferred tax expense for undistributed foreign earnings in accordance with APB 23. However, these amounts were offset by the net reduction of certain valuation allowances and other tax reserves.

Our effective income tax rate for the year ended December 31, 2005 was 37.3% as compared to an effective tax rate of (115.7)% for the year ended December 31, 2004. The 2004 effective rate benefited from a net reduction of various tax reserves.

Liquidity and Capital Resources

Overview

Historically, we have financed our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under our credit facility. We expect that our primary ongoing requirements for cash will be for working capital, funding for potential acquisitions, capital expenditures and pension plan funding. If additional funds are needed for strategic acquisitions or other corporate purposes, we believe we could raise additional funds in the form of debt or equity.

Borrowings

Our existing credit facility at September 28, 2007 consists of a $50.0 million revolver, a Term B loan of $177.1 million that bears interest at LIBOR plus 2.25%, or 7.5% at September 28, 2007, and a Term C loan of 26.5 million that bears interest at EURIBOR plus 2.25%, or 6.4% at September 28, 2007.

The $50.0 million revolver contains a $25.0 million letter of credit sub-facility and a Euro sub-facility in which Euro borrowing capacity is limited to $30.0 million. The annual commitment fee on the revolver is 0.5% and the administrative agent receives a fee of $0.2 million per annum. Interest rate margins for the revolver are based on our leverage ratio calculated at each quarter-end. At September 28, 2007, the Prime and Swing Line-based revolvers bear interest at Prime plus 1.50%, or 9.25%. At September 28, 2007, the LIBOR-based revolver bears interest at LIBOR plus 2.50% and the Euro revolver bears interest at EURIBOR plus 2.00%. There was $11.5 million outstanding on the revolving lines of credit at September 28, 2007.

The Term B loan, as amended on January 3, 2007, has approximately $0.4 million due on a quarterly basis on the last day of each March, June, September and December beginning with March 31, 2007 and ending September 30, 2011, and one installment of approximately $170.0 million payable on December 19, 2011. The Term C loan, as amended on January 3, 2007, has approximately 0.1 million due on a quarterly basis on the last day of each March, June, September and December beginning with March 31, 2007 and ending September 30, 2011, and one installment of approximately 25.4 million payable on December 19, 2011.

On September 28, 2007, there was $214.6 million outstanding on the Term B and Term C loans, $11.5 million on the revolving lines of credit, and $18.6 million on the letter of credit sub-facility. The weighted average interest rate at September 28, 2007 was 7.4%.

On January 3, 2007, we amended our credit facility to increase the borrowings under the Term B loan by $55.0 million. Approximately $28.5 million of the increased borrowings were subsequently used to fund the acquisition of LSC, $24.5 million of the borrowings were used to pay down our revolver debt, and the remaining borrowings were used for other general corporate purposes. Additionally, in August 2007, we amended the revolving credit facility to extend the maturity date from May 30, 2008 to May 30, 2010.

Outstanding borrowings under these credit facilities will be paid in full from the proceeds of this offering. We expect that the remaining offering proceeds, combined with free cash flow from our existing businesses, will be sufficient to fund our ongoing liquidity requirements for at least the next 12 months.

Comparative Cash Flows

The table below presents selected cash flow data for the periods indicated:

	Nine Months Ended		Years Ended December 31,		
	September 28,	September 29,			
(Amounts in millions)	**2007**	**2006**	**2006**	**2005**	**2004**
Net cash provided by (used in) continuing operations	**$ 8.3**	**$ (14.0)**	**$ (17.4)**	**$ (7.8)**	**$ 20.1**
Purchases of fixed assets	(9.1)	(6.7)	(10.2)	(7.1)	(7.1)
Net cash paid for acquisitions	(29.7)			(11.4)	(29.7)
Sale of power transmission business				(3.4)	175.0
Other sources, net			0.1	3.5	0.1
Net cash provided by (used in) investing activities	**$ (38.8)**	**$ (6.7)**	**$ (10.1)**	**$ (18.4)**	**$ 138.3**
Proceeds and repayments of borrowing, net	36.2	15.2	26.9	35.6	(55.0)
Dividends paid				(18.7)	
Redemption of stock				(82.0)	
Other uses, net			(0.3)	(0.8)	(2.9)
Net cash provided by (used in) financing activities	**$ 36.2**	**$ 15.2**	**$ 26.6**	**$ (65.9)**	**$ (57.9)**

Cash flows from operating activities can fluctuate significantly from period to period as working capital needs, the timing of payments for items such as pension funding decisions and other items impact reported cash flows. Changes in significant operating cash flow items are discussed below.

In all periods presented, cash paid for asbestos liabilities, including both the disposition of claims and legal expenses related to litigation against our insurers, was a significant cash outflow. Excluding the impact of cash paid for asbestos liabilities, all periods presented above would have had positive cash flow from operations.

For the nine month periods ended September 28, 2007 and September 29, 2006 cash paid for asbestos liabilities, net of insurance settlements received, was $23.1 million and $26.8 million, respectively. These amounts included $13.0 million and $6.8 million of litigation costs related to actions against our insurers for the nine month periods ended September 28, 2007 and September 29, 2006, respectively. We received $7.5 million through settlements from certain insurers during the first quarter of 2007 of which approximately $6.3 million related to insurance policies which are not included in our 15 year estimate of asbestos-related cost and, as such, was recorded as income. This settlement also eliminates the insurers defense and indemnity obligations and transfers the risk back to the subsidiary. Subsequent to September 28, 2007, the subsidiary has received approximately $58.0 million from certain insurers of which $47.8 million represents reimbursement of past costs while $10.2 million represents settlement in full from one insurer for future costs not yet incurred by the subsidiary.

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For the years ended December 31, 2006, 2005 and 2004 cash paid for asbestos liabilities was $32.7 million, $21.1 million and $15.7 million, respectively. Of these amounts $9.0 million and $2.3 million related to litigation costs against our insurers in 2006 and 2005, respectively.

Funding requirements of our defined benefit plans, including both pensions and other post-employment benefits, can vary significantly among periods due to changes in the fair value of plan assets and actuarial assumptions. For the nine month periods ended September 28, 2007 and September 29, 2006, cash contributions for defined benefit plans were $3.8 million and $4.5 million, respectively. For the years ended December 31, 2006, 2005 and 2004, cash contributions for defined benefit plans were $10.9 million, $23.7 million and $10.4 million, respectively.

Changes in net working capital also affected the operating cash flows for the years presented. We define net working capital as trade receivables plus inventories less accounts payable, excluding the effects of acquisitions and foreign currency translation.

Net working capital increased $5.5 million for the nine months ending September 28, 2007 from December 31, 2006. In the comparable prior year period from December 31, 2005 to September 29, 2006 net working capital increased $9.7 million. These increases were primarily due to increases in inventories and trade receivables due to growth in sales volume.

Net working capital increased $13.8 million from December 31, 2005 to December 31, 2006. Net trade receivables increased primarily due to higher fourth quarter sales volume in 2006. Net inventories and accounts payable increased primarily to support the sales backlog at the end of 2006.

Net working capital increased $4.5 million from December 31, 2004 to December 31, 2005, primarily due to an increase in inventories to support the expected demand in 2006.

Net working capital as a percentage of sales is a key ratio that we use to measure working capital efficiency. For the nine month periods ended September 28, 2007 and September 29, 2006, net working capital as a percentage of sales was 25.5% and 27.6%, respectively. For the years ended December 31, 2006, 2005 and 2004, net working capital as a percentage of sales was 20.7%, 20.5% and 18.2%, respectively.

LSC produced operating cash flows of approximately $2.3 million for the nine months ending September 28, 2007.

Investing activities consist primarily of purchases of fixed assets, cash paid for acquisitions and proceeds from the sale of a business unit.

In all years presented, capital expenditures were invested in new and replacement machinery, equipment and information technology. We expect capital spending of approximately $12.0 million in 2007.

In January 2007, we acquired LSC for a purchase price of $29.7 million, net of cash acquired.

During the year ended December 31, 2005, we acquired Tushaco for $11.4 million, net of cash acquired.

During the year ended December 31, 2004, we acquired Zenith and Portland Valve for a total of $29.7 million, net of cash acquired.

On November 30, 2004, we sold substantially all assets and operating liabilities related to our former power transmission business to Altra Holdings, Inc. for $175.0 million in cash.

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Financing cash flows consist primarily of borrowings and repayments of indebtedness, payment of dividends to shareholders and redemptions of stock.

On January 3, 2007, we amended the credit facility to increase borrowings under the Term B loan by $55.0 million. Approximately $28.5 million of the proceeds were subsequently used to fund the acquisition of LSC, $24.5 million of the proceeds were used to pay down our revolver debt, and the remaining proceeds were used for other general corporate purposes.

During the year ended December 31, 2005, $100.0 million of proceeds from the 2004 sale of the power transmission business were used towards the $82.0 million redemption of preferred stock and an $18.7 million dividend payment. The remaining cash proceeds of $73.3 million were used to retire domestic senior term debt in the amount of $47.8 million, reduce the amount outstanding on our revolving credit facility by $22.5 million and pay transaction associated fees in the amount of $3.0 million.

Dividends of $9.2 million declared on December 31, 2005 were not paid during 2006 because those payments were restricted by our credit facility.

Contractual Obligations

The following table is a summary of contractual obligations as of December 31, 2006 (in millions):

Payments Due by Period	Total(1)	Less Than One Year	1-3 Years	3-5 Years	More Than 5 Years
Term Loan B	$ 123.5	$ 1.8	$ 3.6	$ 118.1	$
Term Loan C	35.3	0.4	0.7	34.2	
Revolver	28.5		28.5		
Interest Payments on Long-Term Debt(2)	60.9	14.6	24.3	22.0	
Capital Leases	1.5	0.4	0.9	0.2	
Operating Leases	6.7	2.2	3.2	1.0	0.3
Total	$ 256.4	$ 19.4	$ 61.2	$ 175.5	$ 0.3

(1) There have been no material changes to our contractual obligations since December 31, 2006.

(2) Variable interest payments are estimated using static rates of 7.63% and 6.41% for the Term B and C loans, respectively. No material interest payments were assumed for the Revolver since it was paid in full on January 3, 2007.

We have cash funding requirements associated with our pension and other post-retirement benefit plans, which are estimated to be approximately $3.6 million for the year ending December 31, 2007. We have no binding purchase obligations as of December 31, 2006.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that provide liquidity, capital resources, market or credit risk support that expose us to any liability that is not reflected in our combined financial statements other than outstanding letters of credit of $6.8 million at December 31, 2006 and future operating lease payments of $6.7 million. As of September 28, 2007, outstanding letters of credit were $18.6 million.

Effects of This Offering on Liquidity and Contractual Obligations

We estimate that we will receive approximately $ million in net proceeds from the sale of shares of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus. We intend to use approximately $ of the proceeds we receive from this offering to pay in full the

indebtedness outstanding under our credit facility. As of September 28, 2007, we had approximately $226.6 million principal amount, along with accrued interest, outstanding under our credit facility. We also intend to use $35.1 million of the proceeds of this offering to pay dividends to existing preferred stockholders that have been declared but unpaid due to the restrictions on payment of dividends contained in our credit facility. We will also use an estimated $ of the proceeds of this offering to pay amounts due, as a result of this offering, to participants in our 2001 Employee Appreciation Rights Plan and our 2006 Executive Stock Rights Plan, which are bonus plans for certain executive officers. This estimate is subject to final reevaluation as of the effective date of this offering. See Compensation Discussion and Analysis for additional information concerning these plans. We intend to use the balance of the net proceeds, if any, for working capital and other general corporate purposes.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates, foreign currency exchange rates and commodity prices that could impact our results of operations and financial condition. We address our exposure to these risks through our normal operating and financing activities.

Information concerning market risk for the year ended December 31, 2006 is discussed below. There has been no material change to our exposure to market risk since December 31, 2006.

Interest Rate Risk

We are subject to exposure from changes in interest rates based on our financing activities. Under our credit facility, all of our borrowings at December 31, 2006 are variable rate facilities based on LIBOR or EURIBOR. A hypothetical increase in the interest rate of 1.00% on our variable rate debt during 2006 would have increased our interest cost by approximately $1.7 million. In order to mitigate this risk, on July 1, 2005 we entered into an interest rate collar with an aggregate notional value of $90.0 million whereby we exchanged our LIBOR-based variable rate interest for a ceiling of 4.75% and a floor of approximately 3.40%. The LIBOR-based interest can vary between the ceiling and floor based on market conditions. The fair value of the collar agreement, based on third-party quotes, was approximately $0.8 million and $0.6 million as of December 31, 2006 and 2005 respectively. We have not elected hedge accounting for the collar agreement, and therefore movements in the fair value are recognized in income as a component of interest expense. The collar agreement expires on July 1, 2008.

Exchange Rate Risk

We have manufacturing sites throughout the world and sell our products globally. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar and against the currencies of other countries in which we manufacture and sell products and services. During 2006 approximately 65.2% of our sales were derived from operations outside the U.S., with approximately 48.9% generated from our European operations. In particular, we have more sales in European currencies than we have expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The Euro-denominated Term C loan at December 31, 2006 provides a natural hedge to a portion of our European net asset position. To assist with the matching of revenues and expenses and assets and liabilities in foreign currencies, we may periodically enter into derivative instruments such as cross currency swaps or forward contracts. To illustrate the potential impact of changes in foreign currency exchange rates, income before taxes and discontinued operations for 2006, assuming a 10% increase in average foreign exchange rates compared to the U.S. dollar, would have increased income before income taxes and discontinued operations by $3.4 million.

Commodity Price Risk

We are exposed to changes in the prices of raw materials used in our production processes. Commodity futures contracts are periodically used to manage such exposure. As of December 31, 2006, we had copper

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futures contracts with a nominal value of $3.5 million. The fair value of the contract as of December 31, 2006 was a loss of $0.2 million. We have not elected hedge accounting for futures contracts, and therefore movements in the fair value are recorded to cost of sales.

Critical Accounting Estimates

The methods, estimates and judgments we use in applying our critical accounting policies have a significant impact on the results we report in our financial statements. We evaluate our estimates and judgments on an ongoing basis. Our estimates are based upon our historical experience, our evaluation of business and macroeconomic trends, and information from other outside sources as appropriate. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates and different assumptions or estimates about the future could change our reported results.

We believe the following accounting policies are the most critical in that they are important to the financial statements and they require the most difficult, subjective or complex judgments in the preparation of the financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 1 of the Consolidated Financial Statements.

Asbestos Liabilities and Insurance Assets

Two of our subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers and were not manufactured by any of our subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of the subsidiaries customers, including the U.S. Navy.

Claims activity related to asbestos is as follows*:

	Nine Months Ended	
	September 28, 2007	**September 29, 2006**
Claims unresolved at the beginning of the period	50,020	59,217
Claims filed(1)	5,986	4,451
Claims resolved(2)	17,529	10,377
Claims unresolved at end of period	38,477	53,291

* Excludes claims filed by one legal firm that have been administratively dismissed.

(1) Claims filed include all asbestos claims for which notification has been received or a file has been opened.

(2) Claims resolved include asbestos claims that have been settled or dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.

In most instances, the subsidiaries settle asbestos claims for amounts management considers reasonable given the facts and circumstances of each claim. The annual average settlement payment per asbestos claimant has fluctuated during the past several years, and management expects such fluctuations to continue in the future based upon, among other things, the number and type of claims settled in a particular period and the jurisdictions in which such claims arose. To date the majority of settled claims have been dismissed for no payment.

We have projected the subsidiaries future asbestos-related liability costs with regard to pending and future unasserted claims, including consultation with an outside independent consultant through legal counsel. Projecting future asbestos-related liability costs is subject to numerous variables that are difficult to predict,

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including the number of claims that might be received, the type and severity of the disease alleged by each claimant, the latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in the claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any projections with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties and discussions with the consultant through legal counsel, we believe that 15 years is the most reasonable period for recognizing a reserve for future asbestos liability costs, and that costs that might be incurred after that period are not reasonably estimable at this time. As a result, we believe that our ultimate net asbestos-related liability costs cannot be estimated with certainty. Defense costs associated with asbestos-related liabilities are expensed as incurred.

Our methodology to project the asbestos-related liabilities includes: 1) an analysis of the estimated population likely to have been exposed or claim exposure to products manufactured by the subsidiaries; 2) the use of epidemiological and demographic studies to estimate the number of potentially exposed people that would likely develop asbestos-related diseases in each year during the next 15 years; 3) an analysis of the subsidiaries recent claims history to estimate likely filing rates for these diseases for the next 15 years; and 4) an analysis of the historical asbestos liability costs to develop average values, which vary by disease type, jurisdiction and the nature of claim, to determine an estimate of costs likely to be associated with currently pending and projected asbestos claims for the next 15 years.

We also worked with legal counsel and with consultants through legal counsel to assess the subsidiaries existing insurance arrangements and agreements, analyzed publicly available information bearing on the creditworthiness of the various insurers and employed such insurance allocation methodologies as we believe appropriate to ascertain the probable insurance recoveries for asbestos liabilities. The analysis took into account self-insurance reserves, policy exclusions, pending litigation, creditworthiness, liability caps and gaps in our coverage, indemnity arrangements with third-parties, as well as how legal and defense costs will be covered by the insurance policies.

Based on the analysis referred to above, we have established reserves of $383.1 million and $388.9 million as of September 28, 2007 and December 31, 2006, respectively, for the probable and reasonably estimable asbestos-related liabilities we believe the subsidiaries will pay through the next 15 years, and have also established recoverables of $321.5 million and $297.1 million as of September 28, 2007 and December 31, 2006, respectively, for the insurance recoveries that are deemed probable during the same time period. Net of these recoverables, our expected cash outlay on a non-discounted basis for asbestos-related claims over the next 15 years was $61.6 million and $91.8 million as of September 28, 2007 and December 31, 2006, respectively. We have recorded the reserves for the asbestos liabilities as Accrued asbestos liability and Long-term asbestos liability and the related insurance recoveries as Asbestos insurance asset and Long-term asbestos insurance asset in the accompanying Condensed Consolidated Balance Sheets.

The subsidiaries have substantial primary and excess insurance coverage. For one subsidiary, the primary insurer historically has paid and continues to pay all liability and defense costs; however, during 2006, the primary insurer asserted that certain insurance policies contain provisions specifying retrospective premium adjustments. As a result, we established a reserve of $7.5 million at September 28, 2007 and at December 31, 2006 for probable and reasonably estimable liability we expect to pay related to retrospective premiums under the primary insurance policies. Additionally, although presently no cost sharing or allocation agreement is in place with our excess insurers, we believe, based upon consultation with legal counsel and consideration of potential insolvent carriers, that recovery is probable from such insurers for approximately 67% of the liability and defense costs after the exhaustion of primary and excess layers of insurance. The subsidiary s primary and excess insurers continue to pay all liability and defense costs for this subsidiary.

For the other subsidiary, until June 2004, based on an interim agreement, the primary insurers paid at least two-thirds of all liability and defense costs, as agreed among the parties. In 2003, the subsidiary brought legal action against a large number of its insurers and its former parent to resolve a variety of disputes concerning insurance coverage for asbestos bodily injury claims asserted against it. Although none of the defendant insurance companies contested coverage, they disputed the timing, reasonableness and allocation of payments. One of the primary insurers and one of the excess insurers stopped or severely reduced payments alleging that their policies were exhausted, and the subsidiary began paying various amounts of liability and defense costs during 2004.

In 2007, certain insurance carriers agreed to settle with the subsidiary by reimbursing the subsidiary for amounts it paid for liability and defense costs in the past as well as entering into formal agreements detailing the payment of future liability and defense costs in an agreed to allocation for that insurer. In addition, a number of non-settling insurance carriers have paid significant amounts for liability and defense costs paid by the subsidiary in the past and continue to pay a share of costs as they are incurred. The subsidiary received $7.5 million from certain insurers during the first quarter of 2007, of which approximately $6.3 million relates to insurance policies which are not included in our 15 year estimate of asbestos-related liability cost and, as such, was recorded as income. This settlement also eliminates the insurers defense and indemnity obligations and transfers the risk back to the subsidiary. Subsequent to September 28, 2007, the subsidiary has received approximately $58.0 million from certain insurers of which $47.8 million represents reimbursement of past cost, while $10.2 million represents settlement in full from one insurer for future costs not yet incurred by the subsidiary. Presently certain insurers are paying approximately 71% of costs for current claims.

For this subsidiary, we believe, based upon consultation with legal counsel and application of allocation models, that recovery is probable for at least 87.5% of all liability and defense costs paid after September 28, 2007. For the period between December 31, 2005 and September 28, 2007, we estimated that recovery was probable for 75% of all liability costs paid and 85% of defense costs paid. Prior to December 31, 2005, we estimated that recovery was probable for two-thirds of all liabilities paid. As a result, we recorded a receivable for liability costs in the amount of $21.8 million and $16.9 million as of September 28, 2007 and December 31, 2006, respectively, for which insurance recovery is deemed probable. We have also recorded a receivable for defense costs incurred in the amount of $30.5 million and $24.2 million as of September 28, 2007 and December 31, 2006, respectively, for which insurance recovery is deemed probable. Both of these amounts are included in Asbestos insurance receivable in the accompanying Condensed Consolidated Balance Sheets.

For the company, the (gain) expense related to these liabilities was $(34.5) million and $14.5 million net of estimated insurance recoveries, for the nine-month period ended September 28, 2007 and September 29, 2006, respectively. In addition, legal defense expense related to these liabilities was $1.2 million and $0.7 million, net of estimated insurance recoveries, for the nine-month period ended September 28, 2007 and September 29, 2006, respectively. Legal costs related to the subsidiaries action against their asbestos insurers were $9.6 million and $9.2 million for the nine-month period ended September 28, 2007 and September 29, 2006, respectively. All of these amounts are included in the Condensed Consolidated Statements of Operations and Comprehensive Income in Legacy asbestos expense.

Management s analyses are based on currently known facts and a number of assumptions. However, projecting future events, such as new claims to be filed each year, the average cost of resolving each claim, coverage issues among layers of insurers, the method in which losses will be allocated to the various insurance policies, interpretation of the effect on coverage of various policy terms and limits and their interrelationships, the continuing solvency of various insurance companies, the amount of remaining insurance available as well as the numerous uncertainties inherent in asbestos litigation could cause the actual liabilities and insurance recoveries to be higher or lower than those projected or recorded, which could materially affect our financial condition, results of operations or cash flow.

Retirement Benefits

Pension obligations and other post-retirement benefits are actuarially determined and are affected by several assumptions, including the discount rate, assumed annual rates of return on plan assets, and per capita cost of covered health care benefits. Changes in discount rate and differences from actual results for each assumption will affect the amounts of pension expense and other post-retirement expense recognized in future periods. These assumptions may also have an effect on the amount and timing of future cash contributions.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the costs in excess of the fair value of net assets acquired associated with our acquisitions. Annually, or more frequently if indicators of impairment are present, we evaluate the recoverability of goodwill and indefinite-lived intangible assets. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. We evaluate the recoverability of goodwill by reporting units based upon historical and projected EBITDA (net income before income taxes, depreciation, and amortization) multiplied by industry enterprise valuation multiples to determine their fair value. No such impairments were recorded in 2007, 2006, 2005 or 2004. However, actual results could differ from our estimates and projections, which would affect the assessment of impairment. As of September 28, 2007, we have goodwill of $163.1 million that is subject to at least annual review of impairment.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors, including the expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in the evaluation of our valuation allowance, we record a change in valuation allowance through income tax expense in the period such determination is made.

The determination of our provision for income tax requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves when, despite the belief that the tax return positions are fully supportable, we believe that certain positions may be successfully challenged. When facts and circumstances change, the reserves are adjusted through the provision for income taxes. We adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) on January 1, 2007. FIN 48 prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Revenue Recognition

We generally recognize revenues and costs when title and risk of loss transfer to the customer. For long-term contracts, revenue is generally recognized based on the percentage-of-completion method calculated on the units of delivery basis or the cost-to-cost basis. The percentage of completion method requires estimates of total expected contract revenue and costs. We follow this method when we can make reasonably dependable estimates of the revenue and cost applicable to various stages of the contract. Revisions in profit estimates are reflected in the period in which the facts that gave rise to the revision become known and have historically been insignificant. Percentage of completion revenue was approximately 0.9%, 3.8%, 2.2% and 0.9% of consolidated revenues for the nine months ended September 28, 2007 and the years ended December 31, 2006, 2005 and 2004, respectively. Service revenues are recognized as services are performed.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. These allowances are based on recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire pool of customers. The allowance for doubtful accounts was $1.7 million, $1.7 million and $1.3 million as of September 28, 2007, December 31, 2006 and December 31, 2005, respectively. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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Recent Pronouncements

In June 2006, the FASB issued FIN 48 to create a single model to address accounting for uncertainty in tax positions. The Interpretation applies to all tax positions accounted for in accordance with SFAS No. 109 and requires a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on classification, interest and penalties, accounting in interim periods and transition, and significantly expands income tax disclosure requirements. The Interpretation is effective for public reporting companies for fiscal years beginning after December 15, 2006. We elected to adopt the Interpretation early for our fiscal year beginning January 1, 2007. As a result of the implementation of Interpretation No. 48, we recognized an increase in the net liability for unrecognized tax benefits of $6.7 million, which was accounted for as a decrease to the January 1, 2007 opening retained deficit.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which provides a definition of fair value, establishes a framework for measuring fair value, and requires additional disclosures about fair value measurements. This Statement applies to value measurements that are already required or permitted by other accounting standards, except for measurements of share-based payments and measurements that are similar to, but not intended to be, fair value and does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effects of implementing the provisions of this Statement.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The pronouncement also establishes presentation and disclosure requirements to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the effects of the adoption of SFAS No. 159.

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BUSINESS

Our Company

We are a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and specialty valves. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We have a global manufacturing footprint, with production facilities in Europe, North America and Asia, as well as worldwide sales and distribution channels. Our products serve a variety of applications in five strategic markets: commercial marine, oil and gas, power generation, global navy and general industrial. We design and engineer our products to high quality and reliability standards for use in critical fluid handling applications where performance is paramount. We also offer customized fluid handling solutions to meet individual customer needs based on our in-depth technical knowledge of the applications in which our products are used. Our products are marketed principally under the Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brand names. We believe that our brands are widely known and have a premium position in our industry. Allweiler, Houttuin, Imo and Warren are among the oldest and most recognized brands in the markets in which we participate, with Allweiler dating back to 1860.

We serve a global customer base across multiple markets through a combination of direct sales and marketing associates and third-party distribution channels. Our customer base is highly diversified and includes commercial, industrial, marine and governmental customers such as Alfa Laval, Cummins, General Dynamics, Hyundai Heavy Industries, Siemens, Solar Turbines, Thyssenkrupp, the U.S. Navy and various sovereign navies around the world. We have a large installed base, which, combined with the critical nature of the applications in which our products are used, leads to a tendency for our customers to replace like for like products. This tendency leads to significant aftermarket demand for replacement parts as well as for spare parts and maintenance service.

We employ a comprehensive set of tools that we refer to as CBS. CBS is a disciplined strategic planning and execution methodology designed to achieve excellence and world-class financial performance in all aspects of our business by focusing on the *Voice of the Customer* and continuously improving quality, delivery and cost.

We have an experienced management team that has established a focused industrial manufacturing business with strong market positions within the fluid handling industry. We believe we are well positioned to continue to grow by enhancing our product offerings and expanding our customer base in each of our strategic markets. We also have successfully completed and integrated several acquisitions and expect to continue to pursue acquisitions of complementary businesses that will broaden our product portfolio, expand our geographic footprint or enhance our position in our strategic markets.

Our History

Our business began with an initial investment by our founders in 1995 with the intention to acquire, manage and create a world-class industrial manufacturing company. We sought to acquire businesses with leading market positions and brands that exhibit strong cash flow generation potential. With our management expertise and the introduction of CBS into our acquired businesses, we pursue growth and improvements in operating margins.

In August 1997, we acquired Imo and Warren, manufacturers of screw pumps and specialty centrifugal pumps. The Imo Pump brand name dates back to 1931, when Bengt Ingestrom, an entrepreneur, and Carl Montelius, the inventor of the 3-screw pump, established Imo Pump. Their last names formed the acronym Imo. Warren was founded in 1897 and is among the oldest pump manufacturers in the U.S. Our acquisition of Imo and Warren formed the foundation of what is now Colfax Corporation.

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In April 1998, we acquired Allweiler AG (Allweiler), the largest European manufacturer of screw pumps and a leader in specialty centrifugal and progressive cavity pumps in Europe. The Allweiler brand name dates to 1860 and is a leading brand name for screw pumps in Europe. The Allweiler acquisition included Houttuin, a Dutch manufacturer of 2-screw pumps.

Since the acquisition of Allweiler, we have completed additional acquisitions that broadened our fluid handling product portfolio and geographic footprint. In June 2004, we acquired the assets of Zenith, a leading manufacturer of precision metering pumps for the general industrial market.

In August 2004, we acquired the net assets of Portland Valve, a manufacturer of specialty valves used primarily for naval applications.

In August 2005, we acquired Tushaco, a leading manufacturer of rotary positive displacement pumps in India. The acquisition of Tushaco provided us with an established presence to serve the South Asian market. Tushaco s manufacturing and design experience also enables us to utilize its products as a low cost supplier to our other operations and to optimize our global engineering resources.

In January 2007, we acquired LSC, a manufacturer of fluid handling systems. LSC designs, manufactures, installs and maintains oil mist lubrication and oil purification systems in refineries, petrochemical plants and other processing facilities.

In November 2007, we acquired Fairmount, an original equipment manufacturer of mission critical programmable automation controllers in fluid handling applications primarily for the U.S. Navy. In addition to strengthening our existing position with the Navy, we intend to leverage Fairmount s experienced engineering talent and technology expertise to develop a portfolio of fluid handling solutions with diagnostic and prognostic capabilities for use in industrial applications.

In addition to our acquisitions, in 2005 we opened a greenfield production facility in Wuxi, China to manufacture and assemble complete products and systems for our customers in China and other Asian markets and to supply low cost components and parts for our existing operations.

Our Industry

Based on industry data supplied by The Freedonia Group, Elsevier, European Industrial Forecasting and the Hydraulic Institute, we estimate the worldwide fluid handling market, which we define as industrial pumps, valves, and gaskets and seals, to have been $119 billion in 2006. Within this market, we primarily compete in the estimated $3.5 billion global rotary positive displacement pump market, a sub-section of the estimated $11 billion positive displacement pump market. We are also a competitor in the estimated $18 billion centrifugal pump market and the estimated $57 billion valve market.

We believe that there are over 10,000 companies competing in the worldwide fluid handling industry. The fluid handling industry s customer base is broadly diversified across many sectors of the economy, and we believe customers place a premium on quality, reliability, availability and design and application engineering support. Because products in the fluid handling industry often are used as components in critical applications, we believe the most successful industry participants are those that have the technical capabilities to meet customer specifications, offer products with reputations for quality and reliability and can provide timely delivery and strong aftermarket support.

We currently serve markets that have a need for highly engineered, critical fluid handling solutions and are global in scope. Our strategic markets include:

Strategic Markets	Applications
Commercial Marine	Fuel oil transfer; oil transport; water and wastewater handling
Oil and Gas	Crude oil gathering; pipeline services; unloading and loading; rotating equipment lubrication; lube oil purification
Power Generation	Fuel unloading, transfer, burner and injection; rotating equipment lubrication
Global Navy	Fuel oil transfer; oil transport; water and wastewater handling; firefighting; fluid control
General Industrial	Machinery lubrication; hydraulic elevators; chemical processing; pulp and paper processing; food and beverage processing

Our Competitive Strengths

Strong Market Positions, Broad Product Portfolio and Leading Brands. We believe that we are a leading manufacturer of rotary positive displacement pumps, which include screw pumps, gear pumps and progressive cavity pumps. We offer a broad portfolio of fluid handling products that fulfill critical needs of customers across numerous industries. Our brands are among the oldest and most recognized in the markets in which we participate.

Strong Application Expertise. We believe that our reputation for quality and technical expertise positions us as a premium supplier of fluid handling products. With over 140 years of experience, we have significant expertise in designing and manufacturing fluid handling products that are used in critical applications, such as lubricating power generation turbines, transporting crude oil through pipelines and transferring heavy fuel oil in commercial marine vessels.

Extensive Global Sales, Distribution and Manufacturing Network. We sell our products through over 300 direct sales and marketing associates and more than 500 authorized distributors in 80 countries. We believe that our global reach within the highly fragmented, worldwide fluid handling industry provides us with an ability to better serve our customers. Our European, North American and Asian manufacturing capabilities provide us with the ability to optimize material sourcing, transportation and production costs and lower foreign currency risk.

We Use CBS to Continuously Improve Our Business. CBS is our business system designed to encourage a culture of continuous improvement in all aspects of our operations and strategic planning. Modeled on the Danaher Business System, CBS focuses on conducting root-cause analysis, developing process improvements and implementing sustainable systems. Our approach addresses the entire business, not just manufacturing operations.

Large Installed Base Generating Aftermarket Sales and Service. With a history dating back to 1860, we have a significant installed base across numerous industries. Because of the critical applications in which our products are used and the high quality and reliability of our products, we believe there is a tendency to replace like for like products. This tendency leads to significant aftermarket demand for replacement products as well as for spare parts and for repair and maintenance service. In the nine months ended September 28, 2007, we estimate that approximately 25% of our revenues were derived from aftermarket sales and services.

Broad and Diverse Customer Base. Our customer base spans numerous industries and is geographically diverse. Approximately 66% of our sales for the first nine months of 2007 were derived from operations outside of the U.S. In addition, no single customer represented more than 3% of our sales during this period.

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Management Team with Extensive Industry Experience and Focus on Strategic Development. We are led by a senior management team with an average of over 20 years of experience in industrial manufacturing. John A. Young, our President and Chief Executive Officer, is one of our founders and played a key role in developing the acquisition strategy that has formed our company. Since 1995, as part of this strategy, we have acquired 12 companies and divested businesses that do not fit within our long-term growth strategy. We believe that we have extensive experience in acquiring and effectively integrating attractive acquisition targets.

Our Growth Strategy

We intend to continue to increase our sales, expand our geographic reach, broaden our product offerings and improve our profitability through the following strategies:

Apply CBS to Drive Profitable Sales Growth and Increase Shareholder Value. The core element of our management philosophy is CBS, which we implement in each of our businesses. CBS is a strategic planning and execution methodology designed to achieve world-class excellence in all aspects of our business. CBS focuses our organization on continuous improvement and performance goals by empowering our associates to develop innovative strategies to meet customer needs. Rather than a static process, CBS continues to evolve as we benchmark ourselves against best-in-class industrial companies.

Beyond the traditional application of cost control, overhead rationalization, global process optimization, and implementation of lean manufacturing techniques, we utilize CBS to identify strategic opportunities to enhance future sales growth. The foremost principle of CBS is the *Voice of the Customer*, which drives our activities to continuously improve customer service, product quality, delivery and cost. The *Voice of the Customer* is instrumental in the development of new products, services and solutions by utilizing a formal interview process with the end users of our products to identify pain points or customer needs. By engaging end users in the discussion, rather than solely relying on salespeople or channel partners for anecdotal input, we see the real issues and opportunities. We then prioritize these opportunities with the intention of implementing novel or breakthrough ideas that uniquely solve end-user needs. By continuing to apply the methodology of CBS to our existing businesses as well as to future acquisitions, we believe that we will be able to continue to introduce innovative new products and solutions, improve operating margins and increase the asset utilization of our businesses, and in doing so create profitable sales growth, generate excess cash flow to fund future acquisitions and increase shareholder value.

Execute Market Focused Strategies. We have aligned our marketing and sales organization into market focused teams designed to coordinate global activity around five strategic markets: commercial marine, oil and gas, power generation, global navy and general industrial. These markets have a need for highly engineered, critical fluid handling solutions and are attractive due to their ongoing capital expenditure requirements, growth rates and global nature. We intend to use our application expertise, highly engineered and specialized products, broad product portfolio and recognized product brands to generate high margin incremental revenue.

Commercial Marine We provide complete fluid handling packages to shipbuilders throughout the world primarily for use in engine room applications. Our products are widely recognized for their superior reliability and lower total cost of ownership. The increased rate of commercial marine vessel construction in recent years has expanded our large installed base of fluid handling products and has generated increased aftermarket revenues. In addition to supplying our products for new vessels, we intend to continue to grow our aftermarket sales and services by optimizing our channels to improve market coverage. We also intend to expand our global reach by utilizing our Chinese and Indian operations to offer locally manufactured products, to reduce production costs and to provide local customer service and support for the Asia Pacific region, an area where the majority of the commercial marine vessels are constructed.

Oil and Gas We provide a broad portfolio of fluid handling products for many oil and gas applications around the world. In particular, we have a strong presence in oil field tank farms, pipelines and refineries and also in Floating Production Storage and Offloading (FPSO) installations. We intend to continue to execute our strategy in the global crude oil transport market by targeting applications where our products can replace less efficient fluid handling alternatives. For example, through a *Voice of the Customer* driven process, we identified an opportunity to lower maintenance and energy costs and increase up time by replacing reciprocating pumps in pipeline applications with our 3-screw product. We also intend to leverage our position as a leading supplier of 2-screw pumps to develop complex turnkey systems to capture the growing need of fluid handling solutions that can undertake the difficult task of handling varying mixtures of heavy crude oil, natural gas and water at the same time. Additionally, we expect to continue to extend LSC s presence within the refinery market through increased market coverage and intend to broaden LSC s core lubrication offerings for new applications. We are also adding resources to the fast growing oil and gas markets around the world, including Asia and developing nations.

Power Generation We provide fluid handling products used in critical lubrication and fuel injection services for fossil fuel, hydro and nuclear power plants around the world. We believe that we have in-depth knowledge of fuel injection and lubrication applications, strong product brand names and a reputation for reliability in the power generation industry. Within this market we intend to continue our growth as a provider of turnkey systems by utilizing our expertise in power generation applications to develop innovative solutions. For example, in 2006 we were contracted by an international power generation equipment supplier to design, build and install a 2.2 million lube oil skid system for a nuclear power plant in Finland. We were chosen to provide the turnkey solution for this project as a result of our engineering capabilities and technical expertise. We also intend to leverage our global presence to strengthen our relationships with large original equipment manufacturers of power generation equipment to establish us as a critical supplier.

Global Navy For over 90 years we have supplied our specialty centrifugal and screw pumps to sovereign navies around the world, including the U.S. Navy and most of the major navies in Europe. With the acquisitions of Portland Valve and Fairmount, we have broadened our offering to include specialty valves and advanced control systems, respectively. We intend to continue to design, manufacture and sell high value fluid handling systems in order to meet the evolving requirements and standards of the navies around the world. For example, we recently received a $27.0 million contract to design a proprietary automated fire suppression system for the next-generation U.S. Navy destroyer. We also received a $16.5 million order to supply SMART valves designed as an integrated system solution with intelligence and diagnostic capabilities for the new destroyer platform. Our engineers are also working with the U.S. Navy to incorporate electronics and advanced control algorithms into our products. We are also focused on expanding our repair and service capabilities as work is outsourced to private shipyards. As part of this strategy, we have established a waterfront repair and service facility in San Diego, California to complement our Portland, Maine facility in order to provide more responsive aftermarket support to the U.S. Navy.

General Industrial We provide fluid handling solutions for a broad array of general industrial applications, including machinery lubrication, commercial construction, chemical processing, pulp and paper processing and food and beverage processing, among others. We intend to continue to apply our application and engineering expertise to supply our customers a portfolio of products that can solve their most critical fluid handling needs. We also intend to grow our presence in the general industrial market by targeting new applications for our existing products, deploying regionally focused strategies and leveraging our global presence and sales channels to sell our solutions worldwide.

Target Fast Growing Regions by Leveraging Our Global Manufacturing, Sales and Distribution Network. We intend to continue to leverage our strong global presence and worldwide network of distributors to capitalize on growth opportunities by selling regionally developed and marketed products and solutions throughout the world. As our customers have become increasingly global in scope, we have likewise increased our global reach to serve our customers by maintaining a local presence in numerous markets and investing in sales, marketing and manufacturing capabilities globally. Because we believe that the Asia Pacific market, in particular China, provides an attractive opportunity for future growth, in 2005, we opened a greenfield production facility in Wuxi, China to manufacture parts and assemble products primarily for shipyards and ship owners in China and other Asian countries. In addition, our acquisition of Tushaco established our presence in the fast growing Indian market.

To further enhance our focus on serving our customers, we have developed the Colfax Sales Office (CSO), a web-based selection, configuration, quotation, order entry and aftermarket tool to streamline the quote-to-order process. As of September 28, 2007, we have installed CSO in our Imo operations in North America and our Allweiler operations in Bottrop, Germany. We intend to install CSO across all of our operations. We believe that CSO, when fully installed, will significantly increase the speed of supplying quotes to our customers and will reduce our selling costs and increase our manufacturing efficiency. This is expected to be accomplished by eliminating many manual front-end processes and establishing an integrated, automated platform across brands to capture sales that otherwise would be lost due to increased response times.

Develop New Products, Applications and Technologies. We will continue to engineer our key products to meet the needs of new and existing customers and also to improve our existing product offerings to strengthen our market position. We intend to develop technological, or SMART, solutions, which incorporate advanced electronics, sensors and controls, through the use of our *Voice of the Customer* process to solve specific customer needs. We believe our SMART solutions will reduce our customers total cost of ownership by providing real-time diagnostic capabilities to minimize downtime, increase operational efficiency and avoid unnecessary costs. For example, through a *Voice of the Customer* process, we identified an opportunity to assist shipowners in meeting stricter environmental standards by developing an integrated fluid handling system with sensors designed to proactively alert the ship engineer of a leak. This solution helps our customers avoid incurring large fines during routine port inspections. With the recent acquisition of Fairmount, we also intend to leverage their portfolio of advanced controls into our broader industrial offerings to develop innovative SMART fluid handling solutions.

To further align our product innovation efforts across our operations, we have established a global engineering center of excellence located at our office in Mumbai, India, which will collaborate with our global operations to design new products, modify existing solutions, identify opportunities to reduce manufacturing costs and increase the efficiency of our existing product lines. We also believe that we will be able to reallocate select engineering functions to our engineering center thereby freeing resources to spend time on higher value work.

Grow Our Offerings of Systems and Solutions. We will continue to provide high value added fluid handling solutions by utilizing our engineering and application expertise and our brand recognition and sales channels to drive incremental revenue. We intend to establish regional system manufacturing capabilities to address our customers desire to purchase turnkey modules and their preference for outsourced assembly. For example, our position as a leading supplier of 2-screw pumps, combined with our engineering and application expertise, recently provided us the ability to design, build, install and commission three system packages to transport heavy crude oil for a Middle Eastern customer. By offering complete turnkey systems, we not only captured a greater share of the overall project value, but also demonstrated our technical capabilities which led to a follow-on order in 2007.

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Continue to Pursue Strategic Acquisitions that Complement our Platform. We believe that the fragmented nature of the fluid handling industry presents substantial consolidation and growth opportunities for companies with access to capital and the management expertise to execute a disciplined acquisition and integration program. We have successfully applied this strategy since our inception and plan to continue to seek companies that:

- enhance our position in our five strategic markets;
- have recognized, leading brands and strong industry positions;
- present opportunities to expand our product lines and services;
- have a reputation for high quality products;
- will broaden our global manufacturing footprint;
- complement or augment our existing worldwide sales and distribution networks; or
- present opportunities to provide operational synergies and improve the combined business operations by implementing CBS.

We believe that we can identify a number of attractive acquisition candidates in the future and that strategic acquisition growth will give us the opportunity to gain a competitive advantage relative to smaller operators through greater purchasing power, a larger international sales and distribution network and a broader portfolio of products and services.

Our Products

We design, manufacture and distribute fluid handling products that transfer or control liquids in a variety of applications. We market our products principally under the Allweiler, Fairmount, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith brands and also sell replacement parts and perform repair services for our manufactured products.

Our primary products include:

Fluid Handling Products	Principal Brands	Principal End Uses
Pumps	Allweiler, Houttuin, Imo, Warren, Tushaco and Zenith	Commercial marine, oil and gas, machinery lubrication, power generation, global navy and commercial construction
Fluid Handling Systems	Allweiler, Fairmount, Houttuin, Imo, LSC and Warren	Commercial marine, oil and gas, power generation and global navy
Specialty Valves	Portland Valve	Global navy

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Pumps

At the most basic level, pumps are used to transfer liquids. For such transfer to occur, pumps require energy by a driver such as an electric motor. With their broad application across numerous industry segments, pumps can be classified by specific standards, technology, type or design. Within this broad product segment, we focus on rotary positive displacement and specialty centrifugal pumps. Rotary positive displacement and specialty centrifugal pumps operate differently, but both are designed to effectively transport specific liquid mediums. Rotary pumps generally are used on liquids that have oil-like characteristics, while centrifugal pumps generally are used on water-like liquids; however, special designs provide numerous common opportunities.

Rotary Positive Displacement Pumps We believe we are a leading manufacturer of rotary positive displacement pumps with a broad product portfolio and globally recognized brands. Rotary positive displacement pumps consist of a casing containing screws, gears, vanes or similar components that are actuated by the relative rotation of that component to the casing, which results in the physical movement of the liquid from the inlet to the discharge at a constant rate. The U.S. Hydraulic Institute accredits 11 basic types of rotary positive displacement pumps, of which we manufacture five (3-Screw, 2-Screw, Progressive Cavity, Gear and Peristaltic). The following table summarizes the range of our rotary positive displacement pump products.

Product	Max Flow (GPM)	Max Pressure (PSI)	Fluids Handled	Major Markets Served	Product Features
3-Screw	5,300	4,500	Viscous oils	Oil & Gas	High efficiency
			Viscous chemicals	Power Generation	Quiet operation
				Commercial Marine	High pressure capability
				Global Navy	
2-Screw	12,000	1,500	Viscous oils	Oil & Gas	Large capacity
			Corrosive fluids	Commercial Marine	High efficiency
			Fibrous liquids	Power Generation	Contaminant handling
Progressive	3,750	1,500	Sewage sludge	General Industrial	Broad fluid type transfer
Cavity			Viscous liquids		Solids content handling
Gear	1,500	300	Polymer fiber	General Industrial	Multiple applications
			Adhesives		High speed
			Diesel fuel		Precision pumping
Peristaltic	350	230	Viscous fluids	General Industrial	Sealless design (no leaks)
			Corrosive liquids		Easy to maintain
					Simple design

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Specialty Centrifugal Pumps Centrifugal pumps use the kinetic energy imparted by rotating an impeller inside a configured casing to create pressure. While traditionally used to transport large quantities of thin liquids, our centrifugal pumps use specialty designs and materials to offer customers high quality, reliability and customized solutions for a wide range of viscosities and applications. We position our specialty centrifugal pumps for applications where customers clearly recognize our brand value or in markets where centrifugal and rotary pumps are complimentary. The table below sets forth the range of our primary specialty centrifugal products.

Fluids Handled	Max Flow (GPM)	Max Pressure (PSI)	Major Markets Served	Product Features
Water	10,500	150	Commercial Marine	Extended operation
			Global Navy	Sealless design (no leaks)
				Ability to package with rotary pumps
Lube Oil	7,000	150	Commercial Marine	Application specific design
			Power Generation	Easy installation
				Extended operation
Thermal Oil	5,500	240	General Industrial	ATEX certified
				ISO 2858 compliant
				Flexible design
Aggressive Liquids	150,000	240	General Industrial	Custom configuration
				Sealless design (no leaks)
				ATEX certified
				ISO 2858 compliant

Fluid Handling Systems

We manufacture complete fluid handling systems used primarily in the oil and gas, power generation, commercial marine and global navy markets. We offer turnkey systems and support, including design, manufacture, installation, commission and service. Our systems include:

- oil mist lubrication systems, which are used in rotating equipment in oil refineries and other process industries;
- custom designed packages used in crude oil pipeline applications;
- lubrication and fuel forwarding systems used in power generation turbines; and
- complete packages for commercial marine engine rooms.

Through the acquisition of Fairmount, we are able to integrate advanced programmable logic controls with our specialty valves to create SMART fluid handling systems for naval application. We are currently working together on several contracts for the U.S. Navy next-generation destroyer, including a $27.0 million contract to design a proprietary automated fire suppression system and a $16.5 million contract to supply SMART valves.

Specialty Valves

Our specialty valves are used primarily in naval applications. Our valve business has specialized machining, welding and fabrication capabilities that enable it to serve as a prime contractor to the U.S. Navy. In addition to designing and manufacturing valves, we also offer repair and retrofit services for products manufactured by other valve suppliers through our aftermarket support centers located in Portland, Maine and San Diego, California.

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Manufacturing

We manufacture and assemble our products at more than 16 locations worldwide, including in Europe, North America and Asia. This global manufacturing reach enables us to serve our customers wherever they choose to do business. Each of our manufacturing sites offers machining, fabrication and assembly capabilities that gives us the flexibility to source some of our products from multiple facilities. We believe that this flexibility enables us to minimize the impact of a manufacturing disruption if one of our facilities was to be damaged as a result of a natural disaster or otherwise. Our manufacturing facilities also benefit from the use of shared technology and collaboration across production lines, enabling us to increase operational efficiencies through the use of common suppliers and the duplication of production processes.

Twelve of our manufacturing facilities are certified as compliant with ISO 9001:2001 manufacturing standards, which are international quality standards developed by the International Organization for Standardization. ISO 9001:2001 refers to a quality management system which demonstrates the ability to consistently provide products that meet customer and applicable regulatory requirements and aim to enhance customer satisfaction. We believe that these certifications are recognitions of our commitment to and efforts in implementing and maintaining a quality management system in the design, manufacturing and sales of our fluid handling products.

Customers

Our business is geographically diversified, with 48% of net sales for the first nine months of 2007 derived from customers in Europe, 28% from customers in North and South America, 15% from customers in Asia and 9% from customers in other areas. Our customer base is highly diversified and includes commercial, industrial and government customers. Our business is not dependent on any single customer or a few customers, the loss of which would have a material adverse effect on the respective market, or on us as a whole. In the first nine months of 2007, no single customer represented more than 3% of sales.

Direct Sales

We provide our products directly to customers in each of the markets we serve through our approximately 100 direct field sales associates in 12 countries. A significant percentage of our direct sales associates have technical backgrounds, including degrees in engineering. In the first nine months of 2007, direct sales represented approximately 77% of our overall sales.

Indirect Sales

In addition to our direct sales force, we provide products to our customers through over 200 independent representatives that cover over 50 countries. We have established and maintain long-term relationships with distributors and original equipment manufacturers in key markets. Approximately 17% of our sales in the first nine months of 2007 were to distributors, while 24% of our sales in the same period were through original equipment manufacturers.

We believe that our worldwide presence enables us to provide timely and responsive support and service to our customers, many of whom operate internationally, and to capitalize on growth opportunities in both developed and emerging areas around the world.

Competition

Our products and services are marketed on a worldwide basis. We believe that the principal elements of competition in our markets are:

- the ability to meet customer specifications;

- application expertise and design and engineering capabilities;
- product quality and brand name;
- timeliness of delivery;
- price; and
- quality of aftermarket sales and support.

The markets we serve are highly fragmented and competitive. Because we compete in selected niches of the fluid handling industry, there is not any single company that competes directly with us across all of our markets. As a result, we have many different competitors in each of our strategic markets. In the commercial marine market, we compete primarily with Naniwa Pump Manufacturing Co., Ltd., Shinko Industries, Ltd., Shin Shin Machinery Group Co., Ltd. and Taiko Kikai Industries Co., Ltd. In the oil and gas market, we compete primarily with Joh. Heinr. Bornemann GmbH, Leistritz Pumpen GmbH, Netzsch Mohnopumpen GmbH and Robbins & Myers, Inc. In the power generation market, we compete primarily with Buffalo Pumps (a subsidiary of Ampco-Pittsburgh Corporation), KSB Group and Sulzer Ltd. In the global navy market, we compete primarily with Buffalo Pumps, Carver Pump Company, Curtiss-Wright Corporation and Tyco International, Inc.

Research and Development

We closely integrate research and development with marketing, manufacturing and product engineering in meeting the needs of our customers. Our business product engineering teams work to continuously enhance our existing products and develop new product applications for our growing base of customers that require custom solutions. We believe these capabilities provide a significant competitive advantage in the development of high quality fluid handling systems. Our product engineering teams focus on:

- lowering the cost of manufacturing our existing products;
- redesigning existing product lines to increase their efficiency or enhance their performance; and
- developing new product applications.

With the acquisition of Fairmount, we have significantly expanded our engineering capabilities with the addition of 24 system and electrical engineers. We intend to combine our new capabilities for design of proprietary programmable automation controllers with our fluid handling application expertise to build a portfolio of SMART solutions for use in our end markets.

In addition to our existing 150-person engineering team and research and development capabilities, we have also established an engineering center of excellence located at our Mumbai, India office to align our product innovation efforts across our global operations. We anticipate hiring additional local engineers who will collaborate with global business operations to design new products or modify existing solutions based on *Voice of the Customer* feedback. We also expect to increase our capacity of specialized engineering capabilities by reallocating certain engineering functions to our Indian engineering center, thereby freeing resources for higher value work.

We have approximately 54 employees in research and development. Expenditures for research and development for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 were $3.3 million, $2.9 million and $3.2 million, respectively.

Intellectual Property

We rely on a combination of intellectual property rights, including patents, trademarks, copyrights, trade secrets and contractual provisions to protect our intellectual property. As of December 31, 2007, we owned

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approximately 65 active U.S. and foreign patents and had approximately eight patent applications pending across all of our product lines. Although we highlight recent additions to our patent portfolio as part of our marketing efforts, we do not consider any one patent or trademark or any group thereof essential to our business as a whole or to any of our business operations. We also rely on proprietary product knowledge and manufacturing processes in our operations.

Our products are marketed under various trade names and registered U.S. and foreign trademarks. We have rights to a number of trade names, service marks and trademarks, including Colfax, Allweiler, Houttuin, Imo, LSC, Portland Valve, Tushaco, Warren and Zenith. We have rights to these names and marks in the United States and, where we believe appropriate, in foreign markets in which we operate or compete.

Although we are involved in disputes concerning intellectual property ownership rights from time to time, we have no knowledge of or any present infringement or any present claims of ownership of patents or trademarks that would materially affect our business. We intend to continue to pursue registration and protection of all of our intellectual property rights. We also intend to continue to vigorously defend our intellectual property and proprietary rights against infringement or other threats to the greatest extent possible under applicable law.

Raw Materials and Backlog

We obtain raw materials, component parts and supplies from a variety of sources, generally from more than one supplier. Our principal raw materials are metals, plastics, castings, motors and bearings. Our suppliers and sources of raw materials are based in both the United States and other countries, and we believe that our sources of raw materials are adequate for our needs for the foreseeable future. The loss of any one supplier would not have a material adverse effect on our business or result of operations.

Manufacturing turnaround time is generally sufficiently short so as to permit us to manufacture to order for most of our products, which helps to limit inventory costs. Therefore, backlog generally is a function of requested customer delivery dates and may range from two months to several years based on the actual requested dates.

Properties

We have 16 principal production facilities in seven countries. We have seven in the United States, one in China, one in France, three in Germany, one in the Netherlands, one in Sweden and two in India. The following table lists our primary facilities as of September 28, 2007, indicating the location, square footage, whether the facilities are owned or leased, and principal use.

Location	Sq. Footage	Owned/Leased	Principal Use
Richmond, Virginia	10,200	Leased	Corporate Headquarters
Hamilton, New Jersey	2,200	Leased	Subsidiary Headquarters
Columbia, Kentucky	75,000	Owned	Production
Warren, Massachusetts	147,000	Owned	Production
Monroe, North Carolina	130,000	Owned	Production
Sanford, North Carolina	32,000	Owned	Production
Aberdeen, North Carolina	20,000	Owned	Production
Houston, Texas	25,000	Leased	Production
Portland, Maine	61,000	Leased	Production
Tours, France	33,000	Leased	Production
Bottrop, Germany	55,000	Owned	Production
Gottmadingen, Germany	38,000	Leased	Production
Radolfzell, Germany	350,000	Owned	Production
Utrecht, Netherlands	50,000	Owned	Production
Stockholm, Sweden	130,000	Owned	Production
Daman, India	32,000	Owned	Production
Vapi, India	16,000	Leased	Production
Wuxi, China	60,000	Leased	Production

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Associates

The following table indicates our worldwide associate base as of the periods indicated:

	September 28,	December 31,		
	2007	2006	2005	2004
United States	657	548	492	563
Europe	1,103	1,034	1,039	937
Asia	242	216	173	6
Total	2,002	1,798	1,704	1,506

There are approximately 42 associates in the United States covered by a collective bargaining agreement with the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communications Workers of America (IUE-CWA). The contract with the union expires December 7, 2008 and provides for wage increases ranging from 3% to a maximum of 3.5% per year. In addition, in Germany, Sweden and the Netherlands, by law, some of our associates are represented by trade unions in these jurisdictions, which subjects us to arrangements very similar to collective bargaining agreements. To date, we have not experienced any work stoppages or strikes that have had a material adverse impact on operations. We consider our relations with our associates to be good.

Government Contracts

Sales to U.S. government defense agencies constituted approximately 5% of our revenue in the first nine months of 2007, with the majority of the U.S. government revenue being generated by our Warren brand. We are subject to business and cost accounting regulations associated with our U.S. government defense contracts. Violations can result in civil, criminal or administrative proceedings involving fines, compensatory and treble damages, restitution, forfeitures, and suspension or debarment from U.S. government defense contracts.

Legal Proceedings

Two of our subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers, and were not manufactured by any of our subsidiaries nor were the subsidiaries producers or direct suppliers of asbestos. The manufactured products that are alleged to have contained asbestos generally were provided to meet the specifications of the subsidiaries customers, including the U.S. Navy. Of the approximately 38,500 pending claims, approximately 15,400 of such claims have been brought in various state courts in Mississippi; approximately 4,200 of such claims have been brought in the Supreme Court of New York County, New York; approximately 400 of such claims have been brought in the Superior Court, Middlesex County, New Jersey; and approximately 1,900 claims have been filed in state courts in Michigan and the U.S. District Court, Eastern and Western Districts of Michigan. The remaining pending claims have been filed in state and federal courts in Alabama, California, Kentucky, Louisiana, Pennsylvania, Rhode Island, Texas, Virginia, the U.S. Virgin Islands and Washington.

In addition to the litigation and matters noted above, we and our subsidiaries are from time to time subject to, and are presently involved in, litigation or other legal proceedings arising out of the ordinary course of its business. These matters primarily involve claims for damages arising out of the use of the subsidiaries products, some of which include claims for punitive as well as compensatory damages.

With respect to the litigation and claims described in the preceding paragraphs, we believe that our subsidiaries will either prevail, have adequate insurance coverage or have established appropriate reserves to cover potential liabilities. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to such subsidiary, there could be a material adverse effect on our financial condition, or such subsidiary.

We are self-insured for a portion of our product liability and certain other liability exposures. Depending on the nature of the liability claim, and with certain exceptions, our maximum self-insured exposure ranges from $250,000 to $500,000 per claim with certain maximum aggregate policy limits per claim year. With respect to the exceptions, which relate principally to diesel and turbine units sold before 1991, our maximum self-insured exposure is $5.0 million per claim.

For a discussion regarding litigation relating to environmental matters, see Environmental Matters below.

Environmental Matters

The operations of our company, like those of other companies engaged in similar businesses, involve the use, disposal and clean up of substances regulated under environmental protection laws. We and our subsidiaries have been identified in a number of instances as a Potentially Responsible Party by the United States Environmental Protection Agency, and, in some instances, by individual states, with respect to the disposal of hazardous wastes at a number of facilities that have been targeted for clean-up pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or similar state law. Although CERCLA and corresponding state law liability is joint and several, we believe that our liabilities will not have a material adverse effect on our financial condition since we believe that the company either qualifies as a de minimis or minor contributor at each site. Accordingly, we believe that the portion of remediation costs that the company will be responsible for will therefore not be material.

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MANAGEMENT

Executive Officers, Directors and Key Employees

The following table sets forth information with respect to our current executive officers, directors, key employees and those who will become executive officers and directors upon consummation of the offering. With the exception of Mitchell P. Rales and Steven M. Rales, who are brothers, there are no family relationships among any of the individuals listed below.

Name	Age	Position
John A. Young	42	President and Chief Executive Officer and Director
G. Scott Faison	46	Senior Vice President, Finance and Chief Financial Officer
Thomas M. O Brien	57	Senior Vice President, General Counsel and Secretary
Michael K. Dwyer	50	Senior Vice President, General Manager Asia Pacific
Steven W. Weidenmuller	44	Senior Vice President, Human Resources
Joseph B. Neimann	46	Senior Vice President, Marketing and Strategic Planning
William E. Roller	45	Senior Vice President, General Manager Americas
Mario E. DiDomenico	56	Senior Vice President, General Manager Engineered Products
Dr. Michael Matros	42	Senior Vice President, General Manager Allweiler
Mitchell P. Rales	50	Director
Steven M. Rales	55	Director

Each officer serves at the pleasure of the board and is subject to removal by the board with or without cause.

John A. Young is the President and Chief Executive Officer and a Director of our company. Prior to becoming President in 2000, Mr. Young was Vice President, Chief Financial Officer and Treasurer of our company since its founding in 1995.

G. Scott Faison became the Senior Vice President, Finance and Chief Financial Officer in January of 2005. He has served as Corporate Controller and Assistant Treasurer since joining us in November 1997.

Thomas M. O Brien has served as our Senior Vice President, General Counsel and Secretary since January 1998. Mr. O Brien served as Assistant General Counsel at Imo from 1995-1998. He has been a member of the legal department at Imo since 1985.

Michael K. Dwyer joined our company in 1998 as Vice President, Colfax Business System and Global Sourcing. In 2004, Mr. Dwyer became Senior Vice President, General Manager Asia Pacific.

Steven W. Weidenmuller joined us in 2002 as Senior Vice President, Human Resources. Prior to joining our company, Mr. Weidenmuller was Vice President of Human Resources of Tropicana International, a subsidiary of PepsiCo, Inc., the leading producer of juice in the world, where he was employed from 1997 to 2002.

Joseph B. Niemann joined us in 2006 as Senior Vice President of Marketing and Strategic Planning. Prior to joining our company, Mr. Niemann was Vice President, Marketing & eBusiness of Emerson Climate Technologies, a subsidiary of Emerson Electric Company, where he was employed from 1990 to 2005.

William E. Roller has served as our Senior Vice President, General Manager Americas since June 1999. Subsequently, Mr. Roller added to his responsibilities the role of General Manager of both Zenith and LSC following the acquisitions of those businesses.

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Mario E. DiDomenico joined our company in 1998 with the acquisition of Imo. Since that time he has served as the Manager of Operations for Warren Pump, Vice President 2 Screw Pumps, and subsequently as Senior Vice President, General Manager Engineered Products. He has been with Imo Industries in increasingly responsible manufacturing roles since 1990.

Dr. Michael Matros joined Allweiler in 1996 as a project manager in Research and Development. From 1996 until 2006, Dr. Matros has held several positions at Allweiler with increasing responsibilities, including Director Research and Development and the Plant Manager of our Allweiler facility in Radolfzell, Germany. In April 2006, Dr. Matros was appointed to his current position as Senior Vice President, General Manager Allweiler.

Mitchell P. Rales has served as the Chairman of the Executive Committee of Danaher Corporation since 1990. For more than the past five years, Mitchell Rales has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded securities.

Steven M. Rales has served as the Chairman of the Board of Directors of Danaher Corporation since 1984. For more than the past five years, Steven Rales has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded securities.

Board Composition

Upon completion of this offering, we will have an authorized board of directors consisting of members, a majority of whom will be independent. Our board of directors has determined that each of , , and meets the definition of independent director under the New York Stock Exchange listing standards.

Our certificate of incorporation provides that the authorized number of directors may be changed only by resolution of the board of directors.

Board Committees

Upon completion of this offering, our board of directors will have a standing audit committee, a standing compensation committee and a standing nominating and corporate governance committee, the principal functions of which are detailed below.

Our board may establish other committees from time to time to facilitate the management of the business and affairs of our company.

Audit Committee

The audit committee will be responsible, among its other duties and responsibilities, for overseeing our accounting and financial reporting processes, the audits of our financial statements, the qualifications of our independent registered public accounting firm, and the performance of our internal audit function and independent registered public accounting firm. The audit committee will review and assess the qualitative aspects of our financial reporting, our processes to manage business and financial risks, and our compliance with significant applicable legal, ethical and regulatory requirements. The audit committee will be directly responsible for the appointment, compensation, retention and oversight of our independent registered public accounting firm. The members of our audit committee are expected to be , who will serve as chair of the committee, and . Our board of directors has determined that will qualify as an audit committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley

Act of 2002. Our board of directors has determined that each member of our audit committee will be independent within the meaning of the independent director guidelines of the New York Stock Exchange and each member of our audit committee will be independent under the requirements of Rule 10A-3 of the Securities Exchange Act.

Compensation Committee

The compensation committee will be responsible, among its other duties and responsibilities, for approving the compensation and benefits of our chief executive officer and other executive officers, monitoring compensation arrangements applicable to our chief executive officer and other executive officers in light of their performance, effectiveness and other relevant considerations and adopting and administering our equity incentive plans. To date, the compensation of our executive officers has primarily been determined by our full board of directors. For a discussion of the role of Mr. Young, our chief executive officer, and the limited role of compensation consultants in compensation decisions during our last fiscal year, see the Compensation Discussion and Analysis below.

The members of our compensation committee are expected to be , who will serve as chair of the committee, and .

Nominating and Corporate Governance Committee

The nominating and corporate governance committee will be responsible for recommending candidates for election to the board of directors. The committee also will be responsible, among its other duties and responsibilities, for making recommendations to the board of directors or otherwise acting with respect to corporate governance policies and practices, including board size and membership qualifications, new director orientation, committee structure and membership, succession planning for our chief executive officer and other key executive officers, and communications with stockholders. The members of our nominating and corporate governance committee are expected to be , who will serve as chair of the committee, and .

We believe that the composition of each of these three standing committees will satisfy the requirements for independence under the listing standards of the New York Stock Exchange and the applicable SEC rules and regulations.

Board Compensation

To date, none of our directors have received compensation for their services as a director of our company. We currently anticipate that, upon completion of this offering, our newly-formed compensation committee will review our director compensation policy and, as it deems necessary, modify our program to arrive at what we believe to be fair and competitive compensation for our directors as a public company.

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our named executive officers for 2007 (as set forth in the Summary Compensation Table below) should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from the currently planned programs summarized in this discussion.

Executive Compensation Philosophy and Objectives

To date, our executive compensation philosophy has been to offer our executive officers, including our named executive officers, compensation that is competitive and that meets our goals of attracting, keeping,

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incentivizing and rewarding highly skilled management so that we can achieve our financial and strategic objectives and continue to grow our company.

Utilizing this philosophy, our executive compensation program has been designed to:

- be competitive and flexible to reflect the industry in which we operate;
- continually focus on, and reward our executives for, achievement of company financial and strategic objectives, both over the short and longer-term; and
- consistently apply our compensation program to each of our named executive officers, including our CEO, Mr. Young, as well as all of our management, in all of our locations (although our specific programs may vary slightly between the United States and our other international locations, as required by local law or practice).

Setting of Executive Compensation

Other than as set forth below under Elements of Our Executive Compensation Program Base Salary, to date the compensation awarded to our named executive officers has been determined solely by the full board of directors based upon their collective experience and reasoned business judgment, with recommendations from our CEO, Mr. Young, for each of the named executive officers other than himself.

Other than the philosophy and compensation objectives discussed above, which have been informally followed by the board, the board has not formally adopted any policies with respect to long-term versus currently-paid compensation, cash versus non-cash compensation, or any other compensation policies. In addition, the board has historically looked at each compensation element individually such that decisions regarding one element have not affected decisions regarding other elements. This is because each element of our compensation program has a different purpose:

- base salaries must be competitive in order to attract and keep our executive talent;
- annual bonus plan designed to reward our executive officers for annual improvements in key areas of company operational and financial performance; and
- long-term cash incentive plans designed to reward our executive officers for growing our company over the longer-term and positioning it for a liquidity event, either through a sale or pursuant to an initial public offering.

It is currently anticipated that, upon completion of this offering, our newly-formed compensation committee will review our executive compensation program and, as it deems necessary, modify or expand our program to arrive at what we believe to be fair and competitive compensation for our executive officers, including the named executive officers, as a public company.

Elements of Our Executive Compensation Program

As discussed above, prior to this offering, the elements of our executive compensation program have been base salary, an annual cash bonus, and long-term cash incentives.

Base Salary. As noted above, one of our guiding compensation objectives is to be flexible in order to reflect the competitive environment we encounter in recruiting and retaining senior management. Base salaries are reviewed annually with this objective in mind.

Named Executive Officers, Other Than Mr. Young. The annual base salary increases, if any, awarded to our named executive officers in fiscal 2007, as well as all of our associates generally, are determined

from a merit pool recommended by Mr. Young and approved by the board. Each year, Mr. Young develops a merit pool, or aggregate percentage increase in base salary amounts for Colfax associates generally, that is recommended to the board. Mr. Young bases his recommendation on his subjective review of publicly available compensation compilation and survey data comprised of average percentages by which base salaries paid to employees of industrial and other companies in the U.S., as well as the other geographic locations where we have associates, are expected to increase. The component companies which form the basis for this compilation data are not disclosed as part of this survey information and thus are not known to Mr. Young, the board or Colfax. Based on the board s review of this information and Mr. Young s recommendation, the board approved a merit pool of 4.0% for fiscal 2007, which the board believed was commensurate with the survey data it reviewed.

Once the merit pool was determined, Mr. Young further recommends to the board the base salaries for each named executive officer, other than himself. Mr. Young makes these recommendations based upon his subjective judgment and business experience. These base salaries recommended by Mr. Young, and approved by the board, are set forth in the Salary column of the Summary Compensation Table below.

Mr. Young. In determining Mr. Young s base salary increase for fiscal 2007, the board performed a more comprehensive review of CEO base salaries. In order to provide the board with survey data specific to compensation paid to CEOs, we retained Watson Wyatt Worldwide to develop a survey of comparable industrial public companies, with similar revenue and products to Colfax, using publicly available compensation information from public company proxy statements. The peer group of companies included in the Watson Wyatt survey consisted of Gardner Denver, Inc., IDEX Corporation, Graco Inc., Robbins & Myers, Inc., Altra and The Gorman Rupp Company. In reviewing this survey information, the board determined to increase Mr. Young s base salary to $375,000.

Annual Cash Bonus. For 2007, each of our named executive officers was entitled to participate in our 2007 Management Incentive Plan, or our annual cash bonus plan during fiscal 2007. As stated above, we believe the annual cash bonus plan incentivizes our named executive officers to achieve annual improvements in what we view as key company financial and operational metrics, thus resulting in continued growth for Colfax from year to year.

Financial and Operational Targets. Consistent with prior years, a substantial percentage of the funding for the 2007 annual bonus plan was determined by the achievement of financial performance targets based on the board-approved corporate budget for the year. For each named executive officer other than Mr. Dwyer and Dr. Matros, the achievement of financial performance targets represented 70% of the funding for the annual bonus, and the financial performance targets consisted of sales, EBITDA and working capital turns (each as adjusted to negate the effects of foreign currency exchange rates). The board chose these metrics, as it has in recent years, as we believe these are the three performance metrics which most influence and support our growth and, as a result, shareholder value.

For each of Mr. Dwyer and Dr. Matros, the achievement of financial performance targets represented 75% of the funding of his annual bonus. The financial performance targets applicable to Mr. Dwyer and Dr. Matros included each of the performance metrics discussed above which are applicable to our corporate named executive officers; however, the board believed that the financial metrics for Mr. Dwyer s and Dr. Matros potential annual bonus should be based primarily on the business unit that each oversees, and not the company as a whole. Thus, 65% of each of Mr. Dwyer s and Dr. Matros potential bonus was based on the achievement of sales, EBITDA and working capital turns with respect to their respective business units (which, for Mr. Dwyer only, were adjusted to negate the effects of foreign currency exchange rates due to the fact that Mr. Dwyer s business unit includes more than one currency type). The additional 10% of each of Mr. Dwyer s and Dr. Matros potential bonus was based on achievement of the company-wide sales target for the year.

The remaining 30% (or 25%, in the case of Mr. Dwyer and Dr. Matros) of the annual bonus plan was based on board-approved personal objectives for each named executive officer, as discussed below.

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The following table outlines the annual bonus plan goal structure and respective weighting for each of the named executive officers, other than Mr. Dwyer and Dr. Matros, during 2007:

Measure	Weighting
Sales	17.5%
EBITDA	35.0%
Working capital turns	17.5%
Personal objectives	30.0%

The following table outlines the annual bonus plan goal structure and respective weighting for Mr. Dwyer and Dr. Matros during fiscal 2007:

Measure	Weighting
Sales business unit	15.0%
EBITDA business unit	35.0%
Working capital turns business unit	15.0%
Sales Colfax consolidated	10.0%
Personal objectives	25.0%

The board placed a greater emphasis on EBITDA as compared to the other performance metrics as we believe profitability is the primary driver of our growth. With respect to the financial and operational performance metrics, the annual bonus plan is strictly formulaic in nature, and neither the board nor any executive officer exercised any discretion with respect to the targets, or the resulting payments, in fiscal 2007.

The target goal relating to each financial or operations performance metric, including the business units specific to Mr. Dwyer and Dr. Matros, represented our internal budget amount for 2007. The board then set threshold goals and maximum goals based upon their collective experience and business judgment, balancing our interests with the purpose of the program: to reward the named executive officers for improvements in each of the key metrics, including rewarding each of Mr. Dwyer and Dr. Matros for improvements in the metrics for the respective business unit he oversees. To determine the actual bonus paid to each named executive officer, the actual financial performance is multiplied by each named executive officer s target bonus (as set forth in footnote 1 to the Summary Compensation Table below) and the corresponding weighting for the measure. The 2007 financial performance goals for each of the named executive officers, other than Mr. Dwyer and Dr. Matros (other than with respect to the 10% of each of Mr. Dwyer s and Dr. Matros potential bonus based on the company-wide sales target) are set forth below:

Measure (weighting)	Target Goal	Threshold Goal	Threshold Payment	Maximum Goal	Maximum Payment
Sales (17.5%)[(1)]	$441.4 million	$415.6 million	65%	$485.5 million	250%
EBITDA (35.0%)	$ 70.0 million	$61.7 million	65%	$84.1 million	250%
Working Capital Turns (17.5%)	4.63	4.26	20%	5.01	200%

(1) For both Mr. Dwyer s and Dr. Matros 2007 annual bonus, company-wide sales represented 10% of the potential bonus.

We are not disclosing the specific sales, EBITDA and working capital turns targets applicable to the business units overseen by Mr. Dwyer and Dr. Matros as they are highly confidential to our business and we do not currently intend to disclose such information either as projections or as actual results upon completion of this offering. We believe that doing so would be competitively harmful to us, as it would provide our competitors with strategic information specific to our regional operations, thus providing our competitors in this region

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insight into our plans and projections for the region. The actual achievement of the financial performance targets for fiscal 2007 for Mr. Dwyer and Dr. Matros was as follows:

% of the sales target;

% of the EBITDA target; and

% of working capital turns target.

For each of the named executive officers other than Mr. Dwyer and Dr. Matros, actual results for 2007 were as follows:

$ million in sales (% of target);

$ million in EBITDA (% of target); and

in working capital turns (% of target).

Individual Performance Objectives. As stated above, 30% of each named executive officer s annual bonus (or 25%, with respect to Mr. Dwyer and Dr. Matros) is determined by achievement of board-approved individual performance objectives. The board includes individual performance objectives as part of the annual bonus plan to ensure that more targeted, non-financial company objectives over which the executive has primary control are part of the individual s total annual bonus for the year. We do not view these individual performance objectives as material to an understanding of this portion of our annual bonus plan as there are several individual objectives established for each named executive officer and, individually, no one factor materially affects the total potential amount of the bonus award.

The actual bonus award paid to each named executive officer pursuant to the 2007 annual bonus plan is disclosed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

Long-Term Incentives. In each of 2001 and 2006, our board of directors implemented long-term cash incentive plans as a direct means to motivate our senior management, or those most responsible for the overall growth and direction of our company, with the purpose of growing and increasing the value of our company and positioning it for an initial public offering or other liquidity event, such as a sale of our company. Each of the named executive officers, other than Dr. Matros, participates in the Colfax Corporation 2001 Employee Appreciation Rights Plan (the 2001 Plan). Each of the named executive officers participates in the 2006 Executive Stock Rights Plan (the 2006 Plan). Initially, our board of directors approved the 2001 Plan as we were starting to grow as a company. Accordingly, the 2001 Plan was designed to allow our senior management to share in the growth of our company and to attract new executive talent to our company. More recently, our board approved the 2006 Plan as a means of re-emphasizing this upside potential.

Generally, each of these plans provides the named executive officers with the opportunity to receive a certain percentage, in cash (or, with respect to the 2001 Plan only, in equity, in the sole discretion of the board of directors), of the increase in value of our company from the date of grant of the award until the date of the liquidity event. The board of directors has determined that this offering will qualify as a liquidity event under both the 2001 Plan and the 2006 Plan. As a result, each of the named executive officers will receive payouts under the plans, as applicable, in conjunction with this offering and thereafter the plans will terminate.

For the 2001 Plan, the percentage interest of participation for each participating named executive officer was determined solely in the discretion of the board of directors, based on their reasoned business judgment. For the 2006 Plan, while the board determined the percentage interest for each named executive officer based on its discretion, the board also took into account, in their subjective judgment, the level of the officer s responsibility with the company, his term of service with the company and his contributions to date. The 2001 Plan rights fully vested on the third anniversary of the grant date, subject to the participating named executive officer s continued

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employment and thus each such named executive officer is fully vested in his percentage interest under the 2001 Plan. The 2006 Plan rights vest if a liquidity event occurs prior to the 10 year expiration of the term of the plan. As stated above, the board has determined that this offering will constitute a liquidity event pursuant to the plans and thus each named executive officer will vest in his rights.

For further discussion of each of these plans, including the estimated payouts pursuant to this offering, see Potential Payments Upon Termination or Change in Control below.

Changes to Our Compensation Program in Connection with This Offering

Adoption of 2008 Omnibus Incentive Plan. The board of directors and shareholders unanimously approved the Colfax Corporation 2008 Omnibus Incentive Plan on , 2008. We have not granted any awards under the new incentive plan as of the date of this prospectus.

The board of directors adopted the new incentive plan because it believes that the new plan will more appropriately facilitate implementation of our future compensation programs as a public company. Prior to this offering, we have not adopted any comprehensive equity or cash award plans and we believe such a plan will be necessary for us to compensate our executives and associates generally as a public company. This is due, in part, to the limitations of Section 162(m) of the Internal Revenue Code, as we discuss below. Thus, the plan was approved by the board with a view to providing the newly established compensation committee with maximum flexibility to structure an executive compensation program that provides a wide range of potential incentive awards to our named executive officers, and associates generally, on a going-forward basis, and to preserve to the maximum extent possible our deductibility of performance-based compensation pursuant to Section 162(m).

For example, pursuant to the plan, the compensation committee has the discretion to determine the portion of each named executive officer s total compensation that will consist of awards under the plan, the mix of short-term and long-term incentives represented by the awards, the allocation of the awards between equity and cash-based incentives, the forms of the equity awards, and the service-based requirements or performance goals that the officer will have to satisfy to receive the awards. The compensation philosophy and objectives adopted by the committee will likely determine the structure of the awards granted by the committee pursuant to the plan.

For a more detailed discussion of the 2008 Omnibus Incentive Plan, see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table below.

Effect of Accounting and Tax Treatment on Compensation Decisions

Section 162(m) of the Internal Revenue Code imposes a limit on the amount of compensation that we may deduct in any one year with respect to certain covered employees, unless certain specific and detailed criteria are satisfied. Performance-based compensation, as defined in the Internal Revenue Code, is fully deductible if the programs are approved by stockholders and meet other requirements. We believe that future grants of awards under our new 2008 Omnibus Incentive Plan will qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thus permitting us to receive a federal income tax deduction in connection with such awards. However, as part of our current compensation objectives, we seek to maintain flexibility in compensating our executives, as discussed above and, as a result, the board has not adopted a policy requiring that all compensation be deductible. Our newly formed compensation committee will assess the impact of Section 162(m) on our compensation practices and determine what further action, if any, is appropriate.

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Compensation Tables and Disclosures

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Non-Equity Incentive Plan Compensation ($)(1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
John A. Young *President and Chief Executive Officer*	2007	375,000		736	59,407	435,143
G. Scott Faison *Senior Vice President, Finance and Chief Financial Officer*	2007	214,000		590	33,158	247,748
Michael K. Dwyer *Senior Vice President, General Manager Asia Pacific*	2007	219,500		575	92,236	312,311
Thomas M. O Brien *Senior Vice President, General Counsel and Secretary*	2007	247,000		22,213	37,169	306,382
Dr. Michael Matros *Senior Vice President, General Manager Allweiler*	2007	272,477(4)			17,966	290,443

(1) Amounts represent the payouts pursuant to our 2007 Management Incentive Bonus Plan. For a discussion of the performance metrics on which this plan is based, including the weighting for each performance metric and the actual percentage achievement of the financial performance targets, see the Compensation Discussion and Analysis above. To determine the actual bonus paid to each named executive officer, the actual financial performance was multiplied by each named executive officer s 2007 target bonus and the corresponding weighting for the measure. For fiscal 2007, each named executive officer s target bonus, expressed as a percentage of base salary, was as follows:

Mr. Young:	60%
Mr. Faison:	40%
Mr. Dwyer:	40%
Mr. O Brien:	40%
Dr. Matros:	35%

(2) Amounts represent solely the aggregate change in the actuarial present value of the applicable officer s accumulated benefit under our pension benefit plan, which was frozen to any new participants or contributions in January 1999, from the pension plan measurement date used for financial statement reporting purposes in fiscal 2006 as compared to fiscal 2007.

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(3) Amounts set forth in this column consist of the following:

Name	Supplemental Long-Term Disability Premiums ($)	Company Car ($)[(a)]	Company 401(k)/Deferred Compensation Plan Match and Contribution ($)[(b)]	Annual Physical ($)	Overseas Housing ($)[(c)(d)]	Tax Equalization Payments ($)[(d)]	Tax Preparation Services ($)[(d)]	Accident Insurance ($)
Mr. Young	1,808	15,000	36,699	5,900				
Mr. Faison	2,270	12,000	18,888					
Mr. Dwyer	2,707	12,000	18,599		19,650	36,600(e)	2,680	
Mr. O Brien	3,429	12,000	21,740					
Dr. Matros		17,639						327(f)

(a) Amounts include the annual cost of insurance, maintenance and gas. For Dr. Matros, amounts represent 463, or $682 in U.S. dollars, calculated based on the conversion rate in effect on December 31, 2007.

(b) For each applicable named executive officer, amounts represent the aggregate company match and company contribution made by Colfax during 2007 to such officer s 401(k) plan account and Excess Benefit Plan (nonqualified deferred compensation) account. See the Nonqualified Deferred Compensation Table and accompanying narrative below for additional information on these plans.

(c) Amounts represent the aggregate housing lease payments made by Colfax on behalf of Mr. Dwyer in connection with his overseas service.

(d) Amounts represent payments made to or on the behalf of Mr. Dwyer by Colfax in connection with his overseas service.

(e) Amount represents estimate as of January 4, 2008. Actual amount will not be known until filing of Mr. Dwyer s tax return for fiscal 2007.

(f) Amounts represent 222, or $327 in U.S. dollars, calculated based on the conversion rate in effect on December 31, 2007. For additional information on this benefit, see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Dr. Matros Service Contract and Potential Payments upon Termination or Change in Control below.

(4) This amount represents amounts paid in 2007 based on an annual base salary of 185,000, or $272,477 in U.S. dollars, calculated on the conversion rate in effect as of December 31, 2007.

Grants of Plan-Based Awards

The following table sets forth information with respect to grants of plan-based awards to our named executive officers during 2007:

Name	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[(1)] Threshold ($)	Target ($)	Maximum ($)
John A. Young	92,250	225,000	474,750
G. Scott Faison	35,096	85,600	180,616
Michael Dwyer	39,510	87,800	191,404
Thomas M. O Brien	40,508	98,800	208,468
Dr. Michael Matros	42,541	94,535	206,086

(1) Amounts represent the possible payouts under our 2007 Management Incentive Bonus Plan. For a discussion of the performance metrics and actual results and payouts under the plan for fiscal 2007, see the Compensation Discussion and Analysis and the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above, respectively.

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Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Pursuant to a letter dated December 28, 2007 (which modified and superseded a letter agreement dated April 29, 2005), we executed a letter of understanding with Mr. Dwyer with respect to his salary and benefits while serving overseas as Senior Vice President, General Manager Asia Pacific, as requested by the company. The employment period covered by the letter agreement is for one year, until December 31, 2008, unless terminated sooner in our discretion.

Pursuant to the letter agreement, Mr. Dwyer s base salary for fiscal 2007 was $219,500, which salary will be reviewed annually. In addition, Mr. Dwyer is eligible to receive an annual cash bonus under the Management Incentive Plan with a target of 40% of his base salary, or $87,800, for fiscal 2008.

In addition, during the period of his overseas assignment, Mr. Dwyer is entitled to receive the following benefits:

- reasonable reimbursement for business transportation expenses;
- company-provided housing in Hong Kong, paid directly to the landlord;
- participation in the Colfax tax equalization program and tax preparation assistance; and
- up to three trips annually to and from the U.S. for Mr. Dwyer and/or his family.

Dr. Matros Service Contract

Pursuant to a service contract effective November 14, 2006, Dr. Matros was appointed as a member of the management board of Allweiler AG, the German subsidiary of Colfax. The service contract is generally for an initial term of three years, until December 31, 2009, with automatic extension for one year, until December 31, 2010.

Under the service contract, Dr. Matros is entitled to an initial annual salary of 185,000, or $272,477 in U.S. Dollars, calculated on the conversion rate in effect as of December 31, 2007. In addition, Dr. Matros is entitled to receive a performance-related annual bonus. For fiscal 2007, the service contract provided that his annual target bonus was 35% of his annual salary. Dr. Matros base salary and target bonus are to be reviewed annually.

Consistent with what we believe to be customary practice for German companies and executives, the service contract further provides that Dr. Matros is entitled to a company car for business and personal use; however, Dr. Matros is required to bear the cost of any tax associated with his personal use. In addition, Dr. Matros is entitled to a medical exam once every two years, with Allweiler required to pay the difference between the actual cost of the exam and any insurance policy maintained by Dr. Matros. Dr. Matros did not take advantage of this benefit in fiscal 2007.

The service contract further provides for limited payments and benefits upon certain termination events. In addition, Allweiler is required to maintain an accident insurance policy for the benefit of Dr. Matros providing for coverage in the event of his death or disability. For a discussion of these provisions, and a quantification of the estimated payments to be made to Dr. Matros upon such events, see Potential Payments upon Termination or Change in Control below.

2008 Omnibus Incentive Plan

Our board of directors unanimously approved the Colfax Corporation 2008 Omnibus Incentive Plan on , 2008 (referred to as the new equity plan). The stockholders approved the plan on , 2008.

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The granting of awards under the new equity plan will generally be within the discretion of the compensation committee of our board of directors. Accordingly, it is not possible as of the date of this prospectus to determine the nature or amount of any such awards that may be subject to future grants to our officers, employees and other participants in the new equity plan. The new equity plan is not the exclusive means of providing incentive compensation to executives and other employees eligible to participate in the new equity plan, and we reserve the right to pay incentive compensation to them under another plan or without regard to any plan in appropriate circumstances.

Purpose and Eligibility. The purpose of the new equity plan is to enhance our ability to attract, retain and motivate highly qualified officers, employees, non-employee directors and other persons to serve us and our affiliates and to expend maximum effort to improve our business results and earnings, by providing to such officers, employees, non-employee directors and other persons with an opportunity to acquire or increase a direct proprietary interest in our operations and future success through ownership of our common stock.

Awards may be granted under the plan to officers, directors, including non-employee directors, other employees, advisors, consultants or other service provider of ours or our subsidiaries or other affiliates, and to any other individuals who are approved by the board of directors as eligible to participate in the plan. Only our employees or employees of our subsidiaries are eligible to receive incentive stock options.

Effective Date and Term. The new equity plan is effective as of the date immediately prior to the closing date of the first sale of common stock to the general public pursuant to this registration statement and will expire at the close of a ten-year term unless earlier terminated by our board of directors.

Administration, Amendment and Termination. Our board of directors will have the power and authority to administer the new equity plan. In accordance with the terms of the plan, the board of directors will delegate this power and authority to its compensation committee. The compensation committee will have the authority to interpret the terms and intent of the new equity plan, determine eligibility and terms of awards for participants and make all other determinations necessary or advisable for the administration of the new equity plan. To the extent permitted by law, the board or compensation committee may delegate authority under the plan to a member of the board of directors.

The compensation committee may amend, suspend or terminate the new equity plan at any time with respect to any shares of common stock as to which awards have not been made. No such action may amend the new equity plan without the approval of stockholders if the amendment is required to be submitted for stockholder approval by applicable law, rule or regulation, including rules of the New York Stock Exchange.

Awards

Awards under the new equity plan may be made in the form of:

- stock options, which may be either incentive stock options or non-qualified stock options;
- stock appreciation rights;
- restricted stock;
- restricted stock units;
- dividend equivalent rights;
- performance shares;

performance units;

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- other stock-based awards, including unrestricted shares; or

- any combination of the foregoing.

Any of the foregoing awards may be made subject to attainment of performance goals over a performance period of one or more years.

An incentive stock option is an option that meets the requirements of Section 422 of the Internal Revenue Code, and a non-qualified stock option is an option that does not meet those requirements. A stock appreciation right, or SAR, is a right to receive upon exercise, in the form of common stock, cash or a combination thereof, the excess of the fair market value of one share of common stock on the exercise date over the grant price of such SAR. Restricted stock is an award of common stock on which are imposed restrictions over restricted periods that subject the shares to a substantial risk of forfeiture, as defined in Section 83 of the Internal Revenue Code. Restricted stock units are awards that represent a conditional right to receive shares of common stock in the future and that may be made subject to the same types of restrictions and risk of forfeiture as restricted stock. Dividend equivalent rights are awards entitling the recipient to receive credits, which may be paid currently in cash or common stock or which may be deemed to be reinvested in additional shares, that are based on cash distributions that would have been paid on the shares specified in the rights if the shares had been issued to and held by the recipient. Performance shares are awards of common stock, the value for which at the time the common stock is payable is determined by the extent to which the applicable performance criteria have been met. Performance units are similar to performance shares except that the award is a performance-based right to receive shares of common stock in the future, subject to one or more other restrictions. Unrestricted shares are awards of shares of common stock that are free of restrictions other than those imposed under federal or state securities laws.

Shares Subject to New Equity Plan. Subject to adjustment as described below, a total of shares of our common stock will be available for issuance under the new equity plan. Shares issued under the new equity plan may be authorized as unissued shares or treasury shares.

Any shares covered by an award, or portion of an award, granted under the new equity plan that are forfeited or canceled, expire or settle in cash will be deemed not to have been issued for purposes of determining the maximum number of shares available for issuance under the new equity plan.

If any stock option is exercised by tendering shares to us, or if we withhold shares to satisfy tax withholding obligations in connection with such an exercise, as full or partial payment in connection with the exercise of a stock option under the new equity plan, only the number of shares issued net of the shares tendered will be deemed issued for purposes of determining the maximum number of shares available for issuance under the new equity plan. Shares issued under the new equity plan through the settlement, assumption or substitution of outstanding awards or obligations to grant future awards resulting from the acquisition of another entity will not reduce the maximum number of shares available for issuance under the new equity plan. In the case of a SAR, only the actual number of shares issued upon exercise of the SAR will be deemed issued for purposes of determining the maximum number of shares available for issuance.

The new equity plan has a number of additional limitations on the shares reserved for issuance or amount of awards that may be granted. A maximum of shares may be issued pursuant to incentive stock options. From and after the transition period set forth in Treasury regulations promulgated under Internal Revenue Code Section 162(m), no participant may be awarded options or SARs for more than shares in any calendar year. A maximum of shares of awards other than options or SARs may be awarded to any participant in any calendar year. The foregoing limitations are subject to adjustment as described below.

Terms and Conditions of Awards

Terms and Conditions of Options. An option granted under the new equity plan will be exercisable only to the extent that it is vested on the date of exercise. No option may be exercisable more than ten years from the option grant date. The compensation committee may include in the option agreement the period during which an option may be exercised following termination of employment or service.

The exercise price per share under each option granted under the new equity plan may not be less than 100%, or 110% in the case of an incentive stock option granted to a 10% stockholder, of the fair market value of the common stock on the option grant date. For so long as the common stock remains listed on the New York Stock Exchange, the fair market value of the common stock will be the closing price of the common stock as reported on the New York Stock Exchange on the option grant date. If there is no closing price reported on the option grant date, the fair market value will be deemed equal to the closing price as reported on the New York Stock Exchange for the last preceding date on which sales of the common stock were reported. If the shares of common stock are listed on more than one established stock exchange, the fair market value will be the closing price of a share of common stock reported on the exchange selected by the board of directors. If the common stock is not at the time listed or admitted to trading on a stock exchange, fair market value will be the mean between the highest bid and lowest asked prices or between the high and low sale prices of the common stock. If the common stock is not listed on any stock exchange or traded in the over-the-counter market, fair market value will be as determined in good faith by the board of directors in a manner consistent with Section 409A of the Internal Revenue Code.

Except upon the occurrence of a merger or other transaction described below, no amendment or modification may be made to an outstanding option which reduces the option price, either by lowering the option price or by canceling the outstanding option and granting a replacement option with a lower option price.

Payment of the option price for shares purchased pursuant to the exercise of an option may be made in cash or in cash equivalents acceptable to us or, to the extent permitted by law and at the discretion of the compensation committee, through a broker-assisted cashless exercise, the tender to us of shares of common stock or by a combination of cash payment, cashless exercise, or tender of shares or any other method that is approved by the compensation committee.

Each option will become vested and exercisable at such times and under such conditions as the compensation committee may approve consistent with the terms of the new equity plan.

In the case of incentive stock options, the aggregate fair market value of the common stock determined on the option grant date with respect to which such options are exercisable for the first time during any calendar year may not exceed $100,000.

Incentive stock options are non-transferable during the optionee s lifetime. Awards of non-qualified stock options are generally non-transferable, except for transfers by will or the laws of descent and distribution. The compensation committee may, in its discretion, determine that an award of non-qualified stock options also may be transferred to family members by gift or other transfers deemed not to be for value.

The compensation committee may impose restrictions on any shares of common stock acquired pursuant to the exercise of an option as it deems advisable, including minimum holding period requirements or restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which the shares of common stock are then listed or traded, or under any blue sky or state securities laws applicable to the shares of common stock.

Terms and Conditions of Stock Appreciation Rights. SARs may be granted in conjunction with all or a part of any option or other award granted under the new equity plan, or without regard to any option or other award. The compensation committee will determine at the SAR grant date or thereafter the time or times at which and the circumstances under which an SAR may be exercised in whole or in part, the time or times at which and the circumstances under which an SAR will cease to be exercisable, the method of exercise, the method of settlement, the form of consideration payable in settlement, whether or not an SAR will be in tandem or in combination with any other grant, and any other terms and conditions of any SAR. Exercisability of SARs

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may be subject to future service requirements, to the achievement of one or more of the performance objectives that are described below under Corporate Performance Objectives or to such other terms and conditions as the compensation committee, in its sole discretion, may impose.

Upon exercise of an SAR, the holder will be entitled to receive, in the specified form of consideration, the excess of the fair market value of one share of common stock on the exercise date over the grant price of such SAR, as determined by the compensation committee. The grant price of an SAR may not be less than the fair market value of a share of common stock on the grant date. Except upon the occurrence of a merger or other transaction described below, no amendment or modification may be made to an outstanding SAR which would be considered a repricing under the rules of the stock exchange under which the stock is listed without the consent of the shareholders.

Awards of SARs are generally nontransferable, except for transfers by will or the laws of descent and distribution.

Terms and Conditions of Restricted Stock and Restricted Stock Units. Subject to the provisions of the new equity plan, the compensation committee will determine the terms and conditions of each award of restricted stock and restricted stock units, including the restricted period for all or a portion of the award, the restrictions applicable to the award and the purchase price, if any, for the common stock subject to the award. Unless otherwise determined by the compensation committee, to the extent permitted or required by law as determined by the compensation committee, holders of shares of restricted stock will have the right during the restricted period to exercise full voting rights with respect to those shares and the right to receive any dividends declared or paid with respect to the shares. Awards of restricted stock and restricted stock units may be subject to satisfaction of individual performance objectives or one or more of the performance objectives that are described below under Corporate Performance Objectives.

The restrictions and the restricted period may differ with respect to each participant. An award will be subject to forfeiture if events specified by the compensation committee occur before the lapse of the restrictions.

Awards of restricted stock and restricted stock units are generally nontransferable during the restricted period or before satisfaction of any other restrictions applicable to the awards.

Terms and Conditions of Dividend Equivalent Rights. The compensation committee is authorized to grant dividend equivalents to a participant in connection with an award under the new equity plan, or without regard to any other award. Dividend equivalents will entitle the participant to receive cash or common stock equal in value to dividends paid, or other periodic payments made, with respect to a specified number of shares of common stock. Dividend equivalents may be paid or distributed when accrued or will be deemed to have been reinvested in additional common stock or in awards under the new equity plan, and will be subject to such risks of forfeiture as the compensation committee may specify. Dividend equivalents are generally nontransferable, except for transfers by will or the laws of descent and distribution.

Terms and Conditions of Performance Units and Performance Shares. The compensation committee may award performance shares and performance units in such amounts and upon such terms as the compensation committee may determine. Each performance share will have an initial value that is equal to the fair market value of a share of common stock on the date of grant. Each performance unit will have an initial value set by the compensation committee. The compensation committee may set performance goals in its discretion which, depending on the extent to which they are met, will determine the value or number of performance units or performance shares that will be paid out to a participant. The compensation committee may, in its sole discretion, pay earned performance units or performance shares in the form of cash or in shares of common stock equal to the value of the earned performance units or performance shares. Any shares of common stock issued based upon performance units or performance shares may be granted subject to any restrictions that the compensation committee deems appropriate.

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Terms and Conditions of Other Stock-Based Awards. The compensation committee may also grant other types of equity-based or equity-related awards, including the grant or offer for sale of unrestricted shares, in such amounts and subject to such terms and conditions as the compensation committee may determine. Any such awards may involve the transfer of actual shares of common stock to participants, or payment in cash or otherwise of amounts based on the value of the shares of common stock. Any other stock-based awards granted by the compensation committee may be subject to performance goals established by the compensation committee in its discretion.

Effect of Corporate Transactions

Adjustment of Shares Subject to New Equity Plan. In the event of any increase or decrease in the number of outstanding shares of our stock, or in the event such shares are changed into or exchanged for a different number or kind of shares or other securities of ours on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, the compensation committee will adjust, among other award terms, the number and kind of shares or property that may be delivered in connection with awards and the exercise price, grant price or purchase price relating to any award in such manner as the compensation committee determines to be necessary to prevent dilution or enlargement of the rights of participants.

Effect of Corporate Transactions. Subject to the exceptions described below, upon the occurrence of a corporate transaction, as defined in the new equity plan, all outstanding shares of restricted stock and all stock units will become immediately vested, and the shares of stock subject to outstanding stock units will be delivered immediately before the occurrence of the corporate transaction. In addition, either of the following two actions will be taken:

- 15 days before the scheduled completion of the corporate transaction, all options and stock appreciation rights will become immediately exercisable and will remain exercisable for a period of 15 days, or

- instead of providing for accelerated vesting in awards under the new equity plan in connection with the corporate transaction, the compensation committee may provide that awards, whether or not exercisable, will be terminated and the holders of awards will receive a cash payment, or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment, equal to the value of the award.

These actions will not apply to any corporate transaction to the extent that provision is made in writing in connection with the corporate transaction for the assumption or continuation of the outstanding awards, or for the substitution of such outstanding awards for similar awards relating to the stock of the successor entity, or a parent or subsidiary of the successor entity, with appropriate adjustments to the number of shares of stock that would be delivered and the exercise price, grant price or purchase price relating to any such award. If an award is assumed or substituted in connection with a corporate transaction and the holder is terminated without cause within a year following a change in control, the award will be fully vested and may be exercised in full, to the extent applicable, beginning on the date of such termination and for the one-year period immediately following such termination or for such longer period as the compensation committee shall determine.

A corporate transaction means:

- the dissolution or liquidation of our company or a merger, consolidation, or reorganization of our company with one or more other entities in which we are not the surviving entity;

- a sale of substantially all of our assets to another person or entity; or

- any transaction which results in any person or entity, other than persons who are stockholders or affiliates immediately prior to the transaction, owning 50% or more of the combined voting power of all classes of our stock.

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If we are the surviving entity in any reorganization, merger, or consolidation of our company with one or more other entities that does not constitute a corporate transaction, any option or stock appreciation right outstanding under the new equity plan will apply to the securities to which a holder of the number of shares of our stock subject to the option or stock appreciation right would have been entitled immediately following the transaction, with a corresponding proportionate adjustment of the exercise price. In such an event, stock units will be adjusted so as to apply to the securities that a holder of the number of shares of our stock subject to the stock units would have been entitled to receive immediately following the transaction.

The compensation committee may provide in any agreement under the new equity plan for different provisions to apply to an award under the plan than those described above.

Corporate Performance Objectives. Section 162(m) of the Internal Revenue Code limits public companies to an annual deduction for federal income tax purposes of $1,000,000 for compensation paid to their chief executive officer and the three most highly compensated executive officers determined at the end of each year. Performance-based compensation is excluded from this limitation. The new equity plan is designed to permit the compensation committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m) at such time as the new equity plan becomes subject to Section 162(m).

Section 162(m) requires that, to qualify as performance-based, the compensation must be paid solely on account of the attainment of one or more pre-established, objective performance goals. In the case of compensation attributable to new equity plan awards other than options, the performance goal requirement is deemed satisfied if the vesting of such awards is subject to the achievement of performance goals based on objective business criteria. To establish performance objectives for these awards, the compensation committee will exclusively use business criteria specified in the new equity plan. The performance objectives may be stated either on an absolute or relative basis and may be based on one or more of such business criteria. The business criteria are:

- net earnings or net income;
- operating earnings;
- pre-tax earnings;
- earnings per share;
- share price, including growth measures and total stockholder return;
- earnings before interest and taxes;
- earnings before interest, taxes, depreciation and amortization;
- sales or revenue growth, whether in general, by type of product or service, or by type of customer;
- gross or operating margins;
- return measures, including return on assets, capital, investment, equity, sales or revenue;

cash flow, including operating cash flow, free cash flow, cash flow return on equity and cash flow return on investment;

productivity ratios;

expense targets;

market share;

financial ratios as provided in credit agreements of Colfax Corporation and its subsidiaries;

working capital targets;

completion of acquisitions of businesses or companies;

completion of divestitures and asset sales; and

any combination of any of the foregoing business criteria.

The business criteria may be used to measure the performance of our company, any subsidiary or affiliate of our company as a whole or any business unit of our company, any subsidiary or affiliate of our company or any combination thereof, as the compensation committee deems appropriate. The compensation committee also may compare the performance measures listed above against the performance of a group of comparative companies, or a published or special index that the compensation committee, in its sole discretion, deems appropriate. We may use the share price performance measure as compared to various stock market indices. The compensation committee also has the authority to provide for accelerated vesting of any award based on the achievement of performance goals pursuant to the performance measures listed above.

Pension Benefits

Each of our named executive officers, other than Dr. Matros, participated in the Retirement Plan for Salaried U.S. Employees of Imo Industries, Inc. and Affiliates. This plan was acquired by us in connection with our acquisition of Imo Industries in August 1997 and was subsequently frozen to new participants and benefit accruals in January 1999. At such time, active employees participating in the plan received a benefit enhancement equal to 20% of their respective base benefits (as discussed below) as of January 31, 1999. Our board of directors determined to cease participation in the plan because it was determined that an enhanced defined contribution plan was more aligned with the company s strategy.

In order to participate in the pension plan, the participating named executive officers were required to be at least 21 years of age or have one year of service with Imo Industries (or its affiliates). Normal retirement age under the plan is age 65. Pursuant to the plan, each officer s accrued monthly pension benefit is based on the sum of the base and excess compensation for each year of service under the plan, as follows:

Base	**Excess**
1.15% of Final Average Salary	0.65% of Final Average Salary above the Covered Compensation Limit

Final Average Salary is defined under the plan to mean the average of the highest five consecutive salaries over the prior 10 year period, with salary to be comprised of base salary, bonuses and any overtime pay, subject to annual limitations imposed by Section 401(a)(17) of the Internal Revenue Code. The Covered Compensation limit is determined by the IRS based on an average of Social Security taxable wage bases for certain years. For 1999 (the year in which the plan was frozen) and prior years, the Covered Compensation limit was $72,600 or less.

There is no provision in the plan for early retirement with unreduced benefits. The plan does provide for early retirement with reduced benefits subject to the executive s attainment of age 55 and completion of ten years of service. Only Mr. O Brien is eligible for early retirement under the plan. His early retirement benefits, if he were to elect to retire early, are to be calculated based on the rule of 75 formula within the pension plan. Pursuant to this formula, participants with age plus years of service totaling at least 75 may retire early with the reduction in benefits split equally between the base and excess portions of the benefit formula. Thus, for each full year below age 65, there would be a reduction in the base benefit of 3% and the excess benefit would be reduced based on the applicable early retirement factor. The early retirement factor, which is a specific percentage based on the age at which a participant starts to receive benefit payments, reduces the monthly benefit to account for the additional years during which the participant will receive payments.

The normal form of benefits payment pursuant to the pension plan is a single life annuity (or, if married, an actuarially equivalent 50% joint and survivor annuity, which entitles the surviving spouse to continue receiving 50% of the monthly benefit after the participant s death). The plan also provides for the participating

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named executive officer to select a single life annuity, a 66- 2/3%, 75% or 100% joint and survivor annuity, a 5-, 10-, or 15-year period certain and life annuity (which provides reduced monthly payments for the participant s life with a guarantee of at least 5, 10 or 15 years of payments, as applicable), or a Social Security adjustment annuity with respect to certain early retirement benefits (which provides increased monthly benefit payments before the participant s Social Security benefits begin and reduced payments thereafter). No lump sum option is available unless the total value of the accumulated benefit is less than $5,000.

Name	Plan Name(1)	Number of Years Credited Service(#)(2)	Present Value of Accumulated Benefit ($)(3)	Payments During Last Fiscal Year($)
John A. Young	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	1	12,780	
G. Scott Faison	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	1	10,475	
Michael Dwyer	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	1	10,395	
Thomas M. O Brien	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	14	301,664	
Dr. Michael Matros				

(1) The Retirement Plan for Salaried U.S. Employees of Imo Industries, Inc. and Affiliates was frozen to any new participants or benefit accruals in January 1999.

(2) Represents the number of years of credited service for each applicable named executive officer under the plan, computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to our 2007 financial statements. The number of years of credited service represents each officer s actual years of credited service.

(3) Amounts represent the actuarial present value of each named executive officer s accumulated benefit under the applicable plan, computed as of the date used for financial statement reporting purposes with respect to our 2007 financial statements and assuming the normal retirement age as set forth in the plan, or age 65. For a discussion of the assumptions used to determine the accumulated present value, see Note to our 2007 audited financial statements.

Nonqualified Deferred Compensation

In 2005, we established the Colfax Corporation Excess Benefit Plan in an effort to provide certain senior-level employees, including each of the named executive officers other than Dr. Matros, with an opportunity to defer a stated percentage of their base compensation or their annual bonus compensation without regard to the compensation limits imposed by the Internal Revenue Code for our 401(k) plan. We established the Excess Benefit Plan to allow our senior-level executives to contribute toward retirement on a tax-effective basis in a manner that is consistent with other Colfax employees who are not limited by the Internal Revenue Code limits. The plan is unfunded, meaning there is no asset segregated for the exclusive benefit of the named executive officers.

The Excess Benefit Plan allows the named executive officers to defer up to 50% of their base salaries and up to 50% of their bonus compensation. These deferral limits are the same as that of other employees who

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participate in our qualified 401(k) plan. In addition, we match up to 3% of all excess deferrals by the named executive officers and provide a 3% company contribution, each of which are the same percentage match and contribution, respectively, as provided under the 401(k) plan. Each of the participating named executive officers is fully vested in his deferral account, including company match contributions.

Deferrals under the Excess Benefit Plan may be invested in 12 different equity and fixed income reference investment funds which are selected periodically by the plan trustee to best match the funds offered in the qualified 401(k) plan. Each participating named executive officer can allocate his deferrals among these fund investment options and may change his election at any time by filing a change of election form with Colfax. Colfax invests its match and contribution amounts in the same investment options in the same amounts and allocations as the reference funds selected by the officer.

Simultaneously with the officer s election to participate in the Excess Benefit Plan, the executive must elect the time of payment of his account balance upon termination of service. Because each of the named executive officers are likely key employees for purposes of Section 409A of the Internal Revenue Code, the executive is generally permitted to choose either (i) the last day of the month in which the six-month anniversary of termination occurs, or (ii) the later of January 31 of any of the five calendar years following the year of termination and the last day of the month in which the six-month anniversary of termination occurs. If no election is made, the benefit will be paid in a lump sum on the last day of the month which occurs six months after the executive s termination date.

In addition, at the time of electing his timing of payment, the executive must also elect the form of payment of his account balance. The executive may select a lump sum payment or annual installments over a period of two to ten years. If no form of payment election is made, the form of payment will be a lump sum. The named executive officer may elect to change his timing or form of payment, provided, generally, that (i) the election may not take effect until 12 months after the election, (ii) the election may not be made less than 12 months prior to the date of the first scheduled payment under the current election and (iii) the first payment with respect to the subsequent election is deferred for a period of not less than five years from the date such payment would otherwise have been made.

Upon death or disability, the executive (or his beneficiary) is to be paid a lump sum payment equal to the executive s account balance within 60 days after the year of death or the last day of the month in which the six-month anniversary of the executive s disability occurs, respectively.

Notwithstanding the above, in the event the executive s account balance at the time of his termination is less than $10,000, payment of the account balance upon termination will be made in a lump sum on or before the later of (i) December 31 of the calendar year of termination, or (ii) the date 2.5 months after the executive s termination from service.

Name	Executive Contributions in Last FY($)[1]	Registrant Contributions in Last FY($)[2]	Aggregate Earnings in Last FY($)	Aggregate Withdrawals/ Distributions($)	Aggregate Balance at Last FYE($)[3]
John A. Young	21,199	23,199	10,556		90,563
G. Scott Faison	5,388	5,388	3,763		18,357
Michael Dwyer	2,650	5,099	3,061		14,150
Thomas M. O Brien	1,240	8,240	3,206		17,695
Dr. Michael Matros					

(1) With respect to each applicable named executive officer, amounts represent deferred salary that are reported in the Salary column of the Summary Compensation Table above.

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(2) All amounts reported in this column for each applicable named executive officer are reported in the All Other Compensation column of the Summary Compensation Table above.
(3) With respect to each applicable named applicable executive officer s aggregate balance, the following amounts are reported in the Summary Compensation Table above: $44,398, Mr. Young; $10,776, Mr. Faison; $7,749, Mr. Dwyer; and $9,480, Mr. O Brien.

Potential Payments Upon Termination or Change in Control

2001 and 2006 Plans. For a general description of our 2001 Plan and 2006 Plan, including why our board of directors implemented such plans and the determination of each executive s percentage interest , see the Compensation Discussion and Analysis Long-Term Cash Incentives above.

2001 Plan. Pursuant to the 2001 Plan, upon the consummation of this offering, each named executive officer, other than Dr. Matros, is entitled to receive a bonus payment, in cash or equity as determined by the board, equal to (i) the net enterprise value of Colfax as of the date of this offering, multiplied by (ii) the executive s percentage interest.

Pursuant to the 2001 Plan, the amount payable to each participating named executive officer under the plan upon the consummation of this offering is estimated to be as follows:

Mr. Young	$
Mr. Faison	$
Mr. Dwyer	$
Mr. O Brien	$

The 2001 Plan will terminate as a consequence of this offering.

2006 Plan. Pursuant to the 2006 Plan, upon the consummation of this offering, each named executive officer will be entitled to receive a cash bonus payment equal to (i) the stock appreciation pool as of the date of the realization event, multiplied by (ii) the executive s percentage interest. The stock appreciation pool is generally defined as the increase in the estimated or actual value of the common equity held by Colfax stockholders as of the offering, over the initial estimated value attributable to the common equity held by Colfax stockholders as of the date of grant, as determined in the sole discretion of the board of directors.

Pursuant to the 2006 Plan, the amount payable to each named executive officer under the plan upon the consummation of this offering is estimated to be as follows:

Mr. Young	$
Mr. Faison	$
Mr. Dwyer	$
Mr. O Brien	$
Dr. Matros	$

The 2006 Plan will terminate as a consequence of this offering.

For purposes of the estimated cash bonuses payable to each named executive officer set forth above, we have assumed the consummation of this offering on , 2008 and a net enterprise value/common equity value of Colfax as of the consummation of the offering equal to $ (based on the midpoint of the price

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range set forth on the cover page of this prospectus). The amounts are based solely on these assumptions and actual amounts payable to each named executive officer pursuant to the 2001 Plan and 2006 Plan upon this offering may differ.

Dr. Matros Service Contract.

As discussed above, pursuant to his service contract with Allweiler AG, our German subsidiary, Dr. Matros is entitled to limited payments and benefits in the event of certain terminations of his employment. These payments and benefits are described below. We agreed to provide each of these benefits to Dr. Matros as we believe they are customary for German executives and consistent with local standards.

In addition to the payments and benefits described below, the service contract contains customary confidentiality, invention assignment and noncompetition (effective during the term of the contract) provisions.

Accident Insurance Policy. During the term of the service contract, Allweiler is required to maintain an accident insurance policy in favor of Dr. Matros, payable upon his death or disability, as follows:

- in the event of death: a lump sum payment equal to his base salary then in effect, up to a maximum insurance amount of 300,000; and
- in the event of disability: a lump sum payment equal to two times his base salary then in effect, up to a maximum insurance amount of 600,000.

Death. In the event of Dr. Matros death during the term of the service contract, his dependent children, if any, are entitled to continued payment of his base salary in effect as of the start of the service contract (185,000, or $272,477 in U.S. dollars, based on the conversion rate in effect as of December 31, 2007) for the month of death and the three following months. Any claim the children have to Dr. Matros pension during this time will be suspended and resumed upon completion of the payment period.

Disability. In the event Dr. Matros is temporarily prevented from carrying out his duties due to sickness or other reasons beyond his control, he is entitled to continued receipt of his base salary in effect as of the start of the service contract (185,000, or $272,477 in U.S. dollars, based on the conversion rate in effect as of December 31, 2007) for the earlier to occur of six months or the termination of the service contract. The service contract provides that the contract will be terminated three months after it is determined that Dr. Matros has become permanently incapable of performing his duties under the contract. In addition, in the event of sickness or other disability, Dr. Matros will be entitled to a pro rata portion of his annual cash bonus if his inability to work continues for at least three months.

Termination without Cause. Upon our termination of Dr. Matros without cause, he is entitled to receive a lump sum severance payment equal to six months of his base salary then in effect plus, for each full year of service completed since November 14, 2006 (the date of his employment), an additional one month of base salary, up to an additional 12 months of salary. Dr. Matros is not entitled to the above severance payment if:

- his termination is due to Section 84(3) sentence 1 and 2 of the German Stock Corporation Act, or Section 626(1) of the German Civil Code (BGB);
- we offer Dr. Matros a renewed appointment to the management board of Allweiler and Dr. Matros does not accept such offer;
- Dr. Matros voluntary resigns or terminates the service contract; or
- the service contract terminates, according to its terms, at the end of the month after Dr. Matros turns 65.

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Estimate of Payments to Dr. Matros. The table below sets forth the estimated payments and benefits to Dr. Matros upon the termination events described above. For purposes of these estimates, we have assumed the following:

the termination event occurred on December 31, 2007;

Dr. Matros base salary in effect as of December 31, 2007, or $272,477, with a monthly base salary rate of $22,706 per month;

in the event of death, continued payment of Dr. Matros base salary for three months (since the triggering event occurred at the end of December 2007); and

in the event of disability/sickness, continued payment of Dr. Matros base salary for six months and no pro rata annual bonus payment since the full 2007 annual bonus payment (as disclosed in the Summary Compensation Table above) would be paid.

	Cash Payment ($)	Accident Insurance ($)	Total ($)
Disability/Sickness	136,236	544,954	681,190
Death	68,118	272,477	340,595
Termination without Cause	158,942		158,942

Compensation Committee Interlocks and Insider Participation

Upon completion of this offering, we do not anticipate that any members of our compensation committee will serve as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Historically, our full board performed the functions of a compensation committee. During fiscal 2007, John Young, a director and our President and Chief Executive Officer, served as a member of our board of directors. In addition, Mitchell Rales and Steven Rales, two of our directors and principal stockholders had certain relationships with us during our fiscal year ended December 31, 2007. Please see Certain Relationships and Related Party Transactions for a description of these relationships.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies and Procedures for Related Person Transactions

Upon completion of this offering, we intend to adopt a related person transactions policy pursuant to which our executive officers, directors and principal stockholders, including their immediate family members, will not be permitted to enter into a related person transaction with us without the consent of our audit committee, another independent committee of our board of directors or the full board. Any request for us to enter into a transaction with an executive officer, director, principal stockholder or any of such persons immediate family members, in which the amount involved exceeds $120,000 will be required to be presented to our audit committee for review, consideration and approval. All of our directors, executive officers and employees will be required to report to our audit committee any such related person transaction. In approving or rejecting the proposed agreement, our audit committee will take into account, among other factors it deems appropriate, whether the proposed related person transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances, the extent of the person s interest in the transaction and, if applicable, the impact on a director s independence. Under the policy, if we should discover related person transactions that have not been approved, the audit committee will be notified and will determine the appropriate action, including ratification, rescission or amendment of the transaction. A copy of our related person transactions policy will be available on our website at www.colfaxcorp.com.

Related Person Transactions

Set forth below is a summary of certain transactions since January 1, 2004 among us, our directors, our executive officers, beneficial owners of more than 5% of either class of our common stock or our preferred stock outstanding before completion of the offering and some of the entities with which the foregoing persons are affiliated or associated in which the amount involved exceeds or will exceed $120,000.

Management Fee

We pay an annual management fee of $1 million in equal quarterly installments to Colfax Towers, Inc., an entity that is wholly owned by Mitchell Rales and Steven Rales. Payment of this management fee is be discontinued following this offering.

Preferred Stock Redemption

In April 2005, in connection with the sale of our power transmission business, we redeemed shares of our Series A Convertible Preferred Stock from each of Mitchell Rales and Steven Rales for an aggregate price of $82,000,000.

Registration Rights Agreement

We have entered into a registration rights agreement, dated May 30, 2003, with two of our directors and principal stockholders, Mitchell Rales and Steven Rales, pursuant to which they are entitled to rights with respect to the registration of certain of their shares following this offering under the Securities Act. For a description of these rights, see Description of Capital Stock Registration Rights Agreement.

Stockholders Agreement

We have entered into an amended and restated stockholders agreement with a number of our stockholders, including John Young, our President and Chief Executive Officer, Mitchell Rales and Steven Rales, two of our directors and principal stockholders and certain of our other principal stockholders and certain entities associated with our principal stockholders. The agreement sets forth certain agreements regarding the composition of our board, restrictions on the transfer of shares of our stock prior to this offering, repurchase rights and drag-along rights, among other requirements. The agreement terminates by its terms upon the completion of this offering.

Other Transactions

We intend to enter into indemnification agreements with our directors and executive officers. For a description of these agreements, see the section of this prospectus entitled Description of Capital Stock Limitation of Liability and Indemnification.

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PRINCIPAL STOCKHOLDERS

Beneficial Ownership of Our Capital Stock

The following table indicates information as of , 2008 regarding the beneficial ownership of our capital stock by:

- each person, or group of persons, who is known to beneficially own more than 5% of any class of our capital stock;
- each of our directors;
- each of the named executive officers; and
- all of our directors and executive officers as a group.

The percentages shown are based on shares of common stock outstanding as of , 2008 and shares of common stock outstanding after the offering, including shares issuable upon conversion of our outstanding preferred stock and the shares that are being offered for sale by us in this offering. The amounts shown assume conversion of our outstanding preferred stock and reflect the - for-1 split of our outstanding common stock. Beneficial ownership is determined in accordance with the SEC rules, which generally attribute beneficial ownership of securities to each person who possesses, either solely or shared with others, the power to vote or dispose of those securities. The rules also treat as outstanding all shares of capital stock that a person would receive upon exercise of stock options or warrants held by that person that are immediately exercisable or exercisable within 60 days of the determination date, which in our case is , 2008. These shares are deemed to be outstanding and to be beneficially owned by the person holding those options for the purpose of computing the number of shares beneficially owned and the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Information with respect to beneficial ownership has been furnished by each director, officer, or beneficial owner of more than 5% of the shares of our common or preferred stock, as the case may be. Except as otherwise noted below, the address for each person listed on the table is c/o Colfax Corporation, 8730 Stony Point Parkway, Suite 150, Richmond, Virginia 23235.

		Percentage of Shares Beneficially Owned	
Beneficial Owner	**Number of Shares Beneficially Owned**	**Before Offering**	**After Offering**
Mitchell P. Rales	(1)		
Steven M. Rales	(2)		
John A. Young			
G. Scott Faison			
Thomas M. O Brien			
Michael Dwyer			
Dr. Michael Matros			
All executive officers and directors as a group (persons)			%

(1) Includes (i) shares held directly by Mitchell Rales, (ii) shares held by Capital Yield Corporation, of which Mitchell Rales and Steven Rales are the sole stockholders, (iii) shares

(footnotes continued on following page)

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issuable upon conversion of preferred stock held directly by Mitchell Rales and (iv) shares issuable upon conversion of preferred stock held by Colfax Capital Corporation and Janalia Corporation, of which Mitchell Rales and Steven Rales are the sole stockholders. Mitchell Rales disclaims beneficial ownership of those shares that are owned by Steven Rales. The business address of Mitchell Rales, and of Capital Yield Corporation, Colfax Capital Corporation and Janalia Corporation is 2099 Pennsylvania Avenue, N.W., Washington, D.C. 20006.

(2) Includes (i) shares held directly by Steven Rales, (ii) shares held by Capital Yield Corporation, of which Steven Rales and Mitchell Rales are the sole stockholders, (iii) shares issuable upon conversion of preferred stock held directly by Steven Rales and (iv) shares issuable upon conversion of preferred stock held by Colfax Capital Corporation and Janalia Corporation, of which Steven Rales and Mitchell Rales are the sole stockholders. Steven Rales disclaims beneficial ownership of those shares that are owned by Mitchell Rales. The business address of Steven Rales, and of Capital Yield Corporation, Colfax Capital Corporation and Janalia Corporation is 2099 Pennsylvania Avenue, N.W., Washington, D.C. 20006.

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DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to the certificate of incorporation and bylaws that will become effective upon completion of this offering. Copies of these documents have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the closing of this offering.

Upon the completion of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, $ 0.01 par value per share and 10,000,000 shares of preferred stock, $ 0.01 par value per share. Immediately after the completion of the offering, shares of common stock and no shares of preferred stock will be outstanding.

Common Stock

The holders of shares of common stock are entitled to one vote per share held on all matters submitted to a vote at a meeting of stockholders. Each stockholder may exercise its vote either in person or by proxy. Stockholders are not entitled to cumulate their votes for the election of directors, which means that, subject to any rights as may be granted to the holders of shares of preferred stock, if any, the holders of more than 50% of the outstanding shares of common stock are able to elect all of the directors to be elected by holders of shares of common stock and the holders of the remaining shares of common stock will not be able to elect any director. Subject to any preferences to which holders of shares of preferred stock, if any, may be entitled, the holders of outstanding shares of common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. In the event that we liquidate, dissolve or wind up, the holders of outstanding shares of common stock are entitled to share ratably in all of our assets which are legally available for distribution to stockholders, subject to the prior rights on liquidation of creditors and to preferences, if any, to which holders of shares of preferred stock, if any, may be entitled. The holders of outstanding shares of common stock do not have any preemptive, subscription, redemption or sinking fund rights. The outstanding shares of common stock are, and the shares to be issued in the offering will, upon issuance and sale as contemplated hereby, be duly authorized, validly issued, fully paid and nonassessable.

Preferred Stock

Upon the consummation of this offering, all outstanding shares of our preferred stock will convert into shares of common stock. Following this offering, our certificate of incorporation will be amended and restated to delete all references to such shares of preferred stock.

Our charter authorizes us to issue up to shares of preferred stock, in one or more series and containing the rights, privileges and limitations, including dividend rights, voting rights, conversion privileges, redemption rights, liquidation rights or sinking fund rights, as may from time to time be determined by our Board of Directors. Preferred stock may be issued in the future in connection with acquisitions, financings or other matters as the Board of Directors deems to be appropriate. In the event that any shares of preferred stock shall be issued, a Certificate of Designation, setting forth the series of the preferred stock and the relative rights, privileges and limitations with respect thereto, is required to be filed with the Secretary of State of the State of Delaware. The effect of having preferred stock authorized is that our Board of Directors alone, within the bounds and subject to the federal securities laws and the Delaware Law, may be able to authorize the issuance of preferred stock, which may adversely affect the voting and other rights of holders of common stock. The issuance of preferred stock may also have the effect of delaying or preventing a change in control of our company. As of the date of this Prospectus, our Board of Directors has not authorized any series of preferred stock and there are no plans, arrangements or understandings for the issuance of any shares of preferred stock.

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Registration Rights Agreement

Under our registration rights agreement, two of our directors and principal stockholders, Mitchell Rales and Steven Rales, have registration rights with respect to shares of common stock beneficially held by them, including shares of common stock issuable upon conversion of preferred stock beneficially held by them as follows:

Demand Registration Rights. At any time during the period beginning six months after the consummation of this offering and ending five years thereafter, holders of at least 30% of the registrable shares can request that we file up to two registration statements registering all or a portion of their registrable shares, provided that the net offering price for such registration is at least $5,000,000. We are not required to effect a demand registration if we have effected a prior demand registration within the 180-day period preceding a new demand registration request, or if at the time of any demand registration request we have an effective shelf registration statement pursuant to which the demanding holders may effect the disposition of their registrable shares. Under specified circumstances, we have the right to defer filing of a requested registration statement for a period of not more than 90 days, with aggregate deferrals not to exceed 120 days in any 12-month period without our first obtaining prior written approval of a majority of the holders of registrable shares. These registration rights are subject to additional conditions and limitations, including the right of the underwriter to limit the number of shares included in any such registration under certain circumstances.

Piggy-Back Registration Rights. After completion of this offering, whenever we propose to file a registration statement under the Securities Act for an offering of common stock for our own account or for the account of any holder or holders of common stock, the holders of registrable shares are entitled to notice of the registration and have the right to include their registrable shares in such registration. These registration rights are subject to additional conditions and limitations, including the right of the underwriter to limit the number of shares having registration rights to be included in the registration under certain circumstances.

Form S-3 Registration Rights. If we are eligible to file a registration statement on Form S-3, the holders of registrable shares have the right to demand that we file up to two registration statements, including shelf registration statements, for the requesting holders on Form S-3 so long as the aggregate offering price of securities to be sold under the registration statement on Form S-3 is at least $750,000. We may amend any shelf registration to permit the requested disposition within 20 business days after a Form S-3 registration request is made, and such amendment will satisfy its obligations to the requesting holder. We are not required to effect a Form S-3 registration if we have effected a prior demand registration or Form S-3 registration within the 180-day period preceding a new Form S-3 registration request. Under specified circumstances, we have the right to defer filing of a requested registration statement for a period of not more than 90 days, with aggregate deferrals not to exceed 120 days in any 12-month period without our first obtaining prior written approval of a majority of the holders of registrable shares. These registration rights are subject to additional conditions and limitations, including the right of the underwriter to limit the number of shares having registration rights to be included in the registration under certain circumstances.

Expenses of Registration. We will pay all fees and expenses relating to all demand registrations, piggy-back registrations and Form S-3 registrations, other than: (i) underwriting discounts and fees, (ii) brokerage and sales commissions, (iii) transfer and documentary stamp taxes, and (iv) all fees and expenses of any counsel to holders.

Registrable Shares of Common Stock. The registration rights described above apply only to shares of common stock held by our principal stockholders on May 30, 2003 or upon the conversion of shares of preferred

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stock held by them as of May 30, 2003. Shares cease to be registrable shares upon their sale pursuant to a registration statement filed under the Securities Act or their sale under Rule 144 promulgated under the Securities Act. Moreover, as to each holder, such holder s registrable shares will no longer be considered registrable shares under the registration rights agreement if they cease to be outstanding or are otherwise transferred or disposed of without restriction or any required registration under the Securities Act.

Delaware Anti-Takeover Law and Selected Charter and Bylaw Provisions

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law, which, with specified exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the time that the stockholder became an interested stockholder unless:

- before that time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or after that time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^2/_3$ % of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include the following:

- any merger or consolidation of the corporation with the interested stockholder;
- any sale, lease, exchange, mortgage, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to specified exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- any receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

Section 203 defines an interested stockholder as:

- any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation; and

- any entity or person affiliated with or controlling or controlled by the entity or person.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by that entity or person. Because Mitchell Rales and Steven Rales acquired their shares from us prior to this offering, Section 203 is currently inapplicable to any business combination or transaction with them or their affiliates.

The application of Section 203 may make it difficult and expensive for a third-party to pursue a takeover attempt we do not approve, even if a change in control would be beneficial to the interests of our stockholders.

Charter and Bylaw Provisions

Majority Voting Provisions for Director Elections

Under our bylaws, election of directors will be by a majority of votes cast, or a plurality in the event there are more director candidates for election than seats to be filled. A director who fails to achieve a majority of votes cast in an uncontested election will be required to offer irrevocably to resign from the board of directors, and the remaining directors will determine whether to accept the resignation. Vacancies created by resignations or otherwise may be filled by vote of the remaining directors.

Number of Directors; Removal; Filling Vacancies

Our bylaws provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors comprising the entire board will be fixed from time to time by action of not less than a majority of the directors then in office. The number may not be less than three or more than nine, unless approved by action of not less than two-thirds of the directors then in office. In addition, the bylaws provide that, subject to any rights of holders of preferred stock, newly created directorships resulting from an increase in the authorized number of directors or vacancies on the board resulting from death, resignation, retirement, disqualification or removal of directors or any other cause may be filled only by the board (and not by the stockholders unless there are no directors then in office), provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. Accordingly, the board could prevent any stockholder from enlarging the board and filling the new directorships with that stockholder s own nominees.

Limitation on Special Meeting; No Stockholder Action by Written Consent

The certificate and the bylaws provide that (subject to the rights, if any, of holders of any class or series of preferred stock then outstanding) (i) only the chairman of the board or a majority of the board of directors will be able to call a special meeting of stockholders; (ii) the business permitted to be conducted at a special meeting of stockholders shall be limited to matters properly brought before the meeting by or at the direction of the board; and (iii) stockholder action may be taken only at a duly called and convened annual or special meeting of stockholders and may not be taken by written consent. These provisions, taken together, prevent stockholders from forcing consideration by the stockholders of stockholder proposals over the opposition of the board, except at an annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as director, or to bring other business before an annual meeting of our stockholders.

This procedure provides that, subject to the rights of any holders of preferred stock, only persons who are nominated by or at the direction of the board, any committee appointed by the board, or by a stockholder who has given timely written notice to our secretary prior to the meeting at which directors are to be elected, will be eligible for election as directors. The procedure provides that at an annual meeting only that business may be conducted as has been brought before the meeting by, or at the direction of, the board, any committee appointed by the board, or by a stockholder who has given timely written notice to our secretary of the stockholder s intention to bring that business before the meeting. Under the procedure, to be timely, notice of stockholder nominations or proposals to be made at an annual or special meeting generally must be received by us not less than 60 days nor more than 90 days prior to the scheduled date of the meeting (although under certain circumstances the notice period may differ). A stockholder s notice proposing to nominate a person for election as director must contain specific information about the nominating stockholder and the proposed nominee. A stockholder s notice relating to the conduct of business other than the nomination of directors must contain specific information about the business and about the proposing stockholder. If the chairman of the board or other officer presiding at a meeting determines that a person was not nominated, or other business was not brought before the meeting, in accordance with the procedure, the person will not be eligible for election as a director, or the business will not be conducted at the meeting, as the case may be.

By requiring advance notice of nominations by stockholders, this procedure affords our board an opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the board, to inform stockholders about his qualifications. By requiring advance notice of other proposed business, the procedure also provides a more orderly procedure for conducting annual meetings of stockholders and, to the extent deemed necessary or desirable by the board, provides the board with an opportunity to inform stockholders, prior to the meetings, of any business proposed to be conducted at the meetings, together with any recommendations as to the board s position regarding action to be taken with respect to the business, so that stockholders can better decide whether to attend the meeting or to grant a proxy regarding the disposition of the business.

Although the bylaws do not give the board any power to approve or disapprove stockholder nominations for the election of directors or proposals for action, the foregoing provisions may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals and of discouraging or deterring a third-party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, if the proper advance notice procedures are not followed, without regard to whether consideration of the nominees or proposals might be harmful or beneficial to us or our stockholders.

Certain Provisions Relating to the Issuance of Securities

The board or any committee of the board is specifically authorized to adopt plans or to issue securities, including plans, rights, options, capital stock, notes, debentures or other debt securities, which securities may be exchangeable or convertible into cash or other securities on the terms and conditions as the board or any board committee determines. In addition, the board or its committee of the board may provide that any holder or class of holders of the designated securities will be treated differently than all other security holders in respect of the terms, conditions, provisions and rights of the securities.

The existence of this authority or the actions which may be taken by the board pursuant thereto are intended to give the board flexibility in order to act in the best interests of our stockholders, including in the event of a potential change of control transaction. This provision may, however, deter potential acquirors from proposing unsolicited transactions not approved by the board and might enable the board to hinder or frustrate a transaction if proposed.

Limitation of Liability of Directors

Our certificate of incorporation and our bylaws will provide that we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services provided to us, which may include services in connection with takeover defense measures. These provisions may have the effect of preventing changes in our management. See Limitation of Liability and Indemnification.

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Limitation of Liability and Indemnification

Our certificate of incorporation contains provisions permitted under Delaware law relating to the liability of directors. These provisions eliminate a director s personal liability for monetary damages resulting from a breach of fiduciary duty, except in circumstances involving wrongful acts, such as:

- any breach of the director s duty of loyalty;
- acts or omissions which involve a lack of good faith, intentional misconduct or a knowing violation of the law;
- payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law; or
- any transaction from which the director derives an improper personal benefit.

These provisions do not limit or eliminate our rights or any stockholder s rights to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of director s fiduciary duty. These provisions will not alter a director s liability under federal securities laws.

Our bylaws require us to indemnify our directors and executive officers to the fullest extent not prohibited by Delaware law. We may limit the extent of this indemnification by individual contracts with our directors and executive officers. Furthermore, we may decline to indemnify any director or executive officer in connection with any proceeding initiated by any director or executive officer or any proceeding by any director or executive officer against us or our directors, officers, employees or other agents, unless indemnification is expressly required to be made by law or the proceeding was authorized by our board of directors.

We intend to enter into indemnification agreements with each of our current directors and some of our executive officers to give the directors and officers additional contractual assurances regarding the scope of the indemnification set forth in our certificate of incorporation and bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, officer or employee of Colfax for which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

We have the power to indemnify our other officers, employees and other agents, as permitted by Delaware law, but we are not required to do so. We have directors and officers liability insurance.

Transfer Agent and Registrar

will serve as transfer agent and registrar for our common stock.

Listing

We have applied to list our common stock on the New York Stock Exchange under the trading symbol CFX.

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SHARES OF COMMON STOCK ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock. Market sales of shares or the availability of shares for sale may decrease the market price of our common stock prevailing from time to time. Further, sales of substantial amounts of common stock in the public market, or the perception that substantial sales could occur, could adversely affect the market price of the common stock and could impair our future ability to raise capital through the sale of our equity securities.

After this offering, shares of common stock will be outstanding assuming no exercise of the underwriter s overallotment option and no exercise of options. All of the shares sold in this offering will be freely tradable. Except as set forth below, the remaining shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements. Subsequently, these remaining shares will be available for sale in the public market as follows:

Date of Availability of Sale	Approximate Number of Shares
As of the date of this prospectus	
90 days after the date of the prospectus	
120 days after the date of the prospectus	
180 days after the date of this prospectus (although a portion of the shares will be subject to specified volume limitations pursuant to Rule 144)	

Lock-Up Agreements

Our executive officers, directors, and stockholders holding virtually all of the shares of our capital stock have agreed, subject to limited exceptions, that, for a period of 180 days from the date of this prospectus, they will not, without the prior written consent of Merrill Lynch, sell, offer, contract to sell, pledge or otherwise dispose of shares of our common stock or any securities convertible into, or exercisable or exchangeable for our common stock or establish or increase a put equivalent position or liquidate or decrease a call equivalent position, other than shares of common stock disposed of as bona fide gifts approved by Merrill Lynch. Merrill Lynch in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

Rule 144

In general, under Rule 144 under the Securities Act of 1933, as amended effective February 15, 2008, a person who is deemed an affiliate of ours, and who has beneficially owned shares of our common stock for at least six months, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or

- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

The sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

In addition, under Rule 144, a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who had beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than an affiliate, is entitled to sell the shares

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without restriction, provided we have been in compliance with our reporting requirements under the Securities Exchange Act of 1934 for the six months following satisfaction of the six month holding period.

Rule 701

Rule 701 under the Securities Act of 1933, as currently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with specified restrictions, including the holding period requirement, of Rule 144. Most of our employees, officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates who purchased shares under a written compensation plan or contract may sell their shares in reliance on Rule 144 without having to comply with the holding period, public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements with the underwriter and will only become eligible for sale at the expiration of the 180-day lock-up agreements or upon obtaining the prior written consent of the underwriter, but in either event, no sooner than 90 days after this offering.

Registration Rights Agreement

Upon completion of this offering, the holders of shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the 180-day lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of this registration. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock. See the section of this prospectus entitled Description of Capital Stock Registration Rights Agreement.

Equity Incentive Plans

We intend to file a registration statement on Form S-8 registering the shares of common stock reserved for issuance under our 2008 Omnibus Incentive Plan. The registration statement is expected to be filed and become effective as soon as practicable after the completion of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market following its effective date, subject to the contractual arrangement described above, if applicable.

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MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR

NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a non-U.S. holder. For purposes of this discussion, you are a non-U.S. holder if you are a beneficial owner of our common stock, and you are not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation or partnership created or organized in or under the laws of the U.S., or of any political subdivision of the U.S., other than a partnership treated as foreign under U.S. Treasury regulations; or
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or a trust, in general, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust has made a valid election to be treated as a U.S. person under applicable U.S. Treasury regulations.

If you are an individual, you may be treated as a resident of the U.S. in any calendar year for U.S. federal income tax purposes, instead of a nonresident, by, among other ways, being present in the U.S. for at least 31 days in that calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For purposes of this calculation, you would count all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

This discussion does not consider:

- U.S. state or local or non-U.S. tax consequences;
- all aspects of U.S. federal income and estate taxes or specific facts and circumstances that may be relevant to a particular non-U.S. holder s tax position, including the fact that in the case of a non-U.S. holder that is a partnership, the U.S. tax consequences of holding and disposing of our common stock may be affected by various determinations made at the partner level;
- the tax consequences for the stockholders, partners or beneficiaries of a non-U.S. holder;
- special tax rules that may apply to particular non-U.S. holders, such as financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, broker-dealers, and traders in securities; and
- special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment.

The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and proposed Treasury regulations and administrative and judicial interpretations, all as of the date of this prospectus, and all of which are subject to change, retroactively or prospectively. The following summary assumes that you hold our common stock as a capital asset. **Each non-U.S. holder should consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.**

Dividends

We do not anticipate making cash distributions on our common stock in the foreseeable future. See Dividend Policy. In the event, however, that we make distributions on our common stock, those payments will constitute dividends for U.S. federal tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, they will constitute a return of capital and will first reduce a non-U.S. holder s basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock. Any dividend paid to a non-U.S. holder on our common stock will generally be subject to U.S. federal withholding tax at a rate of 30%, or a lower rate under an applicable income tax treaty. You should consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for us to withhold tax at a lower treaty rate, you must provide us with a Form W-8BEN certifying your eligibility for the lower treaty rate.

If you claim the benefit of an applicable income tax treaty rate, you generally will be required to satisfy applicable certification and other requirements. However,

- in the case of common stock held by a foreign partnership, the certification requirement will generally be applied to partners and the partnership will be required to provide certain information;

- in the case of common stock held by a foreign trust, the certification requirement will generally be applied to the trust or the beneficial owners of the trust depending on whether the trust is a foreign complex trust, foreign simple trust, or foreign grantor trust as defined in the U.S. Treasury regulations; and

- look-through rules apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

A non-U.S. holder that is a foreign partnership or a foreign trust is urged to consult its tax advisor regarding its status under these U.S. Treasury regulations and the certification requirements applicable to it.

If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the U.S. Internal Revenue Service.

If the dividend is effectively connected with your conduct of a trade or business in the U.S. and, if an income tax treaty applies, is attributable to a permanent establishment maintained by you in the U.S.; the dividend will be generally exempt from U.S. federal withholding tax, provided that you supply us with a properly executed Form W-8ECI. In this case, the dividend will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons and, if you are a foreign corporation, you may be subject to an additional branch profits tax at a rate of 30% or a lower rate as may be specified by an applicable income tax treaty.

Gain on Disposition of Common Stock

You generally will not be subject to U.S. federal income tax on gain recognized on a disposition of our common stock unless:

- the gain is effectively connected with your conduct of a trade or business in the U.S. and, if an income tax treaty applies, is attributable to a permanent establishment maintained by you in the U.S.; in these cases, the gain will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons and, if you are a foreign corporation you may be subject to an additional branch profits tax at a rate of 30% or a lower rate as may be specified by an applicable income tax treaty;

- you are an individual who holds our common stock as a capital asset, are present in the U.S. for 183 days or more in the taxable year of the disposition and meet other requirements; in these cases, the gain will be taxed at a rate of 30%; or

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- we are or have been a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that you held our common stock; in these cases, the gain will be taxed on a net income basis in the manner described in the first bullet paragraph above.

Generally, a corporation is a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. The tax relating to stock in a USRPHC generally will not apply to a non-U.S. holder whose holdings, direct and indirect, at all times during the applicable period, constituted 5% or less of our common stock, provided that our common stock was regularly traded on an established securities market. We believe that we are not currently, and we do not anticipate becoming in the future, a USRPHC for U.S. federal income tax purposes.

Federal Estate Tax

Common stock owned or treated as owned by an individual who is a non-U.S. holder, as specially defined for U.S. federal estate tax purposes, at the time of death will be included in the individual s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

Information Reporting and Backup Withholding Tax

Dividends paid to you may be subject to information reporting and U.S. backup withholding. You will be exempt from backup withholding tax if you provide a Form W-8BEN or otherwise meet documentary evidence requirements for establishing that you are a non-U.S. holder or otherwise establish an exemption.

The gross proceeds from the disposition of our common stock may be subject to information reporting and backup withholding. If you sell your common stock outside the U.S. through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the U.S., then the U.S. backup withholding and information reporting requirements generally (except as provided in the following sentence) will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the U.S., if you sell our common stock through a non-U.S. office of a broker that:

- is a U.S. person;
- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the U.S.;
- is a controlled foreign corporation for U.S. tax purposes; or
- is a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, or the foreign partnership is engaged in a U.S. trade or business,

unless the broker has documentary evidence in its files that you are a non-U.S. person and various other conditions are met or you otherwise establish exemption.

If you receive payments of the proceeds of a sale of our common stock to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you provide a Form W-8BEN certifying that you are a non-U.S. person or you otherwise establish an exemption.

You generally may obtain a refund of any amount withheld under the backup withholding rules that exceeds your income tax liability by filing a refund claim with the U.S. Internal Revenue Service.

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UNDERWRITING

We intend to offer the shares through the underwriter, Merrill Lynch, Pierce, Fenner & Smith Incorporated. Subject to the terms and conditions described in an underwriting agreement between us and the underwriter, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase from us, the number of shares listed opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	

The underwriter has agreed to purchase all of the shares sold under the purchase agreement if any of these shares are purchased.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriter may be required to make in respect of those liabilities.

The underwriter is offering the shares, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriter of officer s certificates and legal opinions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriter has advised us that it proposes initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriter may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriter of its overallotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Colfax Corporation	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us.

Overallotment Option

We have granted an option to the underwriter to purchase up to additional shares at the public offering price less the underwriting discount. The underwriter may exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriter exercises this option, it will be obligated, subject to conditions contained in the purchase agreement, to purchase the additional shares.

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Reserved Shares

At our request, the underwriter has reserved for sale, at the initial public offering price, up to shares offered by this prospectus for sale to some of our directors, officers, employees, distributors, customers, business associates and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase by 9:00 a.m. Eastern Time on the day following the pricing of this offering will be offered by the underwriter to the general public on the same terms as the other shares offered by this prospectus.

We, our executive officers and directors and all other existing stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other persons have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of the 180-day period referred to above, we issue an earnings release or material news or a material event relating to the company occurs or (y) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day restricted period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

New York Stock Exchange Listing

We have applied to list our shares on the New York Stock Exchange, subject to notice of issuance, under the symbol CFX. In order to meet the requirements for listing on that exchange, the underwriter has undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the underwriter. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

the valuation multiples of publicly traded companies that the underwriter believes to be comparable to us;

our financial information;

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- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriter does not expect to sell more than 5% of the shares in the aggregate to accounts over which it exercises discretionary authority.

Price Stabilization and Short Positions

Until the distribution of the shares is completed, SEC rules may limit the underwriter and selling group members from bidding for and purchasing our common stock. However, the underwriter may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriter may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriter s option to purchase additional shares in the offering. The underwriter may close out any covered short position by either exercising its overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the overallotment option. Naked short sales are sales in excess of the overallotment option. The underwriter must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriter in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriter s purchases to cover the short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor the underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the underwriter makes any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

An affiliate of Merrill Lynch is arranger and has been a lender from time to time under our amended credit facility. The underwriter and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. It has received customary fees and commissions for these transactions.

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In connection with the issue, the underwriter will not be responsible to anyone for providing advice in relation to the offering or for providing the protections that may be afforded to its clients, if any.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), an offer of the shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the shares which have been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of shares to the public in that Relevant Member State may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (i) an average of at least 250 employees during the last fiscal year; (ii) a total balance sheet of more than 43,000,000 and (iii) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;