
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter ended April 3, 2009

OR

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

For the transition period from _____ to _____

Commission file number-001-34045

Colfax Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

8730 Stony Point Parkway, Suite 150
Richmond, Virginia
(Address of principal executive offices)

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

23235
(Zip Code)

(804) 560-4070
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 3, 2009, there were 43,211,026 shares of the registrant's common stock, par value \$.001 per share, outstanding.

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Dollars in thousands, except per share amounts
(unaudited)

	<u>Three Months Ended</u>	
	<u>April 3, 2009</u>	<u>March 28, 2008</u>
Net sales	\$ 136,323	\$ 130,651
Cost of sales	<u>88,308</u>	<u>82,473</u>
Gross profit	48,015	48,178
Selling, general and administrative expenses	30,187	28,507
Research and development expenses	1,407	1,381
Asbestos liability and defense costs	1,645	278
Asbestos coverage litigation expenses	<u>2,966</u>	<u>3,139</u>
Operating income	11,810	14,873
Interest expense	<u>1,846</u>	<u>4,497</u>
Income before income taxes	9,964	10,376
Provision for income taxes	<u>3,103</u>	<u>3,578</u>
Net income	<u>\$ 6,861</u>	<u>\$ 6,798</u>
Net income per share—basic and diluted	<u>\$ 0.16</u>	<u>\$ 0.31</u>

See accompanying notes to condensed consolidated financial statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
Dollars in thousands

	<u>April 3, 2009</u> (unaudited)	<u>December 31, 2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,371	\$ 28,762
Trade receivables, less allowance for doubtful accounts of \$2,485 and \$2,486	86,862	101,064
Inventories, net	80,146	80,327
Deferred income taxes, net	6,245	6,327
Asbestos insurance asset	26,326	26,473
Asbestos insurance receivable	36,901	36,371
Prepaid and other current assets	12,501	15,533
Total current assets	283,352	294,857
Deferred income taxes, net	54,172	53,428
Property, plant and equipment, net	88,287	92,090
Goodwill	161,808	165,530
Intangible assets, net	12,378	13,516
Long-term asbestos insurance asset	274,057	277,542
Deferred loan costs, pension and other assets	15,100	16,113
	<u>\$ 889,154</u>	<u>\$ 913,076</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and notes payable	\$ 5,340	\$ 5,420
Accounts payable	41,939	52,138
Accrued asbestos liability	28,417	28,574
Accrued payroll	19,483	19,162
Accrued taxes	8,902	11,457
Other accrued liabilities	36,170	37,535
Total current liabilities	140,251	154,286
Long-term debt, less current portion	90,209	91,701
Long-term asbestos liability	324,905	328,684
Pension and accrued post-retirement benefits	125,857	130,188
Deferred income tax liability	6,755	7,685
Other liabilities	32,591	33,601
Total liabilities	720,568	746,145
Shareholders' equity:		
Common stock: \$0.001 par value; authorized 200,000,000; issued and outstanding 43,211,026	43	43
Additional paid-in capital	400,818	400,259
Retained deficit	(106,440)	(113,301)
Accumulated other comprehensive loss	(125,835)	(120,070)
Total shareholders' equity	168,586	166,931
	<u>\$ 889,154</u>	<u>\$ 913,076</u>

See accompanying notes to condensed consolidated financial statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands
(unaudited)

	Three Months Ended	
	April 3, 2009	March 28, 2008
Cash flows from operating activities:		
Net income	\$ 6,861	\$ 6,798
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	3,373	3,695
Noncash stock-based compensation	559	—
Amortization of deferred loan costs	168	383
(Gain) loss on sale of fixed assets	(10)	47
Deferred income taxes	(1,678)	(2,455)
Changes in operating assets and liabilities:		
Trade receivables	10,293	(608)
Inventories	(3,416)	(15,753)
Accounts payable and accrued liabilities, excluding asbestos-related accrued liabilities	(13,306)	2,984
Other current assets	1,885	(1,239)
Change in asbestos liability and asbestos-related accrued liabilities, net of asbestos insurance asset and receivable	3,464	(4,762)
Changes in other operating assets and liabilities	2,475	(186)
Net cash provided by (used in) operating activities	<u>10,668</u>	<u>(11,096)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(3,137)	(2,954)
Proceeds from sale of fixed assets	51	23
Net cash used in investing activities	<u>(3,086)</u>	<u>(2,931)</u>
Cash flows from financing activities:		
Payments under term credit facility	(1,250)	—
Payments on capital leases	(264)	(123)
Payment of IPO-related costs	—	(1,145)
Net cash used in financing activities	<u>(1,514)</u>	<u>(1,268)</u>
Effect of exchange rates on cash	(459)	455
Increase (decrease) in cash and cash equivalents	5,609	(14,840)
Cash and cash equivalents, beginning of period	28,762	48,093
Cash and cash equivalents, end of period	<u>\$ 34,371</u>	<u>\$ 33,253</u>

See accompanying notes to condensed consolidated financial statements.

COLFAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, unless otherwise noted

1. Organization and Nature of Operations

Colfax Corporation (the “Company”, “Colfax”, “we” or “us”) is a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and controls, 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 fluid handling industry, with Allweiler dating back to 1860.

2. General

The unaudited condensed consolidated financial statements included in this quarterly report have been prepared by the Company according to the rules and regulations of the Securities and Exchange Commission (“SEC”) and according to accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements. The accompanying balance sheet information as of December 31, 2008 is derived from our audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the SEC’s rules and regulations for interim financial statements. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited financial statements and related footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 6, 2009.

The financial statements reflect, in the opinion of management, all adjustments which consist solely of normal recurring adjustments necessary to present fairly the Company’s financial position and results of operations as of and for the periods indicated. Significant intercompany transactions and accounts are eliminated in consolidation.

We make certain estimates and assumptions in preparing our condensed consolidated financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates.

Certain prior period amounts have been reclassified to conform to current year presentations.

The results of operations for the three months ended April 3, 2009 are not necessarily indicative of the results of operations that may be achieved for the full year. Information for quarterly periods is affected by seasonal variations in our fluid handling business. As our customers seek to fully utilize capital spending budgets before the end of the year, historically our shipments have peaked during the fourth quarter. Also, our European operations typically experience a slowdown during the July and August holiday season.

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3. Warranty Costs

Estimated expenses related to product warranties are accrued at the time products are sold to customers and recorded as part of cost of sales. Estimates are established using historical information as to the nature, frequency, and average costs of warranty claims.

Warranty activity for the three months ended April 3, 2009 and March 28, 2008 consisted of the following:

	Three Months Ended	
	April 3, 2009	March 28, 2008
Warranty liability at beginning of the period	\$3,108	\$ 2,971
Accrued warranty expense, net of adjustments	124	521
Cost of warranty service work performed	(115)	(332)
Foreign exchange translation effect	(161)	127
Warranty liability at end of the period	<u>\$2,956</u>	<u>\$ 3,287</u>

4. Income Taxes

For the three months ended April 3, 2009, the Company earned approximately \$10.0 million before taxes and had \$3.1 million of income tax expense. The effective tax rate of 31.1 % represents the estimated annual tax rate for the year applied to the current period income before tax plus the tax effect of any significant unusual items, discrete items or changes in tax law. This effective tax rate of 31.1% differs from the U.S. federal statutory tax rate primarily due to international tax rates which are lower than the U.S. tax rate, including the impact of the reduction in 2009 of the Swedish tax rate from 28% to 26.3% that is applied to our Swedish operations.

For the three months ended March 28, 2008, the Company earned \$10.4 million before taxes and had \$3.6 million of income tax expense. This effective tax rate of 34.5% differed from the U.S. statutory rate generally due to net international tax rates which are lower than the U.S. rate offset in part by a net increase in unrecognized tax benefits.

The Company is subject to income tax in the U.S., state and international locations. The Company's significant operations outside the U.S. are located in Germany and Sweden. In Sweden and Germany, tax years from 2003 to 2008 and from 2001 to 2008, respectively, remain subject to examination. In the U.S., tax years from 2005 and beyond generally remain open for examination by U.S. and state tax authorities as well as tax years ending in 1997, 1998, 2000 and 2003 that have U.S. tax attributes available to be carried forward to open or future tax years.

Due to the difficulty in predicting with reasonable certainty when tax audits will be fully resolved and closed, the range of reasonably possible significant increases or decreases in the liability for unrecognized tax benefits that may occur within the next 12 months is difficult to ascertain. Currently, we estimate it is reasonably possible the expiration of various statutes of limitations and resolution of tax audits may reduce our tax expense in the next 12 months from zero to \$1.4 million.

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5. Earnings per Share

The following table presents the computation of basic and diluted earnings per share:

	Three Months Ended	
	April 3, 2009	March 28, 2008
Numerator:		
Net income available to common shareholders	\$ 6,861	\$ 6,798
Denominator:		
Weighted-average shares of common stock outstanding - basic	43,211,026	21,885,929
Net income per share - basic	<u>\$ 0.16</u>	<u>\$ 0.31</u>
Weighted-average shares of common stock outstanding - basic	43,211,026	21,885,929
Net effect of potentially dilutive securities ⁽¹⁾	101,280	—
Weighted-average shares of common stock outstanding - diluted	43,312,306	21,885,929
Net income per share - diluted	<u>\$ 0.16</u>	<u>\$ 0.31</u>

⁽¹⁾ Potentially dilutive securities consist of options and restricted stock units.

In the three months ended April 3, 2009, 664,751 potentially dilutive stock options, restricted stock units and deferred stock units were excluded from the calculation of diluted earnings per share, since their effect would have been anti-dilutive.

6. Comprehensive Income

	Three Months Ended	
	April 3, 2009	March 28, 2008
Net income	\$ 6,861	\$ 6,798
Other comprehensive (loss) income:		
Foreign currency translation, net of tax	(7,255)	3,897
Unrecognized pension and post-retirement benefit plan costs, net of tax	600	431
Unrecognized gains on hedging activities, net of tax	890	—
Other comprehensive (loss) income	(5,765)	4,328
Comprehensive income	<u>\$ 1,096</u>	<u>\$ 11,126</u>

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7. Inventories

Inventories consisted of the following:

	April 3, 2009	December 31, 2008
Raw materials	\$33,906	\$ 34,074
Work in process	35,444	33,691
Finished goods	22,054	21,600
	91,404	89,365
Less-Customer progress billings	(4,271)	(2,115)
Less-Allowance for excess, slow-moving and obsolete inventory	(6,987)	(6,923)
	<u>\$80,146</u>	<u>\$ 80,327</u>

8. Net Periodic Benefit Cost – Defined Benefit Plans

The following sets forth the components of net periodic benefit cost of the non-contributory defined benefit pension plans and the Company's other post-retirement employee benefit plans for periods presented.

	Three Months Ended	
	April 3, 2009	March 28, 2008
Pension Benefits - U.S. Plans		
Service cost	\$ —	\$ —
Interest cost	3,470	3,576
Expected return on plan assets	(4,566)	(4,774)
Amortization	702	585
Net periodic benefit credit	<u>\$ (394)</u>	<u>\$ (613)</u>
Pension Benefits - Non U.S. Plans		
Service cost	\$ 273	\$ 259
Interest cost	1,046	1,162
Expected return on plan assets	(226)	(377)
Amortization	174	98
Net periodic benefit cost	<u>\$ 1,267</u>	<u>\$ 1,142</u>
Other Post-Retirement Benefits		
Service cost	\$ —	\$ —
Interest cost	131	108
Amortization	88	37
Net periodic benefit cost	<u>\$ 219</u>	<u>\$ 145</u>

9. Shared-Based Payments

The Company accounts for stock-based awards in accordance with SFAS No. 123R, *Share-Based Payment*, which requires the Company to measure the cost of employee services received in exchange for

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all equity awards granted, based on the fair value of the award as of the grant date. Accordingly, for the three months ended April 3, 2009, \$0.6 million of compensation cost and a deferred tax benefit of approximately \$0.2 million were recognized.

Stock Options

Stock-based compensation expense for stock option awards is based on the grant-date fair value using the Black-Scholes option pricing model. The following table shows the assumptions used to calculate fair value of stock option awards granted during the three months ended April 3, 2009, as well as the fair value of options granted.

	<u>Three Months Ended April 3, 2009</u>
Assumptions used in Black-Scholes model:	
Expected period that options will be outstanding (<i>in years</i>)	4.50
Interest rate (<i>based on U.S. Treasury yields at time of grant</i>)	1.87%
Volatility	32.50%
Dividend yield	—
Fair value of options granted	\$ 2.24

Expected volatility is estimated based on the historical volatility of comparable public companies. The Company uses historical data to estimate employee termination within the valuation model. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Since the Company does not have any option exercise history, it has elected to estimate the expected life of an award based upon the SEC-approved “simplified method” noted under the provisions of Staff Accounting Bulletin No. 107 with the continued use of this method extended under the provisions of Staff Accounting Bulletin No. 110.

Stock option activity for the three months ended April 3, 2009 is as follows:

	<u>Shares under option</u>	<u>Weighted- average exercise price</u>	<u>Remaining contractual term</u>	<u>Aggregate intrinsic value</u>
Options outstanding at December 31, 2008	514,991	\$ 17.93		
Granted	840,117	7.44		
Exercised	—	—		
Forfeitures or expirations	(9,373)	18.00		
Options outstanding at April 3, 2009	<u>1,345,735</u>	<u>\$ 11.38</u>	6.63 years	\$ 92,413

Since none of the outstanding stock options have vested, none of them are exercisable at April 3, 2009. As of April 3, 2009, a total of approximately \$3.6 million in unrecognized compensation cost related to stock options, net of estimated forfeitures, is expected to be recognized over a 2.63 year weighted-average period.

Performance-Based Restricted Stock Units

During 2009, the Company granted 336,096 performance-based restricted stock units to selected executives and key employees. The vesting of the stock units is based on whether the Company achieves the performance criterion for the year ending December 31, 2009, established by the Compensation Committee of the Board of Directors. If the performance criterion is satisfied, the units are subject to additional time vesting requirements, by which units will vest fully in two equal installments on the fourth and fifth anniversary of the grant date, provided the individual remains an employee during this period. The Company believes it is probable that the performance criterion will be achieved and as such, has begun to recognize compensation expense for the units granted in 2009.

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Performance-based award activity for the three months ended April 3, 2009 is as follows:

<u>Nonvested shares</u>	<u>Shares</u>	<u>Weighted- average grant date fair value</u>
Nonvested at December 31, 2008	124,347	\$ 17.89
Granted	336,096	7.44
Vested	—	—
Forfeited	(694)	18.00
Nonvested at April 3, 2009	<u>459,749</u>	<u>\$ 10.25</u>

As of April 3, 2009, there was approximately \$4.0 million of total unrecognized compensation cost related to nonvested performance-based restricted stock units. That cost is expected to be recognized over a period of approximately 4.2 years.

Other Restricted Stock Units

The fair value of each restricted stock unit is equal to the market value of a share of common stock on the date of grant. There have been no other restricted stock units granted to employees in 2009. As of April 3, 2009, there was approximately \$0.3 million of total unrecognized compensation cost related to nonvested non-performance based employee restricted stock units. That cost is expected to be recognized over a period of .7 years.

In the three months ended April 3, 2009, there were 5,556 director restricted stock units granted at a fair value of \$9.21 per unit on the date of grant. As of April 3, 2009, there was approximately \$0.5 million of total unrecognized compensation cost related to nonvested director restricted stock units. That cost is expected to be recognized over a period of 2.2 years.

10. Derivative Instruments

The Company periodically enters into foreign currency, interest rate swap, and commodity derivative contracts. The Company uses interest rate swaps to manage exposure to interest rate fluctuations. Foreign currency contracts are used to manage exchange rate fluctuations and generally hedge transactions between the Euro and the U.S. dollar. Commodity futures contracts are used to manage costs of raw materials used in the Company's production processes.

The Company enters into such contracts with financial institutions of good standing, and the total credit exposure related to non-performance by those institutions is not material to the operations of the Company. The Company does not enter into contracts for trading purposes.

We designate a portion of our derivative instruments as cash flow hedges for accounting purposes. For all derivatives designated as hedges, we formally document the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for using the hedging instrument. We assess whether the hedging relationship between the derivative and the hedged item is highly effective at offsetting changes in the cash flows both at inception of the hedging relationship and on an ongoing basis. Any change in the fair value of the derivative that is not effective at offsetting changes in the cash flows or fair values of the hedged item is recognized currently in earnings.

Interest rate swaps and other derivative contracts are recognized on the balance sheet as assets and liabilities, measured at fair value on a recurring basis using significant observable inputs, which is Level 2 as defined in the Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, fair value hierarchy. For transactions in which we are hedging the variability of cash flows, changes in the fair value of the derivative are reported in accumulated other comprehensive income, to the extent they are effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. Changes in the fair value of derivatives not designated as hedges are recognized currently in earnings.

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On June 24, 2008, the Company entered into an interest rate swap with an aggregate notional value of \$75 million whereby it exchanged its LIBOR-based variable rate interest for a fixed rate of 4.1375%. The notional value decreases to \$50 million and then \$25 million on June 30, 2010 and June 30, 2011, respectively, and expires on June 29, 2012. The fair values of the swap agreement were liabilities of \$4.2 million at April 3, 2009 and \$5.0 million at December 31, 2008, and are recorded in "Other long-term liabilities" on the consolidated balance sheets. The swap agreement has been designated as a cash flow hedge, and therefore changes in its fair value are recorded as an adjustment to other comprehensive income. There has been no ineffectiveness related to this arrangement since its inception. At April 3, 2009, the Company expects to reclassify \$2.5 million of net losses on the interest rate swap from accumulated other comprehensive income to earnings during the next twelve months.

The Company had copper and nickel futures contracts with notional values of \$2.6 million at April 3, 2009 and \$3.6 million at December 31, 2008. The fair values of the contracts were liabilities of \$1.1 million at April 3, 2009 and \$2.1 million at December 31, 2008, and are recorded in "Other accrued liabilities" on the consolidated balance sheets. The Company has not elected hedge accounting for these contracts, and therefore changes in the fair value are recognized in earnings. For the three months ended April 3, 2009 and March 28, 2008, respectively, the consolidated statements of operations include \$0.9 million and \$0.6 million of unrealized gains as a result of changes in the fair value of these commodity contracts. Realized losses on these commodity contracts of \$0.4 million were recognized in the three months ended April 3, 2009 and less than \$0.1 million of realized gains were recognized in the three months ended March 28, 2008.

The Company had foreign currency contracts with notional values of \$11.6 million at April 3, 2009 and \$16.5 million at December 31, 2008. The fair values of the contracts were assets of less than \$0.1 million at April 3, 2009 and \$1.1 million at December 31, 2008, and are recorded in "Other current assets" on the consolidated balance sheets. The Company has not elected hedge accounting for these contracts, and therefore changes in the fair value are recognized in earnings. For the three months ended April 3, 2009 and March 28, 2008, respectively, the consolidated statements of operations include \$1.0 million and less than \$0.1 million of unrealized losses as a result of changes in the fair value of these contracts. Realized gains on these contracts of \$0.2 million were recognized in the three months ended April 3, 2009 and \$0.1 million of realized losses were recognized in the three months ended March 28, 2008.

11. Commitments and Contingencies

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.

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. 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 arise. To date, the majority of settled claims have been dismissed for no payment.

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Claims activity related to asbestos is as follows ⁽¹⁾:

	<u>Three Months Ended</u>	
	<u>April 3,</u> <u>2009</u>	<u>March 28,</u> <u>2008</u>
Claims unresolved at the beginning of the period	35,357	37,554
Claims filed ⁽²⁾	953	1,406
Claims resolved ⁽³⁾	<u>(1,889)</u>	<u>(1,328)</u>
Claims unresolved at the end of the period	<u>34,421</u>	<u>37,632</u>

(1) Excludes claims filed by one legal firm that have been “administratively dismissed.”

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

(3) 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.

The Company has projected each subsidiary’s future asbestos-related liability costs with regard to pending and future unasserted claims based upon the Nicholson methodology. The Nicholson methodology is the standard approach used by most experts and has been accepted by numerous courts. It is the Company’s policy to record a liability for asbestos-related liability costs for the longest period of time that it can reasonably estimate. The Company believes that it can reasonably estimate the asbestos-related liability for pending and future claims that will be resolved in the next 15 years and has recorded that liability as its best estimate. While it is reasonably possible that the subsidiaries will incur costs after this period, the Company does not believe the reasonably possible loss or range of reasonably possible loss is estimable at the current time. Accordingly, no accrual has been recorded for any costs which may be paid after the next 15 years. Defense costs, not expected to be recovered from insurers, associated with asbestos-related liabilities as well as costs incurred related to litigation against the subsidiaries’ insurers are expensed as incurred.

Each subsidiary has separate, substantial primary, excess and umbrella insurance coverage resulting from the independent corporate history of each entity. In its evaluation of the insurance asset, the Company used different insurance allocation methodologies for each subsidiary based upon the state law that will or is likely to apply for that subsidiary.

For one of the subsidiaries, although presently no cost sharing or allocation agreement is in place with the Company’s excess insurers, the Company believes that, based upon application of an insurance allocation methodology, which is used in certain states, including Florida and Massachusetts, and in accordance with prevailing law, recovery is probable from such insurers for approximately 67% of the liability and defense costs after the exhaustion of primary and umbrella layers of insurance. Presently, this subsidiary is having all of its liability and defense costs covered in full by its primary and umbrella insurance carrier. In addition to the primary and umbrella insurance coverage, the subsidiary has a substantial amount of excess insurance coverage available to it from solvent carriers.

In 2003, the other subsidiary brought legal action against a large number of its insurers and its former parent to resolve a variety of disputes concerning insurance for asbestos bodily injury claims asserted against it. Although none of these defendants insurance companies contested coverage, they disputed the timing, reasonableness and allocation of payments. For this subsidiary it was determined by court ruling in the fourth quarter of 2007, that the allocation methodology mandated by the New Jersey courts will apply. Based upon this ruling and upon a series of other favorable rulings regarding interpretation of certain policy provisions related to deductibles, the number of occurrences, the Company expects to recover approximately 88.5% of all liability and defense costs.

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Certain insurance carriers have agreed to settle with this subsidiary by reimbursing the subsidiary for amounts it paid for liability and defense costs as well as entering into formal agreements detailing the payments of future liability and defense costs in an agreed to allocation. 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. Presently, certain insurers are paying approximately 22.7% of costs for current asbestos-related liability and defense costs as they are incurred.

The following table sets forth the cash received from insurance carriers for the three months ended April 3, 2009 and March 28, 2008, respectively. Cash characterized as past cost reduces the Company's outstanding asbestos insurance receivables. Cash characterized as future costs within the 15-year liability range relates to insurance policies that are triggered within the Company's 15-year estimate of asbestos-related liability and are recorded as a reduction of the asbestos insurance asset. Cash characterized as future cost outside the 15-year liability range relates to insurance policies which are not triggered within the Company's 15-year estimate of asbestos-related liability or receipts from insurers previously considered insolvent and are recorded as income in asbestos liability and defense costs.

	Three Months Ended	
	April 3, 2009	March 28, 2008
Past cost	\$ 7,248	\$ 1,748
Future cost:		
Within 15-year liability range	—	—
Outside 15-year liability range	—	900
Total insurance proceeds received	<u>\$ 7,248</u>	<u>\$ 2,648</u>

The Company has established reserves of \$353.3 million and \$357.3 million as of April 3, 2009 and December 31, 2008, respectively, for the probable and reasonably estimable asbestos-related liability cost it believes the subsidiaries will pay through the next 15 years. It has also established recoverables of \$300.4 million and \$304.0 million as of April 3, 2009 and December 31, 2008, respectively, for the insurance recoveries that are deemed probable during the same time period. Net of these recoverables, the Company's expected cash outlay on a non-discounted basis for asbestos-related bodily injury claims over the next 15 years was \$52.9 million and \$53.3 million as of April 3, 2009 and December 31, 2008, respectively. In addition the Company has recorded a receivable for liability and defense costs it had previously paid in the amount of \$36.9 million and \$36.4 million as of April 3, 2009 and December 31, 2008, respectively, for which insurance recovery is deemed probable. The Company has 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" while the receivable for previously paid liability and defense costs is recorded in "Asbestos insurance receivable" in the accompanying condensed consolidated balance sheets.

The expense related to these liabilities and legal defense was \$1.6 million, net of estimated insurance recoveries, for the three months ended April 3, 2009 compared to \$0.3 million for the three months ended March 28, 2008, respectively. Legal costs related to the subsidiaries' action against their asbestos insurers was \$3.0 million for the three months ended April 3, 2009 compared to \$3.1 million for the three months ended March 28, 2008, respectively.

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.

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Guarantees

At April 3, 2009, there were \$13.1 million of letters of credit outstanding. Additionally, at April 3, 2009, we had issued \$8.3 million of bank guarantees securing primarily customer prepayments, performance, and product warranties in our European operations.

General Litigation

On June 3, 1997, one of our subsidiaries was served with a complaint in a case brought by Litton Industries, Inc. in the Superior Court of New Jersey which alleges damages in excess of \$10.0 million incurred as a result of losses under a government contract bid transferred in connection with the sale of its former Electro-Optical Systems business. In the third quarter of 2004, this case was tried and the jury rendered a verdict of \$2.1 million for the plaintiffs. Plaintiffs have argued that they are entitled to a refund of their attorney's fees and costs of trial as a matter of law and contract. The subsidiary believes it is not obligated to pay these costs. In November 2006, the Court entered an Amended Final Judgment in favor of the plaintiffs in the amount of \$8.9 million, including prejudgment interest. This amount plus accrued interest is recorded in "Other liabilities" in the accompanying consolidated balance sheets. The judgment is secured by a bond as well as a letter of credit under our existing credit facility. Both the subsidiary and the plaintiffs appealed. On January 28, 2008, the Appellate Division of the New Jersey Superior Court affirmed the total award and ordered a new trial on certain portions of the plaintiffs' claim. The subsidiary and the plaintiffs each petitioned for certification of the judgment which was granted by the Supreme Court of New Jersey on May 15, 2008 and a hearing with oral argument occurred on December 2, 2008. The Supreme Court will issue an opinion at its convenience. The subsidiary intends to continue to defend this matter vigorously.

In April 1999, the Company's Imo Industries subsidiary resolved through a settlement the matter of Young v. Imo Industries Inc. that was pending in the United States District Court for the District of Massachusetts. This matter had been brought on behalf of a class of retirees of one of the subsidiary's divisions relating to retiree health care obligations. On June 15, 2005, a motion was filed seeking an order that certain of the features of the plan as implemented by the Company were in violation of the settlement agreement. On December 16, 2008, the parties executed a Memorandum of Understanding, memorializing the principal terms of a new settlement agreement that will resolve the litigation in its entirety. As a result of the parties' efforts in this regard, the case has been removed from the trial calendar, pending the filing of a final settlement agreement with the court. The subsidiary is actively negotiating the Amended and Restated Settlement Agreement, which will supersede and replace the Stipulation and Agreement of Settlement and Dismissal of Claims entered into by the parties on November 30, 1998. At April 3, 2009, the Company's consolidated balance sheet includes an accumulated post retirement benefit obligation of \$2.4 million for this matter.

The Company is also involved in various other pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings are expected to have a material adverse effect on the financial condition, results of operations or cash flow of the Company. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, management of the Company believes that it will either prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. 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 the Company, there could be a material adverse effect on the financial condition, results of operations or cash flow of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

**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 in conjunction with the financial statements and notes included in Part I, Item I "Financial Statements" of this quarterly report and the audited financial statements and related footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 6, 2009.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-Q is filed with the SEC. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding: projections of revenue, profit margins, expenses, tax provisions and tax rates, earnings or losses from operations, impact of foreign exchange rates, cash flows, pension and benefit obligations and funding requirements, synergies or other financial items; plans, strategies and objectives of management for future operations including statements relating to potential acquisitions, compensation plans, purchase commitments; developments, performance or industry or market rankings relating to products or services; future economic conditions or performance; the outcome of outstanding claims or legal proceedings including asbestos-related liabilities and insurance coverage litigation; potential gains and recoveries of costs; assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe," "anticipate," "should," "would," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," and similar expressions. These statements are based on assumptions and assessments made by our management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the following:

- risks associated with our international operations;
- significant movements in foreign currency exchange rates;
- changes in the general economy, including the current global financial crisis and economic downturn, as well as the cyclical nature of our markets;
- availability and cost of raw materials, parts and components used in our products;
- the competitive environment in our industry;
- our ability to identify, acquire and successfully integrate attractive acquisition targets;
- the amount of and our ability to estimate our asbestos-related liabilities;
- material disruption at any of our significant manufacturing facilities;
- the solvency of our insurers and the likelihood of payment for asbestos-related claims;

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- our ability to manage and grow our business and execution of our business and growth strategies;
- loss of key management;
- our ability and the ability of customers to access required capital at a reasonable cost;
- our ability to expand our business in our targeted markets;
- our ability to cross-sell our product portfolio to existing customers;
- the level of capital investment and expenditures by our customers in our strategic markets;
- our financial performance; and
- others risks and factors, listed under the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 6, 2009.

Any such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. These forward-looking statements speak only as of the date this Form 10-Q is filed with the SEC. We do not assume any obligation and do not intend to update any forward-looking statement except as required by law.

Overview

We are a global supplier of a broad range of fluid handling products, including pumps, fluid handling systems and controls, 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.

Outlook

The recent economic downturn has not had a significant impact on our financial position, results of operations or liquidity as of the date of the filing of this Form 10-Q; however, our order rates have been affected and if current economic conditions continue, our business results will be negatively affected. We continue to monitor the financial markets and general global economic conditions and presently expect the following market conditions throughout the remainder of 2009:

- In the commercial marine industry, we expect international trade and demand for crude oil and other commodities as well as the age of the global merchant fleet to continue to create demand for new ship construction. We expect new orders to be significantly lower than in the past two years and we are also likely to have additional order cancellations. We expect sales to grow primarily from existing orders, but at a lower growth rate than we experienced in the first quarter of 2009. We also believe the increase in the size of the global fleet will create an opportunity to supply aftermarket parts and service.
- We expect activity within the crude oil market to remain favorable as long term capacity constraints and global demand drive further development of heavy oil fields, but we are experiencing project delays. In pipeline applications, we expect demand for our highly efficient products to remain strong as our customers continue to focus on total cost of ownership. In refinery applications, we believe a reduction in capital investment by our customers will reduce the demand for our products in 2009.
- In the power generation industry, we expect activity in Asia and the Middle East to remain strong as economic growth and fundamental undersupply of power generation capacity continues to drive investment in energy infrastructure projects. In the world's developed economies, we expect efficiency improvements will continue to drive demand.
- In the U.S., we expect Congress to continue to appropriate funds for new ship construction as older naval vessels are decommissioned. We also expect increased demand for integrated fluid handling systems 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. Outside of the U.S., we expect other sovereign nations will continue to expand their fleets as they address national security concerns. We expect both increased sales and orders over the remainder of 2009.
- In the general industrial market, we expect that global infrastructure development will drive capital investment over the long term and will benefit local suppliers as well as international exporters of fluid handling equipment. However, demand has softened in several portions of the general industrial market, including chemical, building products, diesel engine and distribution, primarily in Europe and North America.

Based on declining orders and our culture of continuous improvement, we began and completed several cost reduction programs during the first quarter of 2009. We closed our 20,000 square foot Aberdeen, NC repair facility and consolidated it within our Sanford, NC location. We also completed headcount reductions at four facilities. In total, these actions resulted in a headcount reduction of approximately 80 associates and one time costs of approximately \$0.7 million of which approximately \$0.2 million is a non-cash asset impairment charge.

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We are also participating in the German government-sponsored furlough program in which the government pays the wage-related costs of workers that work less than a full work week. We remain responsible for social costs and taxes. As of May 1, 2009, we had approximately 628 associates participating in this program who are working three to four days per week in lieu of the standard five-day work week. In addition to these programs, we do not plan to renew contracts for approximately 80 contract workers. We continue to monitor our order rates and will adjust our manufacturing capacity and cost structure as demand warrants.

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 described below, including net sales, orders and order backlog. Our sales growth is affected by many factors, particularly the impact of acquisitions, the impact of fluctuating foreign exchange rates and growth in our existing businesses. To facilitate the comparison between reporting periods, we describe the impact of each of these three factors on our sales growth below in tabular format under the heading "Sales and Orders."

Orders and order backlog are highly indicative of our future revenue and thus a key measure of anticipated performance. Orders consist of orders for products or services from our customers. Order backlog consists of unfilled orders.

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.

Results of Operations

Items Affecting Comparability of Reported Results

Our results for the three months ended April 3, 2009 includes the impact of four additional business days as compared to the first quarter of 2008. The second and fourth quarters of 2009 will have two and four fewer business days, respectively, than the comparable periods in 2008. The comparability of our operating results for the three months ended April 3, 2009 and March 28, 2008 is affected by the following significant items:

Foreign Currency Fluctuations

A significant portion of our sales, approximately 71% for the three months ended April 3, 2009, is denominated in currencies other than the U.S. dollar, most notably 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 foreign exchange rates can impact our results and is quantified, when significant, in our discussion of the results of our operations.

Asbestos-related Expense

Asbestos-related expense includes all asbestos-related costs and is comprised of projected indemnity cost, changes in the projected asbestos liability, changes in the probable insurance recovery of the projected asbestos-related liability, changes in the probable recovery of asbestos liability and defense costs paid in prior periods, and actual defense costs expensed in the period ("Asbestos liability and defense costs"). It also includes legal costs related to the actions against two of our subsidiaries' respective insurers and a former parent company of one of the subsidiaries ("Asbestos coverage litigation expenses").

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The table below presents asbestos-related expense for the periods indicated:

(Amounts in millions)	Three Months Ended	
	April 3, 2009	March 28, 2008
Asbestos liability and defense costs	\$ 1.6	\$ 0.3
Asbestos coverage litigation expenses	3.0	3.1
Asbestos-related expense	<u>\$ 4.6</u>	<u>\$ 3.4</u>

Asbestos liability and defense costs were \$1.6 million for the three months ended April 3, 2009 compared to \$0.3 million for the three ended March 28, 2008. The increase in asbestos liability and defense costs for the quarter ended April 3, 2009 relates primarily to receipt of \$0.9 million in the quarter ended March 28, 2008, from an insurer previously considered insolvent, which resulted in a gain in that period.

Legal costs related to the subsidiaries' action against their asbestos insurers were \$3.0 million for the three months ended April 3, 2009 compared to \$3.1 million for the three months ended March 28, 2008. See Note 11 to our Condensed Consolidated Financial Statements for a further discussion of recent developments in asbestos litigation.

Sales and Orders

Our sales growth is affected by many factors including the impact of fluctuating foreign exchange rates and growth in our existing businesses. To facilitate the comparison between reporting periods, we disclose the impact of each of these factors to the extent they impact the periods presented. The impact of foreign currency translation is the difference between sales from existing businesses valued at current-year foreign exchange rates and the same sales valued at prior-year foreign exchange rates. Sales growth from existing businesses excludes the impact of foreign exchange rate fluctuations, thus providing a measure of growth due to factors such as price, mix and volume.

Orders and order backlog are highly indicative of our future revenue and thus key measures of anticipated performance. Orders consist of orders for products or services from our customers, net of cancellations, during a period. Order backlog consists of unfilled orders at the end of a period. The components of order growth are presented on the same basis as sales growth.

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The following tables present components of our sales and order growth, as well as sales by fluid handling product for the periods indicated:

(Amounts in millions)	Sales		Orders		Backlog at Period End	
	\$	%	\$	%		
Three Months Ended March 28, 2008	\$130.7		\$180.3		\$ 353.6	
<i>Components of Growth:</i>						
Existing Businesses	23.4	17.9%	(45.9)	(25.5)%	(9.8)	(2.8)%
Foreign Currency Translation	(17.8)	(13.6)%	(13.6)	(7.5)%	(38.2)	(10.8)%
Total Growth	5.6	4.3%	(59.5)	(33.0)%	(48.0)	(13.6)%
Three Months Ended April 3, 2009	\$136.3		\$120.8		\$ 305.6	

(Amounts in millions)	Three Months Ended	
	April 3, 2009	March 28, 2008
Net Sales by Product:		
Pumps, including aftermarket parts and service	\$ 121.4	\$ 113.8
Systems, including installation service	12.5	12.3
Valves	1.6	1.6
Other	0.8	3.0
Total net sales	\$ 136.3	\$ 130.7

As detailed above, for the three months ended April 3, 2009, sales increased by \$5.6 million, or 4.3% over the three months ended March 28, 2008. Sales from existing businesses were up 17.9%, but were substantially offset by a negative currency translation effect of 13.6%, primarily due to the strengthening of the U.S. dollar against the Euro. Sales growth from existing businesses was primarily attributable to increased demand in the commercial marine, global navy, power generation and oil and gas end markets.

Orders for the three months ended April 3, 2009 of \$120.8 million declined \$59.5 million, or 33.0%, over the three months ended March 28, 2008. Orders from existing businesses declined 25.5% and currency translation accounted for an additional decrease of 7.5%. The decline in orders from existing businesses was primarily attributable to a significant decline in demand in the commercial marine end market as well as softening demand in the general industrial end market. These declines were partially offset by strong order growth in the global navy and oil and gas end markets. Backlog as of April 3, 2009 of \$305.6 million decreased \$9.8 million, or 2.8%, excluding the impact of foreign currency translation, as compared to \$353.6 million at March 28, 2008. Since December 31, 2008, backlog decreased \$17.7 million, or 5.2%, excluding the impact of foreign currency translation which accounted for the remaining \$14.0 million of the decrease.

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Gross Profit

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

(Amounts in millions)	Three Months Ended	
	April 3, 2009	March 28, 2008
Gross Profit	\$ 48.0	\$ 48.2
Gross Profit Margin	35.2%	36.9%

Gross profit of \$48.0 million for the three months ended April 3, 2009 decreased slightly from \$48.2 million for the three months ended March 28, 2008. Gross profit from existing businesses increased \$6.4 million, but was more than offset by a \$6.6 million negative impact of foreign exchange rates. Gross profit margin decreased 170 basis points to 35.2% for the three months ended April 3, 2009 from 36.9% for the three months ended March 28, 2008. The margin decline was primarily driven by decreased production resulting in lower absorption of manufacturing costs as well as a mix shift to European sales, which more than offset favorable pricing and product mix in the commercial marine and general industrial markets.

Selling, General and Administrative Expenses (“SG&A”)

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

(Amounts in millions)	Three Months Ended	
	April 3, 2009	March 28, 2008
SG&A Expenses	\$ 30.2	\$ 28.5
SG&A Expenses as a percentage of sales	22.1%	21.8%

Selling, general and administrative expenses increased \$1.7 million to \$30.2 million for the three months ended April 3, 2009 compared to \$28.5 million for the three months ended March 28, 2008. The impact of foreign exchange rates reduced SG&A expenses by \$3.2 million. Excluding this impact, selling, general and administrative expenses for the three months ended April 3, 2009 were \$4.8 million higher than the prior year period. Contributing to this increase were \$1.3 million of increased selling expense, including commissions, \$1.6 million of stock compensation expense and other costs associated with becoming a public company, and \$0.7 million of higher unrealized losses on raw material futures and foreign currency contracts for which we did not elect hedge accounting. Additionally, \$0.5 million of severance costs and a \$0.2 million asset impairment charge were recorded in the three months ended April 3, 2009 related to cost reduction initiatives.

Operating Income

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

(Amounts in millions)	Three Months Ended	
	April 3, 2009	March 28, 2008
Operating income	\$ 11.8	\$ 14.9
Operating margin	8.7%	11.4%

Operating income for the three months ended April 3, 2009 declined \$3.1 million to \$11.8 million from \$14.9 million for the three months ended March 28, 2008. This decrease was primarily due to a \$3.3

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million negative impact from foreign exchange rates, with higher gross profit from existing businesses offset by higher selling, general and administrative expenses and legacy asbestos expenses. Operating margin declined to 8.7% for the three months ended April 3, 2009 compared to 11.4% for the three months ended March 28, 2008.

Interest Expense

For a description of our outstanding indebtedness, please refer to “—Liquidity and Capital Resources” below.

Interest expense for the three months ended April 3, 2009 decreased \$2.7 million to \$1.8 million from \$4.5 million for the three months ended March 28, 2008. The decrease was primarily due to lower debt levels during the first three months of 2009 compared to the same period in 2008 as a result of debt repayments of \$105.4 million with a portion of the IPO proceeds in the second quarter of 2008. A decrease in the weighted-average interest rate on our variable rate borrowings from 7.1% in 2008 to 5.6% in 2009 contributed approximately \$0.4 million to the decrease in interest expense.

Provision for Income Taxes

The effective income tax rate for the three months ended April 3, 2009 was 31.1% as compared to an effective tax rate of 34.5% for the three months ended March 28, 2008. Our effective tax rate for the three months ended April 3, 2009 was lower than the U.S. federal statutory rate primarily due to international tax rates which are lower than the U.S. tax rate, including the impact of the reduction of the Swedish tax rate from 28% to 26.3% that is applied to our Swedish operations. For the three months ended March 28, 2008, the effective tax rate of 34.5% was lower than the U.S. statutory rate primarily due to net international tax rates that are lower than the U.S. rate offset in part by a net increase in unrecognized tax benefits.

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, asbestos-related outflows 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. As of April 3, 2009, we had approximately \$137 million available on our revolver loan and we had \$34.4 million of cash.

Borrowings

During the three months ended April 3, 2009, we repaid \$1.3 million of the outstanding balance of our Term A Note, leaving \$95.0 million outstanding at the end of the period. At April 3, 2009, the interest rate on the Term A Note was 2.77% inclusive of 2.25% margin and the annual commitment fee on our \$150.0 million revolver was 0.4%. At April 3, 2009, there was \$13.1 million outstanding on the letter of credit sub-facility, leaving approximately \$137 million available under the revolver loan. Of the total \$137 million available, it is unlikely that we would be able to draw on Lehman Brothers' \$6.0 million commitment due to their bankruptcy and resulting default under the terms of the revolver.

Substantially all assets and stock of the Company's domestic subsidiaries and 65% of the shares of certain European subsidiaries are pledged as collateral against borrowings under our credit agreement. Certain European assets are pledged against borrowings directly made to our European subsidiary. Our credit agreement contains customary covenants limiting the Company's ability to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase Company stock, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. In addition, our credit

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agreement contains financial covenants requiring the Company to maintain a total leverage ratio of not more than 3.25 to 1.0 and a fixed charge coverage ratio of not less than 1.5 to 1.0, measured at the end of each quarter. If the Company does not comply with the various covenants under our credit agreement and related agreements, the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term A Note and revolver and foreclose on the collateral. The Company believes it is in compliance with all such covenants as of April 3, 2009 and expects to be in compliance for the next 12 months.

Comparative Cash Flows

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

(Amounts in millions)	Three Months Ended	
	April 3, 2009	March 28, 2008
Net cash provided by (used in) operating activities	\$ 10.7	\$ (11.1)
Purchases of fixed assets	(3.1)	(3.0)
Other sources, net	—	0.1
Net cash used in investing activities	\$ (3.1)	\$ (2.9)
Repayment of borrowings	(1.3)	—
Payment of IPO-related costs	—	(1.1)
Other uses, net	(0.2)	(0.2)
Net cash used in financing activities	\$ (1.5)	\$ (1.3)

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.

- Cash paid for asbestos liabilities (net of cash received from settlements with our asbestos insurance carriers), including the disposition of claims, defense costs and legal expenses related to litigation against our insurers, was a significant cash outflow.
 - For the three months ended April 3, 2009 and March 28, 2008 net cash paid for asbestos liabilities, net of insurance settlements received, was \$1.1 million and \$8.2 million, respectively. One of our subsidiaries received \$7.2 million during the three months ended April 3, 2009 as reimbursement for past cost, which reduced the Company's outstanding insurance receivables. The subsidiary received approximately \$2.6 million during the three months ended March 28, 2008, of which approximately \$1.7 million represents reimbursement of past cost, which reduced the Company's outstanding insurance receivables, and approximately \$0.9 million which was a receipt from an insurer that was previously considered insolvent and, as such, was recorded as income.
- Funding requirements of our defined benefit plans, including both pensions and other post-retirement benefits, can vary significantly among periods due to changes in the fair value of plan assets and actuarial assumptions. For the three months ended April 3, 2009 and March 28, 2008, cash contributions for defined benefit plans were \$1.3 million and \$1.0 million, respectively.

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- Changes in working capital also affected the operating cash flows for the periods presented. We define working capital as trade receivables plus inventories less accounts payable.
 - Working capital, excluding the effect of foreign currency translation, increased \$1.3 million from December 31, 2008 to April 3, 2009. A \$10.3 million reduction in trade receivables was more than offset by an \$8.2 million decrease in accounts payable and a \$3.4 million increase in inventory.
 - Net working capital as a percentage of sales is a key ratio that we use to measure working capital efficiency. For the three months ended April 3, 2009 and March 28, 2008, net working capital as a percentage of annualized sales was 23.4% and 23.6%, respectively.

Investing activities consist primarily of purchases of fixed assets.

- In all periods presented, capital expenditures were invested in new and replacement machinery, equipment and information technology. We generally target capital expenditures at approximately 2.0% to 2.5% of revenues.

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

- During the three months ended April 3, 2009, we repaid \$1.3 million of long-term borrowings.
- During the first three months of 2008, we paid IPO-related costs of \$1.1 million.

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.

There have been no significant changes for the three months ended April 3, 2009 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 6, 2009.

Item 3. 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 three months ended April 3, 2009 is discussed below.

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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 April 3, 2009 are variable rate facilities based on LIBOR or EURIBOR. In order to mitigate our interest rate risk, we periodically enter into interest rate swap or collar agreements. A hypothetical increase in the interest rate of 1.00% on the portion of our variable rate debt that is not hedged during the three months ended April 3, 2009 would have increased our interest cost by approximately \$0.1 million.

On June 24, 2008, we entered into an interest rate swap with an aggregate notional value of \$75.0 million whereby we exchanged our LIBOR-based variable rate interest for a fixed rate of 4.1375%. The notional value decreases to \$50 million and then \$25 million on June 30, 2010 and June 30, 2011, respectively and expires on June 29, 2012. The fair value of the swap agreement, based on third-party quotes, was a liability of \$4.2 million at April 3, 2009. The swap agreement has been designated as a cash flow hedge, and therefore changes in its fair value are recorded as an adjustment to other comprehensive income.

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 the three months ended April 3, 2009, approximately 71% of our sales were derived from operations outside the U.S., with approximately 67% 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. 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, assuming a 10% increase in average foreign exchange rates compared to the U.S. dollar, income before income taxes for the three months ended April 3, 2009, would have increased by \$1.5 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 April 3, 2009, we had copper and nickel futures contracts with notional values of \$2.6 million that were in an unrealized loss position of \$1.1 million. We have not elected hedge accounting for these futures contracts, and therefore changes in their fair value are included in net income.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report has been recorded, processed, summarized and reported as of the end of the period covered by this report.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange

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Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our “internal control over financial reporting” (as defined in Rule 13a-15(f)) identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. 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 35,400 pending claims, approximately 14,000 of such claims have been brought in various federal and state courts in Mississippi; approximately 3,100 of such claims have been brought in the Supreme Court of New York County, New York; approximately 100 of such claims have been brought in the Superior Court, Middlesex County, New Jersey; and approximately 1,600 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.

One of our foreign subsidiaries made a small number of sales from 2003 through 2007 totaling approximately \$60,000 in the aggregate to two customers in Cuba which may have been made in violation of regulations of the U.S. Treasury Department’s Office of Foreign Assets Control, or OFAC. Cuba is also identified by the U.S. State Department as a state sponsor of terrorism. We have submitted a disclosure report to OFAC regarding these transactions. On December 5, 2008, the Company executed a tolling agreement with the OFAC extending the statute of limitations for the investigation until May 1, 2010. As a result of these sales, we may be subject to fines or other sanctions.

On June 3, 1997, one of our subsidiaries was served with a complaint in a case brought by Litton Industries, Inc. in the Superior Court of New Jersey which alleges damages in excess of \$10.0 million incurred as a result of losses under a government contract bid transferred in connection with the sale of its former Electro-Optical Systems business. In the third quarter of 2004 this case was tried and the jury rendered a verdict of \$2.1 million for the plaintiffs. Plaintiffs have argued that they are entitled to a refund of their attorney’s fees and costs of trial as a matter of law and contract. The subsidiary believes it is not obligated to pay these costs. In November 2006, the Court entered an Amended Final Judgment in favor of the plaintiffs in the amount of \$8.9 million, including prejudgment interest. This amount plus accrued interest is recorded in “Other liabilities” in our consolidated balance sheets. The judgment is secured by a bond as well as a letter of credit under our existing credit facility. Both the subsidiary and the plaintiffs appealed. On January 28, 2008, the Appellate Division of the New Jersey Superior Court affirmed the total award and ordered a new trial on certain portions of the plaintiffs’ claim. The subsidiary and the plaintiffs each petitioned for certification of the judgment which was granted by the Supreme Court of New Jersey on May 15, 2008 and a hearing with oral argument occurred on December 2, 2008. The Supreme Court will issue an opinion at its convenience. The subsidiary intends to continue to defend this matter vigorously.

In April 1999 the Company’s Imo Industries subsidiary resolved through a settlement the matter of Young v. Imo Industries Inc. that was pending in the United States District Court for the District of

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Massachusetts. This matter had been brought on behalf of a class of retirees of one of the subsidiary's divisions relating to retiree health care obligations. On June 15, 2005, a motion was filed seeking an order that certain of the features of the plan as implemented by the Company were in violation of the Settlement Agreement. On December 16, 2008, the parties executed a Memorandum of Understanding, memorializing the principal terms of a new settlement agreement that will resolve the litigation in its entirety. As a result of the parties' efforts in this regard, the case has been removed from the trial calendar, pending the filing of a final settlement agreement with the court. The subsidiary is actively negotiating the Amended and Restated Settlement Agreement, which will supersede and replace the Stipulation and Agreement of Settlement and Dismissal of Claims entered into by the parties on November 30, 1998. At April 3, 2009, the Company's consolidated balance sheet includes an accumulated post retirement benefit obligation of \$2.4 million for this matter.

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 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. None of these legal proceedings are expected to have a material adverse effect on our financial condition, results of operations or cash flow. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, our management believes that we will either prevail, have adequate insurance coverage or have established appropriate reserves. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. 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 us, there could be a material adverse effect on our financial condition, results of operations or cash flow.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risks set forth in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 6, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	Employment Agreement between Colfax Corporation and William E. Roller*
10.2	Amendment to the Employment Agreement between Colfax Corporation and William E. Roller*
10.3	Employment Agreement between Colfax Corporation and Mario E. DiDomenico*
10.4	Amendment to the Employment Agreement between Colfax Corporation and Mario E. DiDomenico*
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* These agreements are being filed at this time due to the determination by the registrant during the period covered by this report that these individuals are named executive officers of the registrant.

SIGNATURES

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

Registrant: Colfax Corporation

By:

/s/ JOHN A. YOUNG

John A. Young

President and Chief Executive Officer (Principal Executive Officer)

May 7, 2009

/s/ G. SCOTT FAISON

G. Scott Faison

Senior Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)

May 7, 2009

WILLIAM E. ROLLER
EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this “**Agreement**”) is entered into as of April 22, 2008, (the “**Effective Date**”) by and between Colfax Corporation, a Delaware corporation (the “**Company**”), and William E. Roller (the “**Executive**”).

1. **Positions, Duties and Term.** The Company hereby employs the Executive as its Senior Vice President and General Manager, Colfax Americas and the Executive hereby accepts such employment, on the terms and conditions set forth below. The principal place of employment of Executive shall be at the Company’s corporate offices in Monroe, NC, except for reasonable business travel.

1.1 **Term.** The Executive’s employment hereunder shall be for a term commencing as of the Effective Date and ending as of the earliest of (i) December 31, 2009 or such later date to which the term of this Agreement may be extended pursuant to Subsection (a) (ii) the date that the Executive’s employment terminates pursuant to Subsections (c) or (d), below, or (iii) the date of the Executive’s death. Notwithstanding any other provision in this Agreement, this Agreement automatically will terminate on December 31, 2008 if no initial public offering or Change in Control Event has occurred (the “**Non-transaction**”).

(a) **Extension of Term.** Unless the Executive’s employment with the Company terminates earlier in accordance with Subsections (c) or (d), the parties pursuant to Subsection (b) elect not to extend the term or the Agreement terminates due to the Non-transaction, the term of this Agreement automatically shall be extended as of December 31, 2008 and each December 31 thereafter, such that on each such date the term of employment under this Agreement shall be for a full two-year period. In addition, if a Change in Control shall occur during the term of the Executive’s employment under this Agreement, this Agreement shall not expire prior to the second anniversary of the date of consummation of the Change in Control, and the term of this Agreement shall automatically be extended to the second anniversary, as necessary, to give effect to this provision as of such consummation date.

(b) **Election Not to Extend Term.** The Executive or the Board of Directors of the Company (the “**Board**”), by written notice delivered to the other, may at any time elect to terminate the automatic extension provision of Subsection (a). Any such election may be made until the December 31st as of which the term would otherwise be extended for an additional one year. Furthermore, the parties agree that expiration of this Agreement in accordance with the term end-date dictated by this Subsection (b) shall not in any event constitute termination by the Executive for Good Reason or by the Company without Cause under this Agreement.

(c) **Early Termination.** The Company may terminate the Executive’s employment with or without Cause or on account of Disability, with written notice delivered to the Executive from Board. In the case of a termination by the Company for Cause, the

Executive's termination shall be effective immediately upon giving notice. In the case of a termination without Cause or on account of Disability, the termination shall be effective as stated in such notice, but not earlier than 60 days following the date of the notice.

(d) Early Resignation. The Executive may resign from the Company for any reason, including Good Reason. Executive may effect a Good Reason termination by providing at least 30 days' written notice to the Board of the applicable Good Reason criteria and his termination effective date; provided that the notice must be given within 90 days of the occurrence of the condition that is the basis for such Good Reason; and further provided that if the basis for such Good Reason is correctible and the Company corrects the basis for such Good Reason within 30 days after receipt of such notice, the Good Reason defect shall be cured and Executive shall not then have the right to terminate his employment for Good Reason with respect to the occurrence addressed in the written notice. In the case of a resignation other than for Good Reason, the termination shall be effective as stated in the notice, but not earlier than 60 days following the date of the notice.

(e) Termination and Offices Held. At the time Executive ceases to be an employee of the Company, the Executive agrees that he shall resign from any office he holds with the Company and its subsidiaries and any affiliate.

1.2 Duties. The Executive shall faithfully perform for the Company the duties incident to the office of Senior Vice President and General Manager, Colfax Americas and shall perform such other duties of an executive, managerial or administrative nature as shall be specified and designated from time to time by the Board. The Executive shall devote substantially all of the Executive's business time and effort to the performance of the Executive's duties hereunder, provided that in no event shall this sentence prohibit the Executive from performing personal and charitable activities and any other activities approved by the Board, so long as such activities do not materially interfere with the Executive's duties for the Company.

2. Compensation.

2.1 Salary. During the term of his employment under this Agreement, the Company shall pay the Executive a base salary at an annual rate of \$247,750 (the "**Base Salary**"). The Base Salary shall be reviewed no less frequently than annually and may be increased at the discretion of the Board or the Compensation Committee of the Board (the "**Committee**"), as applicable. Except as otherwise agreed in writing by the Executive, the Base Salary shall not be reduced from the amount previously in effect. The Base Salary shall be payable in equal biweekly installments or in such other installments as shall be consistent with the Company's payroll procedures.

2.2 Annual Cash Incentive. During the term of his employment under this Agreement, the Executive shall be eligible to receive an annual cash bonus based on performance objectives established by the Committee each year (the "**Annual Cash Incentive**"). The Executive's target Annual Cash Incentive amount will be the percentage of Base Salary designated as the target by the Committee, which amount shall be at least 45% of the Base Salary then in effect for each applicable year. Notwithstanding the preceding, Executive's Annual Cash Incentive, if any, may be below (including zero), at, or above the target based upon the achievement of the performance objectives.

2.3 Benefits. During the term of his employment under this Agreement, the Executive shall be permitted to participate in any group life, hospitalization or disability insurance plans, health programs, pension and profit sharing plans, long-term incentive plans and similar benefits that may be available to other senior executives of the Company generally, on the same terms as may be applicable to such other executives, in each case to the extent that the Executive is eligible under the terms of such plans or programs.

2.4 Vacation. During the term of his employment under this agreement, the Executive shall be entitled to vacation of twenty (20) working days per year.

2.5 Expenses. The Company shall pay or reimburse the Executive for all ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the term the Executive's employment under this Agreement, provided that the Executive submits such expenses in accordance with the policies applicable to senior executives of the Company generally.

3. Terminations Other than Without Cause or for Good Reason. In the event of the Executive's resignation other than for Good Reason, his termination of employment with the Company on account of death or Disability, or his termination by the Company for Cause, all obligations of the Company under Sections 1 and 2 will immediately cease. In connection with this resignation or termination, the Company will pay the Executive (or, in the case of the Executive's death, Executive's beneficiary or, if none has been designated in accordance with Section 6.3, Executive's estate), the amount of the Executive's Compensation Accrued at Termination, and the Executive's rights, if any, under any Company benefit plan or program shall be governed by such plan or program.

4. Terminations Without Cause or for Good Reason. If during the term of his employment under this Agreement, Executive is terminated by the Company without Cause (and not on account of Disability) or resigns from the Company for Good Reason, all obligations of the Company under Sections 1 and 2 will immediately cease. In connection with this resignation or termination, the Company will pay the Executive (or, in the case of the Executive's death, Executive's beneficiary or, if none has been designated in accordance with Section 8.3, Executive's estate), the amount of the Executive's Compensation Accrued at Termination, and the Executive's rights, if any, under any Company benefit plan or program shall be governed by such plan or program. In addition, in connection with a resignation or termination described in this Section 4, and subject to the requirements of Section 4.3, the Executive shall be entitled to the benefits described in Section 4.1 and, if applicable, Section 4.2.

4.1 Severance and Pro-Rata Bonus. The benefit under this Section 4.1 shall consist of the following:

- (i) A single sum severance payment in cash equal to the sum of: (x) one (1) times the Executive's Base Salary plus (y) one (1) times the Executive's target Annual Cash Incentive in effect for the year; provided, however,

that the Annual Cash Incentive component shall instead be the average of the two highest actual Annual Cash Incentive payments made in the three most recent performance periods, if this amount is greater and the Executive has received two such payments; and provided, further, that the multiplier under the provisions of (x) and (y) shall be “two (2) times” in the event the applicable termination of employment occurs within 3 months prior to a Change in Control Event or two (2) years after a Change in Control;

- (ii) In lieu of any annual cash incentive under Section 2.2 for the year in which Executive’s employment terminates, a single sum cash payment equal to the Partial Year Bonus (as defined in Section 10.6); and
- (iii) At Company’s expense, Executive and his spouse and dependent children shall be entitled to continuation of health insurance coverage (i.e., medical, dental and vision) under the Company’s group health plan(s) in which the Executive was participating on the date of termination or if such plan(s) have been terminated, in the plan(s) in which senior executives of the Company participate for a period of one (1) year or two (2) years in the event the applicable termination of employment occurs within 3 months prior to a Change in Control Event or two (2) years after a Change in Control.

4.2 Change in Control Termination Accelerated Vesting. If the resignation or termination under this Section 4 shall occur within 3 months prior to a Change in Control Event or two (2) years after a Change in Control, the following provisions shall apply:

- (i) All equity or equity based awards held by Executive at termination of employment, including but not limited to, stock options, restricted stock and restricted stock units, and which time-vest based on service shall become vested and non-forfeitable, and all other terms of such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which such options were granted; and
- (ii) Any performance objectives upon which the earning of performance-based restricted stock, restricted stock units, and other equity or equity-based awards and other long-term incentive awards (including cash awards,) is conditioned shall be deemed to have been met at the greater of (A) target level at the date of termination, or (B) actual performance at the date of termination, and such amounts shall become fully vested and non-forfeitable as a result of termination of employment at the date of such termination, and, in other respects, such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which such awards were granted;

4.3 Waiver and Release Agreement. In consideration of the severance payments described in Section 4.1 or Section 4.2, to which severance payments the Executive would otherwise not be entitled, and as a pre-condition to the Executive becoming entitled to such severance payments under this Agreement, the Executive agrees to execute at the time of Executive's termination a Waiver and Release Agreement in exactly the form provided to the Executive by the Company without alteration or addition (the "**Waiver and Release Agreement**"), attached hereto as Exhibit A, the terms and conditions of which are specifically incorporated herein by reference.

5. Golden Parachute Excise Tax Provisions. In the event it is determined that any payment or benefit (within the meaning of Section 280G(B)(2) of the Internal Revenue Code of 1986, as amended (the "**Code**")), to the Executive or for his or her benefit paid or payable or distributed to or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his or her employment ("**Payments**"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "**Excise Tax**"), then the total Payments shall be reduced to the extent the payment of such amounts would cause the Executive's total termination benefits to constitute an "excess" parachute payment under Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") and by reason of such excess parachute payment the Executive would be subject to an excise tax under Section 4999(a) of the Code, but only if the Executive (or the Executive's tax advisor) determines that the after-tax value of the termination benefits calculated with the foregoing restriction exceed those calculated without the foregoing restriction. Except as otherwise expressly provided herein, all determinations under this Section 5 shall be made at the expense of the Company by a nationally recognized public accounting or consulting firm selected by the Company and subject to the approval of Executive, which approval shall not be unreasonably withheld. Such determination shall be binding upon Executive and the Company.

5.1 Company Withholding. Notwithstanding anything contained in this Agreement to the contrary, in the event that, according to the Determination, an Excise Tax will be imposed on any Payment or Payments, the Company shall pay to the applicable government taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Company has actually withheld from the Payment or Payments.

6. Confidentiality; Non-Competition and Non-Disclosure; Executive Cooperation; Non-Disparagement.

6.1 Confidential Information. The Executive acknowledges that, during the course of his employment with the Company, the Executive may receive special training and/or may be given access to or may become acquainted with Confidential Information (as hereinafter defined) of the Company. As used in this Section 6.2, "Confidential Information" of the Company means all trade practices, business plans, price lists, supplier lists, customer lists, marketing plans, financial information, software and all other compilations of information which relate to the business of the Company, or to any of its subsidiaries, and which have not been disclosed by the Company to the public, or which are not otherwise generally available to the public.

The Executive acknowledges that the Confidential Information of the Company, as such may exist from time to time, are valuable, confidential, special and unique assets of the Company and its subsidiaries, expensive to produce and maintain and essential for the profitable operation of their respective businesses. The Executive agrees that, during the course of his employment with the Company, or at any time thereafter, he shall not, directly or indirectly, communicate, disclose or divulge to any Person (as such term is hereinafter defined), or use for his benefit or the benefit of any Person, in any manner, any Confidential Information of the Company or its subsidiaries acquired during his employment with the Company or any other confidential information concerning the conduct and details of the businesses of the Company and its subsidiaries, except as required in the course of his employment with the Company or as otherwise may be required by law. For purposes of this Agreement, "Person" shall mean any individual, partnership, corporation, trust, unincorporated association, joint venture, limited liability company or other entity or any government, governmental agency or political subdivision.

All documents relating to the businesses of the Company and its affiliates including, without limitation, Confidential Information of the Company, whether prepared by the Executive or otherwise coming into the Executive's possession, are the exclusive property of the Company and such respective subsidiaries, and must not be removed from the premises of the Company, except as required in the course of the Executive's employment with the Company. The Executive shall return all such documents (including any copies thereof) to the Company when the Executive ceases to be employed by the Company or upon the earlier request of the Company or the Board.

6.2 Noncompetition. During the term of this Agreement (including any extensions thereof) and for a period of one (1) year or, in the case of a termination described in Section 4.2, two (2) years following the termination of the Executive's employment under this Agreement for any reason, the Executive shall not, except with the Company's express prior written consent, directly or indirectly, in any capacity, for the benefit of any entity or person (including the Executive) become employed by, own, operate, manage, direct, invest in (except through a mutual fund), or otherwise, directly or indirectly, engage in, or be employed by, any entity or person which competes with the Business (as hereinafter defined) within the Territory. For purposes of this Agreement, "Business" shall mean a company involved in the manufacture and sale of pumps, valves or fluid handling systems. For purposes of this Agreement, "Territory" shall mean the United States of America.

6.3 Non-Solicitation. During the term of this Agreement (including any extension thereof) and for a period of two (2) years or, in the case of a termination described in Section 4.2, three (3) years following the termination of the Executive's termination under this Agreement for any reason, the Executive shall not, except with the Company's express prior written consent, directly or indirectly, in any capacity, for the benefit of any entity or person (including the Executive) solicit, service, divert, take away, or contact any customer, client or employee of the Company, or any of its subsidiaries, or promote a competing service to any customer, client or employee of the Company, its subsidiaries or any of its respective businesses.

6.4 Cooperation With Regard to Litigation. Executive agrees to cooperate with the Company, during the term and thereafter (including following Executive's termination

of employment for any reason), by making himself available to testify on behalf of the Company or any subsidiary or affiliate of the Company, in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any subsidiary or affiliate of the Company, in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, or any subsidiary or affiliate of the Company, as may be reasonably requested and after taking into account Executive's post-termination responsibilities and obligations. The Company agrees to reimburse Executive, on an after-tax basis, for all reasonable expenses actually incurred in connection with his provision of testimony or assistance.

6.5 Non-Disparagement. Executive shall not, at any time during the Term and thereafter make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to the Company, its subsidiaries or affiliates or their respective officers, directors, employees, advisors, businesses or reputations, nor shall members of the Board of Directors or Executive's successor in office make any such statements or representations regarding Executive. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive or his successor or members of the Board of Directors from making truthful statements that are required by applicable law, regulation or legal process.

6.6 Survival. The provisions of this Section 6 shall survive the termination of the Term and any termination or expiration of this Agreement.

6.7 Remedies. Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; Executive therefore also agrees that in the event of said breach or any threat of breach and notwithstanding Section 7 the Company shall be entitled to an immediate injunction and restraining order from a court of competent jurisdiction to prevent such breach and/or threatened breach and/or continued breach by Executive and/or any and all persons and/or entities acting for and/or with Executive, without having to prove damages. The availability of injunctive relief shall be in addition to any other remedies to which the Company may be entitled at law or in equity, but remedies other than injunctive relief may only be pursued in an arbitration brought in accordance with Section 6. The terms of this paragraph shall not prevent the Company from pursuing in an arbitration any other available remedies for any breach or threatened breach of this Section 6, including but not limited to the recovery of damages from Executive. Executive hereby further agrees that, if it is ever determined, in an arbitration brought in accordance with Section 7, that willful actions by Executive have constituted wrongdoing that contributed to any material misstatement or omission from any report or statement filed by the Company with the U.S. Securities and Exchange Commission or material fraud against the Company, then the Company, or its successor, as appropriate, may recover all of any award or payment made to Executive, less the amount of any net tax owed by Executive with respect to such award or payment over the tax benefit to Executive from the repayment or return of the award or payment, pursuant to Section 5.1, and Executive agrees to repay and return such awards and amounts to the Company within 30 calendar days of receiving notice from the Company that the Board has made the determination referenced above and accordingly the

Company is demanding repayment pursuant to this Section 6.6. The Company or its successor may, in its sole discretion, affect any such recovery by (i) obtaining repayment directly from Executive; (ii) setting off the amount owed to it against any amount or award that would otherwise be payable by the Company to Executive; or (iii) any combination of (i) and (ii) above.

7. Governing Law; Disputes; Arbitration.

7.1 Governing Law. This Agreement is governed by and is to be construed, administered, and enforced in accordance with the laws of the Commonwealth of Virginia, without regard to conflicts of law principles. If under the governing law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation, ordinance, or other principle of law, such portion shall be deemed to be modified or altered to the extent necessary to conform thereto or, if that is not possible, to be omitted from this Agreement. The invalidity of any such portion shall not affect the force, effect, and validity of the remaining portion hereof. If any court determines that any provision of Section 7 is unenforceable because of the duration or geographic scope of such provision, it is the parties' intent that such court shall have the power to modify the duration or geographic scope of such provision, as the case may be, to the extent necessary to render the provision enforceable and, in its modified form, such provision shall be enforced.

7.2 Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the City of Richmond, Virginia by three arbitrators in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at the time of submission to arbitration. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering any judgment upon an award rendered by the arbitrators, the Company and Executive hereby consent to the jurisdiction of any or all of the following courts: (i) the United States District Court for the Fourth Circuit, (ii) any of the courts of the Commonwealth of Virginia, or (iii) any other court having jurisdiction. The Company and Executive further agree that any service of process or notice requirements in any such proceeding shall be satisfied if the rules of such court relating thereto have been substantially satisfied. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to such jurisdiction and any defense of inconvenient forum. The Company and Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party shall bear its or his costs and expenses arising in connection with any arbitration proceeding pursuant to this Section 7. Notwithstanding any provision in this Section 7, Executive shall be paid compensation due and owing under this Agreement during the pendency of any dispute or controversy arising under or in connection with this Agreement.

7.3 WAIVER OF JURY TRIAL. TO THE EXTENT APPLICABLE, EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT. This provision is subject to Section 7.2, requiring arbitration of disputes hereunder.

8. Miscellaneous.

8.1 Integration. This Agreement cancels and supersedes any and all prior agreements and understandings between the parties hereto with respect to the employment of Executive by the Company, any parent or predecessor company, and the Company's subsidiaries during the Term, but excluding existing contracts relating to compensation under executive compensation and employee benefit plans of the Company and its subsidiaries. This Agreement constitutes the entire agreement among the parties with respect to the matters herein provided, and no modification or waiver of any provision hereof shall be effective unless in writing and signed by the parties hereto. Executive shall not be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Executive under such prior agreements and understandings or under any benefit or compensation plan of the Company.

8.2 Successors; Transferability. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise, and whether or not the corporate existence of the Company continues) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise and, in the case of an acquisition of the Company in which the corporate existence of the Company continues, the ultimate parent company following such acquisition. Subject to the foregoing, the Company may transfer and assign this Agreement and the Company's rights and obligations hereunder to another entity that is substantially comparable to the Company in its financial strength and ability to perform the Company's obligations under this Agreement. Neither this Agreement nor the rights or obligations hereunder of the parties hereto shall be transferable or assignable by Executive, except in accordance with the laws of descent and distribution or as specified in Section 8.3.

8.3 Beneficiaries. Executive shall be entitled to designate (and change, to the extent permitted under applicable law) a beneficiary or beneficiaries to receive any compensation or benefits provided hereunder following Executive's death.

8.4 Notices. Whenever under this Agreement it becomes necessary to give notice, such notice shall be in writing, signed by the party or parties giving or making the same, and shall be served on the person or persons for whom it is intended or who should be advised or notified, by Federal Express or other similar overnight service or by certified or registered mail, return receipt requested, postage prepaid and addressed to such party at the address set forth below or at such other address as may be designated by such party by like notice:

If to the Company:

Colfax Corporation
Attn: Steven W. Weidenmuller
8730 Stony Point Parkway, Suite 150
Richmond, VA 23235

With a copy to:

Michael Silver, Esquire
Hogan & Hartson LLP
555 13th Street NW
Washington, D.C. 20004

If to Executive:

William E. Roller
3153 Surreyhill Court
Charlotte, NC 28270

If the parties by mutual agreement supply each other with fax numbers for the purposes of providing notice by facsimile, such notice shall also be proper notice under this Agreement. In the case of Federal Express or other similar overnight service, such notice or advice shall be effective when sent, and, in the cases of certified or registered mail, shall be effective two days after deposit into the mails by delivery to the U.S. Post Office.

8.5 Reformation. The invalidity of any portion of this Agreement shall not be deemed to render the remainder of this Agreement invalid.

8.6 Headings. The headings of this Agreement are for convenience of reference only and do not constitute a part hereof.

8.7 No General Waivers. The failure of any party at any time to require performance by any other party of any provision hereof or to resort to any remedy provided herein or at law or in equity shall in no way affect the right of such party to require such performance or to resort to such remedy at any time thereafter, nor shall the waiver by any party of a breach of any of the provisions hereof be deemed to be a waiver of any subsequent breach of such provisions. No such waiver shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced.

8.8 No Obligation To Mitigate. Executive shall not be required to seek other employment or otherwise to mitigate Executive's damages upon any termination of employment; provided, however, that, to the extent Executive receives from a subsequent employer health or other insurance benefits that are substantially similar to the benefits referred to in Section 2.3 hereof, any such benefits to be provided by the Company to Executive following the Term shall be correspondingly reduced.

8.9 Offsets; Withholding. The amounts required to be paid by the Company to Executive pursuant to this Agreement shall not be subject to offset other than with respect to any amounts that are owed to the Company by Executive due to his receipt of funds as a result of his fraudulent activity. The foregoing and other provisions of this Agreement notwithstanding, all payments to be made to Executive under this Agreement, including under Sections 4 and 5, or otherwise by the Company, will be subject to withholding to satisfy required withholding taxes and other required deductions.

8.10 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of Executive, his heirs, executors, administrators and beneficiaries, and shall be binding upon and inure to the benefit of the Company and its successors and assigns.

8.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

8.12 Representations of Executive. Executive represents and warrants to the Company that he has the legal right to enter into this Agreement and to perform all of the obligations on his part to be performed hereunder in accordance with its terms and that he is not a party to any agreement or understanding, written or oral, which prevents him from entering into this Agreement or performing all of his obligations hereunder. In the event of a breach of such representation or warranty on Executive's part or if there is any other legal impediment which prevents him from entering into this Agreement or performing all of his obligations hereunder, the Company shall have the right to terminate this Agreement forthwith in accordance with the same notice and hearing procedures specified above in respect of a termination by the Company for Cause pursuant to Section 3 and shall have no further obligations to Executive hereunder. Notwithstanding a termination by the Company under this Section 8.12, Executive's obligations under Section 6 shall survive such termination.

9. D&O Insurance.

The Company will maintain directors' and officers' liability insurance during the Term and for a period of six years thereafter, covering acts and omissions of Executive during the Term, on terms substantially no less favorable than those in effect on the Effective Date.

10. Definitions Relating to Termination Events.

10.1 Cause. For purposes of this Agreement, "Cause" shall mean Executive's:

- (i) Conviction for commission of a felony or a crime involving moral turpitude;
- (ii) Willful commission of any act of theft, fraud, embezzlement or misappropriation against the Company or its subsidiaries or affiliates;
- (iii) Willful and continued failure to substantially perform Executive's duties hereunder (other than such failure resulting from Executive's incapacity)

due to physical or mental illness), which failure is not remedied within 30 calendar days after written demand for substantial performance is delivered by the Company which specifically identifies the manner in which the Company believes that Executive has not substantially performed Executive's duties.

No act, or failure to act, on the part of Executive shall be deemed "willful" unless done, or omitted to be done, by Executive without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a copy of the resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the independent members of the Board at a meeting of the Board (after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, Executive was guilty of conduct set forth above in this definition and specifying the particulars thereof in detail.

10.2 Change in Control. For purposes of this Agreement, a "Change in Control" means the following:

- (i) A transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction or on the Effective Date, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company and immediately after such acquisition possesses more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or
- (ii) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 10.2(i) hereof or Section 10.2(iii) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

- (iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
 - (A) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; and
 - (B) After which no person or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 10.2(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or
- (iv) The Company's stockholders approve a liquidation or dissolution of the Company and all material contingencies to such liquidation or dissolution have been satisfied or waived.

10.3 Change in Control Event. For purposes of this Agreement, "Change in Control Event" means the earlier to occur of (i) a Change in Control or (ii) the execution and delivery by the Company of a definitive agreement providing for a Change in Control.

10.4 Compensation Accrued at Termination. For purposes of this Agreement, "Compensation Accrued at Termination" means the following:

- (i) The unpaid portion of annual Base Salary at the rate payable, in accordance with Section 2.1 hereof, at the date of Executive's termination of employment, pro rated through such date of termination, payable in accordance with the Company's regular pay schedule;
- (ii) Except as otherwise provided in this Agreement, all earned and unpaid and/or vested, nonforfeitable amounts owing or accrued at the date of Executive's termination of employment under any compensation and

- benefit plans, programs, and arrangements set forth or referred to in Sections 2.2 and 2.3 hereof (including any earned and vested Annual Cash Incentive) in which Executive theretofore participated, payable in accordance with the terms and conditions of the plans, programs, and arrangements (and agreements and documents thereunder) pursuant to which such compensation and benefits were granted or accrued; and
- (iii) Reasonable business expenses and disbursements incurred by Executive prior to Executive's termination of employment, to be reimbursed to Executive, as authorized under Section 2.5, in accordance the Company's reimbursement policies as in effect at the date of such termination.

10.5 Disability. For purposes of this Agreement, "Disability" means the Executive is unable due to a physical or mental condition to perform the essential functions of his position with or without reasonable accommodation for six (6) months in the aggregate during any twelve (12) month period or based on the written certification by two licensed physicians of the likely continuation of such condition for such period. This definition shall be interpreted and applied consistent with the Americans with Disabilities Act, the Family and Medical Leave Act, Section 409A of the Code and other applicable law.

10.6 Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without Executive's express written consent, the occurrence of any of the following circumstances unless, if correctable, such circumstances are fully corrected within 30 days of the notice of termination given in respect thereof:

- (i) The assignment to Executive of duties materially inconsistent with Executive's position and status hereunder, or an alteration, materially adverse to Executive, in the nature of Executive's duties, responsibilities, and authorities, Executive's position or the conditions of Executive's employment from those specified in Section 1 or otherwise hereunder (other than inadvertent actions which are promptly remedied); except the foregoing shall not constitute Good Reason if occurring in connection with the termination of Executive's employment for Cause, Disability, as a result of Executive's death, or as a result of action by or with the consent of Executive;
- (ii) A reduction by the Company in Executive's Base Salary or the setting of Executive's annual target incentive opportunity or payment of earned Annual Cash Incentive in amounts materially less than specified under or otherwise not in conformity with Section 2 hereof;
- (iii) The Company requiring Executive to relocate his principal place of business for the Company to a location at least 35 miles from his current place of business, and which is at least 35 miles longer distance from his place of residence;

- (iv) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to fully assume the Company's obligations and to perform under this Agreement; or
- (v) Any other failure by the Company to perform any material obligation under, or breach by the Company of any material provision of, this Agreement;

10.7 Partial Year Bonus. For purposes of this Agreement, a Partial Year Bonus is an amount equal to the target Annual Cash Incentive compensation that would have become payable to Executive for that year multiplied by a fraction the numerator of which is the number of days Executive was employed in the year of termination and the denominator of which is the total number of days in the year of termination.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

COLFAX CORPORATION

By: /s/ Steven W. Weidenmuller

Name: Steven W. Weidenmuller

Title: Senior Vice President, Human Resources

/s/ William E. Roller

William E. Roller

EXHIBIT A

WAIVER AND RELEASE AGREEMENT

THIS WAIVER AND RELEASE AGREEMENT is entered into as of [TO BE DETERMINATED AT TERMINATION OF EMPLOYMENT] (the “Effective Date”), by (the “Executive”) in consideration of the severance pay provided to the Executive by Colfax Corporation (the “Company”) pursuant to the Executive Employment Agreement (the “Employment Agreement”) by and between the Company and the Executive (the “Severance Payment”).

1. **Waiver and Release.** The Executive, on his or her own behalf and on behalf of his or her heirs, executors, administrators, attorneys and assigns, hereby unconditionally and irrevocably releases, waives and forever discharges the Company and each of its affiliates, parents, successors, predecessors, and the subsidiaries, directors, owners, members, shareholders, officers, agents, and employees of the Company and its affiliates, parents, successors, predecessors, and subsidiaries (collectively, all of the foregoing are referred to as the “Employer”), from any and all causes of action, claims and damages, including attorneys’ fees, whether known or unknown, foreseen or unforeseen, presently asserted or otherwise arising through the date of his or her signing of the Waiver and Release Agreement, concerning his or her employment or separation from employment. This release includes, but is not limited to, any claim or entitlement to salary, bonuses (but not including payment of any remaining bonus under the Employment Agreement), any other payments, benefits or damages arising under any federal law (including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, Executive Order 11246, the Family and Medical Leave Act, and the Worker Adjustment and Retraining Notification Act, each as amended); any claim arising under any state or local laws, ordinances or regulations (including, but not limited to, any state or local laws, ordinances or regulations requiring that advance notice be given of certain workforce reductions); and any claim arising under any common law principle or public policy, including, but not limited to, all suits in tort or contract, such as wrongful termination, defamation, emotional distress, invasion of privacy or loss of consortium.

The Executive understands that by signing this Waiver and Release Agreement he or she is not waiving any claims or administrative charges which cannot be waived by law. He or she is waiving, however, any right to monetary recovery or individual relief should any federal, state or local agency (including the Equal Employment Opportunity Commission) pursue any claim on his or her behalf arising out of or related to his or her employment with and/or separation from employment with the Company.

The Executive further agrees without any reservation whatsoever, never to sue the Employer or become a party to a lawsuit on the basis of any and all claims of any type lawfully and validly released in this Waiver and Release Agreement.

2. **Acknowledgments.** The Executive is signing this Waiver and Release Agreement knowingly and voluntarily. He or she acknowledges that:

- (a) He or she is hereby advised in writing to consult an attorney before signing this Waiver and Release Agreement;
- (b) He or she has relied solely on his or her own judgment and/or that of his

or her attorney regarding the consideration for and the terms of this Waiver and Release Agreement and is signing this Waiver and Release Agreement knowingly and voluntarily of his or her own free will;

- (c) He or she is not entitled to the Severance Payment unless he or she agrees to and honors the terms of this Waiver and Release Agreement;
- (d) He or she has been given at least **[twenty-one (21)] [forty-five (45)]** calendar days to consider this Waiver and Release Agreement, or he or she expressly waives his or her right to have at least **[twenty-one (21)] [forty-five (45)]** days to consider this Waiver and Release Agreement;
- (e) He or she may revoke this Waiver and Release Agreement within seven (7) calendar days after signing it by submitting a written notice of revocation to the Employer. He or she further understands that this Waiver and Release Agreement is not effective or enforceable until after the seven (7) day period of revocation has expired without revocation, and that if he or she revokes this Waiver and Release Agreement within the seven (7) day revocation period, he or she will not receive the Severance Payment;
- (f) He or she has read and understands the Waiver and Release Agreement and further understands that it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his or her signing of this Waiver and Release Agreement that he or she may have against the Employer; and
- (g) No statements made or conduct by the Employer has in any way coerced or unduly influenced him or her to execute this Waiver and Release Agreement.

3. **No Admission of Liability.** This Waiver and Release Agreement does not constitute an admission of liability or wrongdoing on the part of the Employer, the Employer does not admit there has been any wrongdoing whatsoever against the Executive, and the Employer expressly denies that any wrongdoing has occurred.

4. **Entire Agreement.** There are no other agreements of any nature between the Employer and the Executive with respect to the matters discussed in this Waiver and Release Agreement, except as expressly stated herein, and in signing this Waiver and Release Agreement, the Executive is not relying on any agreements or representations, except those expressly contained in this Waiver and Release Agreement.

5. **Execution.** It is not necessary that the Employer sign this Waiver and Release Agreement following the Executive's full and complete execution of it for it to become fully effective and enforceable.

6. **Severability.** If any provision of this Waiver and Release Agreement is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or controlling law, the remainder of this Waiver and Release Agreement shall continue in full force and effect.

7. **Governing Law.** This Waiver and Release Agreement shall be governed by the laws of the State of Delaware, excluding the choice of law rules thereof.

8. **Headings.** Section and subsection headings contained in this Waiver and Release Agreement are inserted for the convenience of reference only. Section and subsection headings shall not be deemed to be a part of this Waiver and Release Agreement for any purpose, and they shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the day and year first herein above written.

EXECUTIVE:

[NAME OF EXECUTIVE]

AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDMENT (the "**Amendment**") to the Executive Employment Agreement (the "**Employment Agreement**") dated April 22, 2008 by and between Colfax Corporation, a Delaware corporation (the "**Company**") and William E. Roller (the "**Executive**"), is itself by and between the Company and the Executive, is dated December 15, 2008, and is entered into effective as of January 1, 2010 (the "**Effective Date**"). This Amendment is intended to make certain changes deemed necessary by the Company and the Executive based upon new guidance regarding Section 162(m) of the Internal Revenue Code.

1. The final sentence of the first paragraph of Section 4 of the Employment Agreement is hereby amended to read as follows:

In addition, in connection with a resignation or termination described in this Section 4, and subject to the requirements of Section 4.3, the Executive shall be entitled to the payments and benefits described in Section 4.1 and, if applicable, Section 4.2, and, except to the extent provided under Section 10.7, the payments shall be made, and the benefits shall be provided, upon employment termination or as soon as reasonably practicable thereafter.

2. Section 4.1(ii) of the Employment Agreement is hereby amended in its entirety to read as follows:

(ii) In lieu of any Annual Cash Incentive under Section 2.2 for the year in which the Executive's employment terminates, a single sum cash payment equal to the amount, if any, of the Partial Year Bonus (as defined in Section 10.7); and

3. Section 10.7 of the Employment Agreement entitled "Partial Year Bonus" is hereby amended in its entirety to read as follows:

10.7 Partial Year Bonus. For purposes of this Agreement, a Partial Year Bonus is payable to the Executive for the year of the Executive's employment termination in the event the Company performance criteria for payment of an Annual Cash Incentive are achieved as of the close of the year at the level required for a payout at the target level or above. Any such Partial Year Bonus shall equal the Executive's target Annual Cash Incentive compensation multiplied by a fraction the numerator of which is the number of days the Executive was employed by the Company in the year of termination and the denominator of which is the total number of days in the year of termination. Should any such Partial Year Bonus become payable under this Agreement, payment shall be made to the Executive at the same time as payment is made to all other participants under the Annual Cash Incentive compensation program following the close of the year.

4. Except as expressly provided herein, the terms and conditions of the Employment Agreement shall remain in full force and effect and shall be binding on the parties hereto.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment, or have caused this Amendment to be duly executed and delivered in their name and on their behalf, intending to be legally bound by its terms, as of the Effective Date, as if the provisions hereof were originally included in the Employment Agreement.

COLFAX CORPORATION

By: /s/ Steven W. Weidenmuller
Name: Steven W. Weidenmuller
Title: Senior Vice President, Human Resources

/s/ William E. Roller
William E. Roller

MARIO E. DIDOMENICO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this “**Agreement**”) is entered into as of April 22, 2008, (the “**Effective Date**”) by and between Colfax Corporation, a Delaware corporation (the “**Company**”), and Mario E. DiDomenico (the “**Executive**”).

1. **Positions, Duties and Term.** The Company hereby employs the Executive as its Senior Vice President and General Manager, Engineered Products and the Executive hereby accepts such employment, on the terms and conditions set forth below. The principal place of employment of Executive shall be at the Company’s corporate offices in Warren, MA, except for reasonable business travel.

1.1 **Term.** The Executive’s employment hereunder shall be for a term commencing as of the Effective Date and ending as of the earliest of (i) December 31, 2009 or such later date to which the term of this Agreement may be extended pursuant to Subsection (a) (ii) the date that the Executive’s employment terminates pursuant to Subsections (c) or (d), below, or (iii) the date of the Executive’s death. Notwithstanding any other provision in this Agreement, this Agreement automatically will terminate on December 31, 2008 if no initial public offering or Change in Control Event has occurred (the “**Non-transaction**”).

(a) **Extension of Term.** Unless the Executive’s employment with the Company terminates earlier in accordance with Subsections (c) or (d), the parties pursuant to Subsection (b) elect not to extend the term or the Agreement terminates due to the Non-transaction, the term of this Agreement automatically shall be extended as of December 31, 2008 and each December 31 thereafter, such that on each such date the term of employment under this Agreement shall be for a full two-year period. In addition, if a Change in Control shall occur during the term of the Executive’s employment under this Agreement, this Agreement shall not expire prior to the second anniversary of the date of consummation of the Change in Control, and the term of this Agreement shall automatically be extended to the second anniversary, as necessary, to give effect to this provision as of such consummation date.

(b) **Election Not to Extend Term.** The Executive or the Board of Directors of the Company (the “**Board**”), by written notice delivered to the other, may at any time elect to terminate the automatic extension provision of Subsection (a). Any such election may be made until the December 31st as of which the term would otherwise be extended for an additional one year. Furthermore, the parties agree that expiration of this Agreement in accordance with the term end-date dictated by this Subsection (b) shall not in any event constitute termination by the Executive for Good Reason or by the Company without Cause under this Agreement.

(c) **Early Termination.** The Company may terminate the Executive’s employment with or without Cause or on account of Disability, with written notice delivered to the Executive from Board. In the case of a termination by the Company for Cause, the

Executive's termination shall be effective immediately upon giving notice. In the case of a termination without Cause or on account of Disability, the termination shall be effective as stated in such notice, but not earlier than 60 days following the date of the notice.

(d) Early Resignation. The Executive may resign from the Company for any reason, including Good Reason. Executive may effect a Good Reason termination by providing at least 30 days' written notice to the Board of the applicable Good Reason criteria and his termination effective date; provided that the notice must be given within 90 days of the occurrence of the condition that is the basis for such Good Reason; and further provided that if the basis for such Good Reason is correctible and the Company corrects the basis for such Good Reason within 30 days after receipt of such notice, the Good Reason defect shall be cured and Executive shall not then have the right to terminate his employment for Good Reason with respect to the occurrence addressed in the written notice. In the case of a resignation other than for Good Reason, the termination shall be effective as stated in the notice, but not earlier than 60 days following the date of the notice.

(e) Termination and Offices Held. At the time Executive ceases to be an employee of the Company, the Executive agrees that he shall resign from any office he holds with the Company and its subsidiaries and any affiliate.

1.2 Duties. The Executive shall faithfully perform for the Company the duties incident to the office of Senior Vice President and General Manager, Engineered Products and shall perform such other duties of an executive, managerial or administrative nature as shall be specified and designated from time to time by the Board. The Executive shall devote substantially all of the Executive's business time and effort to the performance of the Executive's duties hereunder, provided that in no event shall this sentence prohibit the Executive from performing personal and charitable activities and any other activities approved by the Board, so long as such activities do not materially interfere with the Executive's duties for the Company.

2. Compensation.

2.1 Salary. During the term of his employment under this Agreement, the Company shall pay the Executive a base salary at an annual rate of \$206,800 (the "**Base Salary**"). The Base Salary shall be reviewed no less frequently than annually and may be increased at the discretion of the Board or the Compensation Committee of the Board (the "**Committee**"), as applicable. Except as otherwise agreed in writing by the Executive, the Base Salary shall not be reduced from the amount previously in effect. The Base Salary shall be payable in equal biweekly installments or in such other installments as shall be consistent with the Company's payroll procedures.

2.2 Annual Cash Incentive. During the term of his employment under this Agreement, the Executive shall be eligible to receive an annual cash bonus based on performance objectives established by the Committee each year (the "**Annual Cash Incentive**"). The Executive's target Annual Cash Incentive amount will be the percentage of Base Salary designated as the target by the Committee, which amount shall be at least 45% of the Base Salary then in effect for each applicable year. Notwithstanding the preceding, Executive's Annual Cash Incentive, if any, may be below (including zero), at, or above the target based upon the achievement of the performance objectives.

2.3 Benefits. During the term of his employment under this Agreement, the Executive shall be permitted to participate in any group life, hospitalization or disability insurance plans, health programs, pension and profit sharing plans, long-term incentive plans and similar benefits that may be available to other senior executives of the Company generally, on the same terms as may be applicable to such other executives, in each case to the extent that the Executive is eligible under the terms of such plans or programs.

2.4 Vacation. During the term of his employment under this agreement, the Executive shall be entitled to vacation of twenty (20) working days per year.

2.5 Expenses. The Company shall pay or reimburse the Executive for all ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the term the Executive's employment under this Agreement, provided that the Executive submits such expenses in accordance with the policies applicable to senior executives of the Company generally.

3. Terminations Other than Without Cause or for Good Reason. In the event of the Executive's resignation other than for Good Reason, his termination of employment with the Company on account of death or Disability, or his termination by the Company for Cause, all obligations of the Company under Sections 1 and 2 will immediately cease. In connection with this resignation or termination, the Company will pay the Executive (or, in the case of the Executive's death, Executive's beneficiary or, if none has been designated in accordance with Section 6.3, Executive's estate), the amount of the Executive's Compensation Accrued at Termination, and the Executive's rights, if any, under any Company benefit plan or program shall be governed by such plan or program.

4. Terminations Without Cause or for Good Reason. If during the term of his employment under this Agreement, Executive is terminated by the Company without Cause (and not on account of Disability) or resigns from the Company for Good Reason, all obligations of the Company under Sections 1 and 2 will immediately cease. In connection with this resignation or termination, the Company will pay the Executive (or, in the case of the Executive's death, Executive's beneficiary or, if none has been designated in accordance with Section 8.3, Executive's estate), the amount of the Executive's Compensation Accrued at Termination, and the Executive's rights, if any, under any Company benefit plan or program shall be governed by such plan or program. In addition, in connection with a resignation or termination described in this Section 4, and subject to the requirements of Section 4.3, the Executive shall be entitled to the benefits described in Section 4.1 and, if applicable, Section 4.2.

4.1 Severance and Pro-Rata Bonus. The benefit under this Section 4.1 shall consist of the following:

- (i) A single sum severance payment in cash equal to the sum of: (x) one (1) times the Executive's Base Salary plus (y) one (1) times the Executive's target Annual Cash Incentive in effect for the year; provided, however,

that the Annual Cash Incentive component shall instead be the average of the two highest actual Annual Cash Incentive payments made in the three most recent performance periods, if this amount is greater and the Executive has received two such payments; and provided, further, that the multiplier under the provisions of (x) and (y) shall be “two (2) times” in the event the applicable termination of employment occurs within 3 months prior to a Change in Control Event or two (2) years after a Change in Control;

- (ii) In lieu of any annual cash incentive under Section 2.2 for the year in which Executive’s employment terminates, a single sum cash payment equal to the Partial Year Bonus (as defined in Section 10.6); and
- (iii) At Company’s expense, Executive and his spouse and dependent children shall be entitled to continuation of health insurance coverage (i.e., medical, dental and vision) under the Company’s group health plan(s) in which the Executive was participating on the date of termination or if such plan(s) have been terminated, in the plan(s) in which senior executives of the Company participate for a period of one (1) year or two (2) years in the event the applicable termination of employment occurs within 3 months prior to a Change in Control Event or two (2) years after a Change in Control.

4.2 Change in Control Termination Accelerated Vesting. If the resignation or termination under this Section 4 shall occur within 3 months prior to a Change in Control Event or two (2) years after a Change in Control, the following provisions shall apply:

- (i) All equity or equity based awards held by Executive at termination of employment, including but not limited to, stock options, restricted stock and restricted stock units, and which time-vest based on service shall become vested and non-forfeitable, and all other terms of such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which such options were granted; and
- (ii) Any performance objectives upon which the earning of performance-based restricted stock, restricted stock units, and other equity or equity-based awards and other long-term incentive awards (including cash awards,) is conditioned shall be deemed to have been met at the greater of (A) target level at the date of termination, or (B) actual performance at the date of termination, and such amounts shall become fully vested and non-forfeitable as a result of termination of employment at the date of such termination, and, in other respects, such awards shall be governed by the plans and programs and the agreements and other documents pursuant to which such awards were granted;

4.3 Waiver and Release Agreement. In consideration of the severance payments described in Section 4.1 or Section 4.2, to which severance payments the Executive would otherwise not be entitled, and as a pre-condition to the Executive becoming entitled to such severance payments under this Agreement, the Executive agrees to execute at the time of Executive's termination a Waiver and Release Agreement in exactly the form provided to the Executive by the Company without alteration or addition (the "**Waiver and Release Agreement**"), attached hereto as Exhibit A, the terms and conditions of which are specifically incorporated herein by reference.

5. Golden Parachute Excise Tax Provisions. In the event it is determined that any payment or benefit (within the meaning of Section 280G(B)(2) of the Internal Revenue Code of 1986, as amended (the "**Code**")), to the Executive or for his or her benefit paid or payable or distributed to or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, his or her employment ("**Payments**"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "**Excise Tax**"), then the total Payments shall be reduced to the extent the payment of such amounts would cause the Executive's total termination benefits to constitute an "excess" parachute payment under Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**") and by reason of such excess parachute payment the Executive would be subject to an excise tax under Section 4999(a) of the Code, but only if the Executive (or the Executive's tax advisor) determines that the after-tax value of the termination benefits calculated with the foregoing restriction exceed those calculated without the foregoing restriction. Except as otherwise expressly provided herein, all determinations under this Section 5 shall be made at the expense of the Company by a nationally recognized public accounting or consulting firm selected by the Company and subject to the approval of Executive, which approval shall not be unreasonably withheld. Such determination shall be binding upon Executive and the Company.

5.1 Company Withholding. Notwithstanding anything contained in this Agreement to the contrary, in the event that, according to the Determination, an Excise Tax will be imposed on any Payment or Payments, the Company shall pay to the applicable government taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Company has actually withheld from the Payment or Payments.

6. Confidentiality; Non-Competition and Non-Disclosure; Executive Cooperation; Non-Disparagement.

6.1 Confidential Information. The Executive acknowledges that, during the course of his employment with the Company, the Executive may receive special training and/or may be given access to or may become acquainted with Confidential Information (as hereinafter defined) of the Company. As used in this Section 6.2, "Confidential Information" of the Company means all trade practices, business plans, price lists, supplier lists, customer lists, marketing plans, financial information, software and all other compilations of information which relate to the business of the Company, or to any of its subsidiaries, and which have not been disclosed by the Company to the public, or which are not otherwise generally available to the public.

The Executive acknowledges that the Confidential Information of the Company, as such may exist from time to time, are valuable, confidential, special and unique assets of the Company and its subsidiaries, expensive to produce and maintain and essential for the profitable operation of their respective businesses. The Executive agrees that, during the course of his employment with the Company, or at any time thereafter, he shall not, directly or indirectly, communicate, disclose or divulge to any Person (as such term is hereinafter defined), or use for his benefit or the benefit of any Person, in any manner, any Confidential Information of the Company or its subsidiaries acquired during his employment with the Company or any other confidential information concerning the conduct and details of the businesses of the Company and its subsidiaries, except as required in the course of his employment with the Company or as otherwise may be required by law. For purposes of this Agreement, "Person" shall mean any individual, partnership, corporation, trust, unincorporated association, joint venture, limited liability company or other entity or any government, governmental agency or political subdivision.

All documents relating to the businesses of the Company and its affiliates including, without limitation, Confidential Information of the Company, whether prepared by the Executive or otherwise coming into the Executive's possession, are the exclusive property of the Company and such respective subsidiaries, and must not be removed from the premises of the Company, except as required in the course of the Executive's employment with the Company. The Executive shall return all such documents (including any copies thereof) to the Company when the Executive ceases to be employed by the Company or upon the earlier request of the Company or the Board.

6.2 Noncompetition. During the term of this Agreement (including any extensions thereof) and for a period of one (1) year or, in the case of a termination described in Section 4.2, two (2) years following the termination of the Executive's employment under this Agreement for any reason, the Executive shall not, except with the Company's express prior written consent, directly or indirectly, in any capacity, for the benefit of any entity or person (including the Executive) become employed by, own, operate, manage, direct, invest in (except through a mutual fund), or otherwise, directly or indirectly, engage in, or be employed by, any entity or person which competes with the Business (as hereinafter defined) within the Territory. For purposes of this Agreement, "Business" shall mean a company involved in the manufacture and sale of pumps, valves or fluid handling systems. For purposes of this Agreement, "Territory" shall mean the United States of America.

6.3 Non-Solicitation. During the term of this Agreement (including any extension thereof) and for a period of two (2) years or, in the case of a termination described in Section 4.2, three (3) years following the termination of the Executive's termination under this Agreement for any reason, the Executive shall not, except with the Company's express prior written consent, directly or indirectly, in any capacity, for the benefit of any entity or person (including the Executive) solicit, service, divert, take away, or contact any customer, client or employee of the Company, or any of its subsidiaries, or promote a competing service to any customer, client or employee of the Company, its subsidiaries or any of its respective businesses.

6.4 Cooperation With Regard to Litigation. Executive agrees to cooperate with the Company, during the term and thereafter (including following Executive's termination

of employment for any reason), by making himself available to testify on behalf of the Company or any subsidiary or affiliate of the Company, in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any subsidiary or affiliate of the Company, in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, or any subsidiary or affiliate of the Company, as may be reasonably requested and after taking into account Executive's post-termination responsibilities and obligations. The Company agrees to reimburse Executive, on an after-tax basis, for all reasonable expenses actually incurred in connection with his provision of testimony or assistance.

6.5 Non-Disparagement. Executive shall not, at any time during the Term and thereafter make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to the Company, its subsidiaries or affiliates or their respective officers, directors, employees, advisors, businesses or reputations, nor shall members of the Board of Directors or Executive's successor in office make any such statements or representations regarding Executive. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive or his successor or members of the Board of Directors from making truthful statements that are required by applicable law, regulation or legal process.

6.6 Survival. The provisions of this Section 6 shall survive the termination of the Term and any termination or expiration of this Agreement.

6.7 Remedies. Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; Executive therefore also agrees that in the event of said breach or any threat of breach and notwithstanding Section 7 the Company shall be entitled to an immediate injunction and restraining order from a court of competent jurisdiction to prevent such breach and/or threatened breach and/or continued breach by Executive and/or any and all persons and/or entities acting for and/or with Executive, without having to prove damages. The availability of injunctive relief shall be in addition to any other remedies to which the Company may be entitled at law or in equity, but remedies other than injunctive relief may only be pursued in an arbitration brought in accordance with Section 6. The terms of this paragraph shall not prevent the Company from pursuing in an arbitration any other available remedies for any breach or threatened breach of this Section 6, including but not limited to the recovery of damages from Executive. Executive hereby further agrees that, if it is ever determined, in an arbitration brought in accordance with Section 7, that willful actions by Executive have constituted wrongdoing that contributed to any material misstatement or omission from any report or statement filed by the Company with the U.S. Securities and Exchange Commission or material fraud against the Company, then the Company, or its successor, as appropriate, may recover all of any award or payment made to Executive, less the amount of any net tax owed by Executive with respect to such award or payment over the tax benefit to Executive from the repayment or return of the award or payment, pursuant to Section 5.1, and Executive agrees to repay and return such awards and amounts to the Company within 30 calendar days of receiving notice from the Company that the Board has made the determination referenced above and accordingly the

Company is demanding repayment pursuant to this Section 6.6. The Company or its successor may, in its sole discretion, affect any such recovery by (i) obtaining repayment directly from Executive; (ii) setting off the amount owed to it against any amount or award that would otherwise be payable by the Company to Executive; or (iii) any combination of (i) and (ii) above.

7. Governing Law; Disputes; Arbitration.

7.1 Governing Law. This Agreement is governed by and is to be construed, administered, and enforced in accordance with the laws of the Commonwealth of Virginia, without regard to conflicts of law principles. If under the governing law, any portion of this Agreement is at any time deemed to be in conflict with any applicable statute, rule, regulation, ordinance, or other principle of law, such portion shall be deemed to be modified or altered to the extent necessary to conform thereto or, if that is not possible, to be omitted from this Agreement. The invalidity of any such portion shall not affect the force, effect, and validity of the remaining portion hereof. If any court determines that any provision of Section 7 is unenforceable because of the duration or geographic scope of such provision, it is the parties' intent that such court shall have the power to modify the duration or geographic scope of such provision, as the case may be, to the extent necessary to render the provision enforceable and, in its modified form, such provision shall be enforced.

7.2 Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the City of Richmond, Virginia by three arbitrators in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at the time of submission to arbitration. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering any judgment upon an award rendered by the arbitrators, the Company and Executive hereby consent to the jurisdiction of any or all of the following courts: (i) the United States District Court for the Fourth Circuit, (ii) any of the courts of the Commonwealth of Virginia, or (iii) any other court having jurisdiction. The Company and Executive further agree that any service of process or notice requirements in any such proceeding shall be satisfied if the rules of such court relating thereto have been substantially satisfied. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to such jurisdiction and any defense of inconvenient forum. The Company and Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party shall bear its or his costs and expenses arising in connection with any arbitration proceeding pursuant to this Section 7. Notwithstanding any provision in this Section 7, Executive shall be paid compensation due and owing under this Agreement during the pendency of any dispute or controversy arising under or in connection with this Agreement.

7.3 WAIVER OF JURY TRIAL. TO THE EXTENT APPLICABLE, EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT. This provision is subject to Section 7.2, requiring arbitration of disputes hereunder.

8. Miscellaneous.

8.1 Integration. This Agreement cancels and supersedes any and all prior agreements and understandings between the parties hereto with respect to the employment of Executive by the Company, any parent or predecessor company, and the Company's subsidiaries during the Term, but excluding existing contracts relating to compensation under executive compensation and employee benefit plans of the Company and its subsidiaries. This Agreement constitutes the entire agreement among the parties with respect to the matters herein provided, and no modification or waiver of any provision hereof shall be effective unless in writing and signed by the parties hereto. Executive shall not be entitled to any payment or benefit under this Agreement which duplicates a payment or benefit received or receivable by Executive under such prior agreements and understandings or under any benefit or compensation plan of the Company.

8.2 Successors; Transferability. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise, and whether or not the corporate existence of the Company continues) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise and, in the case of an acquisition of the Company in which the corporate existence of the Company continues, the ultimate parent company following such acquisition. Subject to the foregoing, the Company may transfer and assign this Agreement and the Company's rights and obligations hereunder to another entity that is substantially comparable to the Company in its financial strength and ability to perform the Company's obligations under this Agreement. Neither this Agreement nor the rights or obligations hereunder of the parties hereto shall be transferable or assignable by Executive, except in accordance with the laws of descent and distribution or as specified in Section 8.3.

8.3 Beneficiaries. Executive shall be entitled to designate (and change, to the extent permitted under applicable law) a beneficiary or beneficiaries to receive any compensation or benefits provided hereunder following Executive's death.

8.4 Notices. Whenever under this Agreement it becomes necessary to give notice, such notice shall be in writing, signed by the party or parties giving or making the same, and shall be served on the person or persons for whom it is intended or who should be advised or notified, by Federal Express or other similar overnight service or by certified or registered mail, return receipt requested, postage prepaid and addressed to such party at the address set forth below or at such other address as may be designated by such party by like notice:

If to the Company:

Colfax Corporation
Attn: Steven W. Weidenmuller
8730 Stony Point Parkway, Suite 150
Richmond, VA 23235

With a copy to:

Michael Silver, Esquire
Hogan & Hartson LLP
555 13th Street NW
Washington, D.C. 20004

If to Executive:

Mario E. DiDomenico
1 Nimrod Farm Road
Weston, CT 06883

If the parties by mutual agreement supply each other with fax numbers for the purposes of providing notice by facsimile, such notice shall also be proper notice under this Agreement. In the case of Federal Express or other similar overnight service, such notice or advice shall be effective when sent, and, in the cases of certified or registered mail, shall be effective two days after deposit into the mails by delivery to the U.S. Post Office.

8.5 Reformation. The invalidity of any portion of this Agreement shall not be deemed to render the remainder of this Agreement invalid.

8.6 Headings. The headings of this Agreement are for convenience of reference only and do not constitute a part hereof.

8.7 No General Waivers. The failure of any party at any time to require performance by any other party of any provision hereof or to resort to any remedy provided herein or at law or in equity shall in no way affect the right of such party to require such performance or to resort to such remedy at any time thereafter, nor shall the waiver by any party of a breach of any of the provisions hereof be deemed to be a waiver of any subsequent breach of such provisions. No such waiver shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced.

8.8 No Obligation To Mitigate. Executive shall not be required to seek other employment or otherwise to mitigate Executive's damages upon any termination of employment; provided, however, that, to the extent Executive receives from a subsequent employer health or other insurance benefits that are substantially similar to the benefits referred to in Section 2.3 hereof, any such benefits to be provided by the Company to Executive following the Term shall be correspondingly reduced.

8.9 Offsets; Withholding. The amounts required to be paid by the Company to Executive pursuant to this Agreement shall not be subject to offset other than with respect to any amounts that are owed to the Company by Executive due to his receipt of funds as a result of his fraudulent activity. The foregoing and other provisions of this Agreement notwithstanding, all payments to be made to Executive under this Agreement, including under Sections 4 and 5, or otherwise by the Company, will be subject to withholding to satisfy required withholding taxes and other required deductions.

8.10 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of Executive, his heirs, executors, administrators and beneficiaries, and shall be binding upon and inure to the benefit of the Company and its successors and assigns.

8.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

8.12 Representations of Executive. Executive represents and warrants to the Company that he has the legal right to enter into this Agreement and to perform all of the obligations on his part to be performed hereunder in accordance with its terms and that he is not a party to any agreement or understanding, written or oral, which prevents him from entering into this Agreement or performing all of his obligations hereunder. In the event of a breach of such representation or warranty on Executive's part or if there is any other legal impediment which prevents him from entering into this Agreement or performing all of his obligations hereunder, the Company shall have the right to terminate this Agreement forthwith in accordance with the same notice and hearing procedures specified above in respect of a termination by the Company for Cause pursuant to Section 3 and shall have no further obligations to Executive hereunder. Notwithstanding a termination by the Company under this Section 8.12, Executive's obligations under Section 6 shall survive such termination.

9. D&O Insurance.

The Company will maintain directors' and officers' liability insurance during the Term and for a period of six years thereafter, covering acts and omissions of Executive during the Term, on terms substantially no less favorable than those in effect on the Effective Date.

10. Definitions Relating to Termination Events.

10.1 Cause. For purposes of this Agreement, "Cause" shall mean Executive's:

- (i) Conviction for commission of a felony or a crime involving moral turpitude;
- (ii) Willful commission of any act of theft, fraud, embezzlement or misappropriation against the Company or its subsidiaries or affiliates;
- (iii) Willful and continued failure to substantially perform Executive's duties hereunder (other than such failure resulting from Executive's incapacity)

due to physical or mental illness), which failure is not remedied within 30 calendar days after written demand for substantial performance is delivered by the Company which specifically identifies the manner in which the Company believes that Executive has not substantially performed Executive's duties.

No act, or failure to act, on the part of Executive shall be deemed "willful" unless done, or omitted to be done, by Executive without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a copy of the resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the independent members of the Board at a meeting of the Board (after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, Executive was guilty of conduct set forth above in this definition and specifying the particulars thereof in detail.

10.2 Change in Control. For purposes of this Agreement, a "Change in Control" means the following:

- (i) A transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction or on the Effective Date, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company and immediately after such acquisition possesses more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or
- (ii) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 10.2(i) hereof or Section 10.2(iii) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

- (iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
 - (A) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; and
 - (B) After which no person or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 10.2(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or
- (iv) The Company's stockholders approve a liquidation or dissolution of the Company and all material contingencies to such liquidation or dissolution have been satisfied or waived.

10.3 Change in Control Event. For purposes of this Agreement, "Change in Control Event" means the earlier to occur of (i) a Change in Control or (ii) the execution and delivery by the Company of a definitive agreement providing for a Change in Control.

10.4 Compensation Accrued at Termination. For purposes of this Agreement, "Compensation Accrued at Termination" means the following:

- (i) The unpaid portion of annual Base Salary at the rate payable, in accordance with Section 2.1 hereof, at the date of Executive's termination of employment, pro rated through such date of termination, payable in accordance with the Company's regular pay schedule;
- (ii) Except as otherwise provided in this Agreement, all earned and unpaid and/or vested, nonforfeitable amounts owing or accrued at the date of Executive's termination of employment under any compensation and

benefit plans, programs, and arrangements set forth or referred to in Sections 2.2 and 2.3 hereof (including any earned and vested Annual Cash Incentive) in which Executive theretofore participated, payable in accordance with the terms and conditions of the plans, programs, and arrangements (and agreements and documents thereunder) pursuant to which such compensation and benefits were granted or accrued; and

- (iii) Reasonable business expenses and disbursements incurred by Executive prior to Executive's termination of employment, to be reimbursed to Executive, as authorized under Section 2.5, in accordance the Company's reimbursement policies as in effect at the date of such termination.

10.5 Disability. For purposes of this Agreement, "Disability" means the Executive is unable due to a physical or mental condition to perform the essential functions of his position with or without reasonable accommodation for six (6) months in the aggregate during any twelve (12) month period or based on the written certification by two licensed physicians of the likely continuation of such condition for such period. This definition shall be interpreted and applied consistent with the Americans with Disabilities Act, the Family and Medical Leave Act, Section 409A of the Code and other applicable law.

10.6 Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without Executive's express written consent, the occurrence of any of the following circumstances unless, if correctable, such circumstances are fully corrected within 30 days of the notice of termination given in respect thereof:

- (i) The assignment to Executive of duties materially inconsistent with Executive's position and status hereunder, or an alteration, materially adverse to Executive, in the nature of Executive's duties, responsibilities, and authorities, Executive's position or the conditions of Executive's employment from those specified in Section 1 or otherwise hereunder (other than inadvertent actions which are promptly remedied); except the foregoing shall not constitute Good Reason if occurring in connection with the termination of Executive's employment for Cause, Disability, as a result of Executive's death, or as a result of action by or with the consent of Executive;
- (ii) A reduction by the Company in Executive's Base Salary or the setting of Executive's annual target incentive opportunity or payment of earned Annual Cash Incentive in amounts materially less than specified under or otherwise not in conformity with Section 2 hereof;
- (iii) The Company requiring Executive to relocate his principal place of business for the Company to a location at least 35 miles from his current place of business, and which is at least 35 miles longer distance from his place of residence;

- (iv) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to fully assume the Company's obligations and to perform under this Agreement; or
- (v) Any other failure by the Company to perform any material obligation under, or breach by the Company of any material provision of, this Agreement;

10.7 Partial Year Bonus. For purposes of this Agreement, a Partial Year Bonus is an amount equal to the target Annual Cash Incentive compensation that would have become payable to Executive for that year multiplied by a fraction the numerator of which is the number of days Executive was employed in the year of termination and the denominator of which is the total number of days in the year of termination.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

COLFAX CORPORATION

By: /s/ Steven W. Weidenmuller

Name: Steven W. Weidenmuller

Title: Senior Vice President, Human Resources

/s/ Mario E. DiDomenico

Mario E. DiDomenico

EXHIBIT A

WAIVER AND RELEASE AGREEMENT

THIS WAIVER AND RELEASE AGREEMENT is entered into as of [TO BE DETERMINATED AT TERMINATION OF EMPLOYMENT] (the “**Effective Date**”), by (the “**Executive**”) in consideration of the severance pay provided to the Executive by Colfax Corporation (the “**Company**”) pursuant to the Executive Employment Agreement (the “**Employment Agreement**”) by and between the Company and the Executive (the “**Severance Payment**”).

1. **Waiver and Release.** The Executive, on his or her own behalf and on behalf of his or her heirs, executors, administrators, attorneys and assigns, hereby unconditionally and irrevocably releases, waives and forever discharges the Company and each of its affiliates, parents, successors, predecessors, and the subsidiaries, directors, owners, members, shareholders, officers, agents, and employees of the Company and its affiliates, parents, successors, predecessors, and subsidiaries (collectively, all of the foregoing are referred to as the “**Employer**”), from any and all causes of action, claims and damages, including attorneys’ fees, whether known or unknown, foreseen or unforeseen, presently asserted or otherwise arising through the date of his or her signing of the Waiver and Release Agreement, concerning his or her employment or separation from employment. This release includes, but is not limited to, any claim or entitlement to salary, bonuses (but not including payment of any remaining bonus under the Employment Agreement), any other payments, benefits or damages arising under any federal law (including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, Executive Order 11246, the Family and Medical Leave Act, and the Worker Adjustment and Retraining Notification Act, each as amended); any claim arising under any state or local laws, ordinances or regulations (including, but not limited to, any state or local laws, ordinances or regulations requiring that advance notice be given of certain workforce reductions); and any claim arising under any common law principle or public policy, including, but not limited to, all suits in tort or contract, such as wrongful termination, defamation, emotional distress, invasion of privacy or loss of consortium.

The Executive understands that by signing this Waiver and Release Agreement he or she is not waiving any claims or administrative charges which cannot be waived by law. He or she is waiving, however, any right to monetary recovery or individual relief should any federal, state or local agency (including the Equal Employment Opportunity Commission) pursue any claim on his or her behalf arising out of or related to his or her employment with and/or separation from employment with the Company.

The Executive further agrees without any reservation whatsoever, never to sue the Employer or become a party to a lawsuit on the basis of any and all claims of any type lawfully and validly released in this Waiver and Release Agreement.

2. **Acknowledgments.** The Executive is signing this Waiver and Release Agreement knowingly and voluntarily. He or she acknowledges that:

- (a) He or she is hereby advised in writing to consult an attorney before signing this Waiver and Release Agreement;
- (b) He or she has relied solely on his or her own judgment and/or that of his

or her attorney regarding the consideration for and the terms of this Waiver and Release Agreement and is signing this Waiver and Release Agreement knowingly and voluntarily of his or her own free will;

- (c) He or she is not entitled to the Severance Payment unless he or she agrees to and honors the terms of this Waiver and Release Agreement;
- (d) He or she has been given at least **[twenty-one (21)] [forty-five (45)]** calendar days to consider this Waiver and Release Agreement, or he or she expressly waives his or her right to have at least **[twenty-one (21)] [forty-five (45)]** days to consider this Waiver and Release Agreement;
- (e) He or she may revoke this Waiver and Release Agreement within seven (7) calendar days after signing it by submitting a written notice of revocation to the Employer. He or she further understands that this Waiver and Release Agreement is not effective or enforceable until after the seven (7) day period of revocation has expired without revocation, and that if he or she revokes this Waiver and Release Agreement within the seven (7) day revocation period, he or she will not receive the Severance Payment;
- (f) He or she has read and understands the Waiver and Release Agreement and further understands that it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his or her signing of this Waiver and Release Agreement that he or she may have against the Employer; and
- (g) No statements made or conduct by the Employer has in any way coerced or unduly influenced him or her to execute this Waiver and Release Agreement.

3. **No Admission of Liability.** This Waiver and Release Agreement does not constitute an admission of liability or wrongdoing on the part of the Employer, the Employer does not admit there has been any wrongdoing whatsoever against the Executive, and the Employer expressly denies that any wrongdoing has occurred.

4. **Entire Agreement.** There are no other agreements of any nature between the Employer and the Executive with respect to the matters discussed in this Waiver and Release Agreement, except as expressly stated herein, and in signing this Waiver and Release Agreement, the Executive is not relying on any agreements or representations, except those expressly contained in this Waiver and Release Agreement.

5. **Execution.** It is not necessary that the Employer sign this Waiver and Release Agreement following the Executive's full and complete execution of it for it to become fully effective and enforceable.

6. **Severability.** If any provision of this Waiver and Release Agreement is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or controlling law, the remainder of this Waiver and Release Agreement shall continue in full force and effect.

7. **Governing Law.** This Waiver and Release Agreement shall be governed by the laws of the State of Delaware, excluding the choice of law rules thereof.

8. **Headings.** Section and subsection headings contained in this Waiver and Release Agreement are inserted for the convenience of reference only. Section and subsection headings shall not be deemed to be a part of this Waiver and Release Agreement for any purpose, and they shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the day and year first herein above written.

EXECUTIVE:

[NAME OF EXECUTIVE]

AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDMENT (the "**Amendment**") to the Executive Employment Agreement (the "**Employment Agreement**") dated April 22, 2008 by and between Colfax Corporation, a Delaware corporation (the "**Company**") and Mario E. DiDomenico (the "**Executive**"), is itself by and between the Company and the Executive, is dated December 15, 2008, and is entered into effective as of January 1, 2010 (the "**Effective Date**"). This Amendment is intended to make certain changes deemed necessary by the Company and the Executive based upon new guidance regarding Section 162(m) of the Internal Revenue Code.

1. The final sentence of the first paragraph of Section 4 of the Employment Agreement is hereby amended to read as follows:

In addition, in connection with a resignation or termination described in this Section 4, and subject to the requirements of Section 4.3, the Executive shall be entitled to the payments and benefits described in Section 4.1 and, if applicable, Section 4.2, and, except to the extent provided under Section 10.7, the payments shall be made, and the benefits shall be provided, upon employment termination or as soon as reasonably practicable thereafter.

2. Section 4.1(ii) of the Employment Agreement is hereby amended in its entirety to read as follows:

(ii) In lieu of any Annual Cash Incentive under Section 2.2 for the year in which the Executive's employment terminates, a single sum cash payment equal to the amount, if any, of the Partial Year Bonus (as defined in Section 10.7); and

3. Section 10.7 of the Employment Agreement entitled "Partial Year Bonus" is hereby amended in its entirety to read as follows:

10.7 Partial Year Bonus. For purposes of this Agreement, a Partial Year Bonus is payable to the Executive for the year of the Executive's employment termination in the event the Company performance criteria for payment of an Annual Cash Incentive are achieved as of the close of the year at the level required for a payout at the target level or above. Any such Partial Year Bonus shall equal the Executive's target Annual Cash Incentive compensation multiplied by a fraction the numerator of which is the number of days the Executive was employed by the Company in the year of termination and the denominator of which is the total number of days in the year of termination. Should any such Partial Year Bonus become payable under this Agreement, payment shall be made to the Executive at the same time as payment is made to all other participants under the Annual Cash Incentive compensation program following the close of the year.

4. Except as expressly provided herein, the terms and conditions of the Employment Agreement shall remain in full force and effect and shall be binding on the parties hereto.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment, or have caused this Amendment to be duly executed and delivered in their name and on their behalf, intending to be legally bound by its terms, as of the Effective Date, as if the provisions hereof were originally included in the Employment Agreement.

COLFAX CORPORATION

By: /s/ Steven W. Weidenmuller

Name: Steven W. Weidenmuller

Title: Senior Vice President, Human Resources

/s/ Mario E. DiDomenico

Mario E. DiDomenico

CERTIFICATIONS

I, John A. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Paragraph omitted in accordance with SEC Release No. 34-47986]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2009

/s/ John A. Young

John A. Young
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, G. Scott Faison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Paragraph omitted in accordance with SEC Release No. 34-47986]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2009

/s/ G. Scott Faison

G. Scott Faison
Senior Vice President, Finance and Chief Financial
Officer
(Principal Financial and Accounting Officer)

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, John A. Young, as President and Chief Executive Officer of Colfax Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- (1) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 3, 2009 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2009

/s/ John A. Young

John A. Young
President and Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

I, G. Scott Faison, as Senior Vice President, Finance and Chief Financial Officer of Colfax Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- (1) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 3, 2009 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2009

/s/ G. Scott Faison

G. Scott Faison
Senior Vice President, Finance and Chief Financial
Officer
(Principal Financial and Accounting Officer)