

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-

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form S-1**

**REGISTRATION STATEMENT UNDER**  
**THE SECURITIES ACT OF 1933**

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**Colfax Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3561**  
(Primary Standard Industrial  
Classification Code Number)  
**8730 Stony Point Parkway, Suite 150**

**54-1887631**  
(I.R.S. Employer  
Identification Number)

**Richmond, VA 23235**

**(804) 560-4070**

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

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**John A. Young**

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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. "

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**CALCULATION OF REGISTRATION FEE**

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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**

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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.**

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	<b>Per Share</b>	<b>Total</b>
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.

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**Merrill Lynch & Co.**

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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





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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.

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**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](http://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.

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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.

Dollars in thousands, except per share amounts	Nine months ended		Year ended December 31,		
	September 28, 2007	September 29, 2006	2006	2005	2004
<b>Statement of Operations Data:</b>					
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 <sup>(1)</sup>	13,653	2,376	915	(1,209)	(8,314)

Dollars in thousands	As of September 28, 2007	
	Actual	As Adjusted <sup>(2)</sup>
<b>Balance Sheet Data:</b>		
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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Dollars in thousands	Nine months ended		Year ended December 31,		
	September 28,	September 29,	2006	2005	2004
<b>Other Data:</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Adjusted EBITDA <sup>(3)</sup>	\$ 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:

Dollars in thousands	Nine months ended		Year ended December 31,		
	September 28,	September 29,	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 <sup>(1)</sup>	(23,714)	24,367	33,816	18,112	29,412
Legacy legal expenses <sup>(2)</sup>			8,330	3,100	
Other post-employment benefit settlement <sup>(3)</sup>		(9,102)	(9,102)	(251)	
Cross currency swap <sup>(4)</sup>				(2,075)	2,075
Environmental indemnification <sup>(5)</sup>				(3,100)	
Write-off of loan costs <sup>(6)</sup>					2,777
Management fees <sup>(7)</sup>	750	750	1,000	1,000	1,000
Adjusted EBITDA	\$ 59,980	\$ 41,977	\$ 65,068	\$ 55,780	\$ 46,861

(footnotes on following page)



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- (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

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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

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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 than 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;

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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 the 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**

## Edgar Filing: Colfax CORP - Form S-1

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.

**Table of Contents****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.

(in thousands, except share data)	September 28, 2007	
	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	\$ _____

**Table of Contents****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,