RBS INVESTMENT MANAGEMENT LLC
Form 4
November 08, 2012

FORM 4

OMB APPROVAL

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

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LAMPERT EDWARD S

(Last) (First) (Middle)

1170 KANE CONCOURSE, SUITE 200

(Street)

BAY HARBOR, FL 33154

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AUTONATION, INC. [AN]

3. Date of Earliest Transaction (Month/Day/Year)
11/06/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.01 per share	11/06/2012		S		4,285	D	$ 43.49 (1)	18,580,120	D (2) (3) (4) (5)	
Common Stock, par value $0.01 per share	11/06/2012		S		60,117	D	$ 43.49 (1)	31,705,477	I	See Footnotes (2) (3) (4) (5) (6)
Common Stock, par	11/06/2012		S		3,028	D	$ 43.49	2,364,715	I	See Footnotes

value $0.01 per share						(1)			(2) (3) (4) (5) (7)
Common Stock, par value $0.01 per share	11/06/2012		S	2,355	D	$ 43.49 (1)	1,838,736	I	See Footnotes (2) (3) (4) (5) (8)
Common Stock, par value $0.01 per share	11/06/2012		S	6,416	D	$ 43.49 (1)	5,009,984	I	See Footnotes (2) (3) (4) (5) (9)
Common Stock, par value $0.01 per share	11/06/2012		S	8	D	$ 43.49 (1)	6,436	I	See Footnotes (2) (3) (4) (5) (10)
Common Stock, par value $0.01 per share	11/07/2012		S	9,562	D	$ 42.23 (11)	18,570,558	D (2) (3) (4) (5)	
Common Stock, par value $0.01 per share	11/07/2012		S	134,153	D	$ 42.23 (11)	31,571,324	I	See Footnotes (2) (3) (4) (5) (6)
Common Stock, par value $0.01 per share	11/07/2012		S	6,759	D	$ 42.23 (11)	2,357,956	I	See Footnotes (2) (3) (4) (5) (7)
Common Stock, par value $0.01 per share	11/07/2012		S	5,255	D	$ 42.23 (11)	1,833,481	I	See Footnotes (2) (3) (4) (5) (8)
Common Stock, par value $0.01 per share	11/07/2012		S	14,319	D	$ 42.23 (11)	4,995,665	I	See Footnotes (2) (3) (4) (5) (9)
Common Stock, par value	11/07/2012		S	19	D	$ 42.23 (11)	6,417	I	See Footnotes (2) (3) (4) (5)

$0.01 per share								(10)
Common Stock, par value $0.01 per share	11/07/2012	S	170	D	$ 43.15 (12)	18,570,388	D (2) (3) (4) (5)	
Common Stock, par value $0.01 per share	11/07/2012	S	2,392	D	$ 43.15 (12)	31,568,932	I	See Footnotes (2) (3) (4) (5) (6)
Common Stock, par value $0.01 per share	11/07/2012	S	120	D	$ 43.15 (12)	2,357,836	I	See Footnotes (2) (3) (4) (5) (7)
Common Stock, par value $0.01 per share	11/07/2012	S	94	D	$ 43.15 (12)	1,833,387	I	See Footnotes (2) (3) (4) (5) (8)
Common Stock, par value $0.01 per share	11/07/2012	S	255	D	$ 43.15 (12)	4,995,410	I	See Footnotes (2) (3) (4) (5) (9)
Common Stock, par value $0.01 per share	11/08/2012	S	5	D	$ 42	18,570,383	D (2) (3) (4) (5)	
Common Stock, par value $0.01 per share	11/08/2012	S	70	D	$ 42	31,568,862	I	See Footnotes (2) (3) (4) (5) (6)
Common Stock, par value $0.01 per share	11/08/2012	S	4	D	$ 42	2,357,832	I	See Footnotes (2) (3) (4) (5) (7)
Common Stock, par value $0.01 per	11/08/2012	S	3	D	$ 42	1,833,384	I	See Footnotes (2) (3) (4) (5) (8)

share									
Common Stock, par value $0.01 per share	11/08/2012		S		8	D	$ 42	4,995,402	I	See Footnotes (2) (3) (4) (5) (9)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LAMPERT EDWARD S 1170 KANE CONCOURSE SUITE 200 BAY HARBOR, FL 33154		X		
ESL PARTNERS, L.P. 1170 KANE CONCOURSE SUITE 200 BAY HARBOR, FL 33154		X		
SPE II Partners, L.P. 1170 KANE CONCOURSE, SUITE 200 BAY HARBOR, FL 33154		X		
		X		

SPE Master II, L.P. 1170 KANE CONCOURSE, SUITE 200 BAY HARBOR, FL 33154				
RBS PARTNERS L P /CT 1170 KANE CONCOURSE SUITE 200 BAY HARBOR, FL 33154	X			
ESL INSTITUTIONAL PARTNERS LP 1170 KANE CONCOURSE, SUITE 200 BAY HARBOR, FL 33154	X			
RBS INVESTMENT MANAGEMENT LLC 1170 KANE CONCOURSE, SUITE 200 BAY HARBOR, FL 33154	X			
ESL INVESTMENTS INC 1170 KANE CONCOURSE SUITE 200 BAY HARBOR, FL 33154	X			

Signatures

EDWARD S. LAMPERT, By: /s/ Edward S. Lampert	11/08/2012
**Signature of Reporting Person	Date
ESL PARTNERS, L.P., By: RBS Partners, L.P., Its: General Partner, By: ESL Investments, Inc., Its: General Partner, By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer	11/08/2012
**Signature of Reporting Person	Date
SPE II PARTNERS, LP, By: RBS Partners, L.P., Its: General Partner, By: ESL Investments, Inc., Its: General Partner, By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer	11/08/2012
**Signature of Reporting Person	Date
SPE MASTER II, LP, By: RBS Partners, L.P., Its: General Partner, By: ESL Investments, Inc., Its: General Partner, By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer	11/08/2012
**Signature of Reporting Person	Date
RBS PARTNERS, L.P., By: ESL Investments, Inc., Its: General Partner, By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer	11/08/2012
**Signature of Reporting Person	Date
ESL INSTITUTIONAL PARTNERS, L.P., By: RBS Investment Management, L.L.C., Its: General Partner, By: ESL Investments, Inc., Its: Manager, By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer	11/08/2012
**Signature of Reporting Person	Date
RBS INVESTMENT MANAGEMENT, L.L.C., By: ESL Investments, Inc., Its: Manager, By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer	11/08/2012
**Signature of Reporting Person	Date

ESL INVESTMENTS, INC., By: /s/ Edward S. Lampert, Name: Edward S. Lampert, Title: Chief Executive Officer 11/08/2012

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This price represents the approximate weighted average price per share of common stock of AutoNation, Inc. (the "Issuer"), par value $0.01 per share (each, a "Share"), of sales that were executed at prices ranging from $44.15 to $44.75 per Share. The reporting persons undertake to provide, upon request by the Securities and Exchange Commission staff, the Issuer or a security holder of the Issuer, full information regarding the number of Shares sold at each price.

(2) This statement is jointly filed by and on behalf of each of Edward S. Lampert, ESL Partners, L.P. ("Partners"), SPE II Partners, LP ("SPE II"), SPE Master II, LP ("SPE Master II"), RBS Partners, L.P. ("RBS"), ESL Institutional Partners, L.P. ("Institutional"), RBS Investment Management, L.L.C. ("RBSIM") and ESL Investments, Inc. ("ESL"). Mr. Lampert, Partners, SPE II, SPE Master II, Institutional and CBL Partners, L.P. ("CBL") are the direct beneficial owners of the securities covered by this statement.

(3) RBS is the general partner of each of Partners, SPE II and SPE Master II and may be deemed to beneficially own securities owned by Partners, SPE II and SPE Master II. RBSIM is the general partner of, and may be deemed to beneficially own securities owned by, Institutional. ESL is the general partner of RBS, the general partner of CBL and the manager of RBSIM. ESL may be deemed to beneficially own securities owned by RBS, CBL and RBSIM. Mr. Lampert is the Chairman, Chief Executive Officer and Director of ESL and may be deemed to beneficially own securities owned by ESL.

(4) The reporting persons state that neither the filing of this statement nor anything herein shall be deemed an admission that such persons are, for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise, the beneficial owners of any securities covered by this statement. The reporting persons disclaim beneficial ownership of the securities covered by this statement, except to the extent of the pecuniary interest of such persons in such securities.

(5) The reporting persons may be deemed to be a member of a group with respect to the Issuer or securities of the Issuer for purposes of Section 13(d) or 13(g) of the Exchange Act. The reporting persons declare that neither the filing of this statement nor anything herein shall be construed as an admission that such persons are, for the purposes of Section 13(d) or 13(g) of the Exchange Act or any other purpose, a member of a group with respect to the Issuer or securities of the Issuer.

(6) Represents shares directly beneficially owned by Partners.

(7) Represents shares directly beneficially owned by SPE Master II.

(8) Represents shares directly beneficially owned by SPE II.

(9) Represents shares directly beneficially owned by CBL.

(10) Represents shares directly beneficially owned by Institutional.

(11) This price represents the approximate weighted average price per Share of sales that were executed at prices ranging from $42.00 to $42.97 per Share. The reporting persons undertake to provide, upon request by the Securities and Exchange Commission staff, the Issuer or a security holder of the Issuer, full information regarding the number of Shares sold at each price.

(12) This price represents the approximate weighted average price per Share of sales that were executed at prices ranging from $43.00 to $43.25 per Share. The reporting persons undertake to provide, upon request by the Securities and Exchange Commission staff, the Issuer or a security holder of the Issuer, full information regarding the number of Shares sold at each price.

Remarks:

Exhibit Index
Exhibit 99.1 - Joint Filer Information (filed herewith)
Exhibit 99.2 - Joint Filing Agreement (filed herewith)

 ="2">(82,000) (82,000)

Dividends declared

(13,600) (13,600)

Balance at December 31, 2005

1 22 201,660 (141,655) (67,609) (7,581)

Net income

94 94

Other comprehensive income, net of $6,389 tax expense

16,933

16,933

Adjustment for adoption of SFAS

No. 158, net of $1,988 tax benefit

(3,547) (3,547)

Balance at December 31, 2006

1 22 201,660 (141,561) (54,223) 5,899

Net income

64,882 64,882

Other comprehensive income, net of $5,907 tax expense

14,829

14,829

Adjustment for adoption of FIN 48

(6,743) (6,743)

Dividends declared

(25,816) (25,816)

Balance at December 31, 2007

$1 $22 $201,660 $(109,238) $(39,394) $53,051

See accompanying notes to consolidated financial statements.

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COLFAX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands

	Year ended December 31		
	2007	**2006**	**2005**
Cash flows from operating activities:			
Net income	$ 64,882	$ 94	$ 12,247
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Income from discontinued operations			(356)
Loss (gain) on disposal		1,397	(260)
Depreciation and amortization	15,239	11,481	11,430
Amortization of deferred loan costs	1,644	1,655	1,484
Gain on sale of fixed assets	(35)	(348)	(105)
Deferred income taxes	22,186	(6,208)	(3,444)
Changes in operating assets and liabilities, net of acquisitions:			
Trade receivables	(3,149)	(10,002)	(2,143)
Inventories	(2,279)	(12,466)	(7,407)
Accounts payable and accrued liabilities	5,353	17,959	9,547
Other current assets	(2,304)	(3,133)	(1,003)
Change in asbestos liability, net of asbestos insurance asset and receivable	(24,388)	(2,785)	(12,665)
Changes in other operating assets and liabilities	(2,666)	(14,999)	(15,079)
Net cash provided by (used in) operating activities	74,483	(17,355)	(7,754)
Cash flows from investing activities:			
Purchases of fixed assets	(13,671)	(10,236)	(7,081)
Acquisitions, net of cash received	(32,987)		(11,357)
Proceeds from sale of fixed assets	133	157	3,370
Proceeds from sale of power transmission business			(3,364)
Net cash used in investing activities	(46,525)	(10,079)	(18,432)
Cash flows from financing activities:			
Borrowings under term credit facility	55,000		43,392
Payments under term credit facility	(11,791)	(1,590)	
Dividends paid to preferred shareholders			(18,742)
Proceeds from borrowings on revolving credit facilities	58,000	63,000	59,000
Repayments of borrowings on revolving credit facilities	(86,500)	(34,500)	(66,774)
Payments on capital leases	(449)	(349)	(346)
Payments made for loan costs	(1,368)		(432)
Payment of deferred stock issuance costs	(1,155)		
Redemption of stock			(82,000)
Net cash provided by (used in) financing activities	11,737	26,561	(65,902)
Effect of exchange rates on cash	790	660	(314)
Increase (decrease) in cash and cash equivalents	40,485	(213)	(92,402)
Cash and cash equivalents, beginning of year	7,608	7,821	100,223
Cash and cash equivalents, end of year	$ 48,093	$ 7,608	$ 7,821
Cash interest paid	$ 16,978	$ 12,371	$ 8,107

Cash income taxes paid	$ 12,931	$ 12,195	$ 7,920

See accompanying notes to consolidated financial statements.

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COLFAX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007, 2006 and 2005

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 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. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all significant Colfax operations which comprise the business. The Company owns 28% of the common shares of Allweiler Al-Farid Pumps Company (S.A.E.), an Egyptian Corporation and 44% of the common shares of Sistemas Centrales de Lubricación S.A. de C.V., a Mexican company. These investments are recorded in these statements using the equity method of accounting. Accordingly, $4.1 million and $1.4 million are recorded in other assets on the consolidated balance sheets at December 31, 2007 and 2006, respectively. The Company records its share of these investments net earnings, based on its economic ownership percentage. Accordingly, $1.5 million and $0.3 million of earnings from equity investments were included in selling, general and administrative expenses on the consolidated statements of operations for the years ended December 31, 2007 and 2006, respectively. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

The Company recognizes revenues and costs from product sales when all of the following criteria are met: persuasive evidence of an arrangement exists, the fee is fixed or determinable, product delivery has occurred or services have been rendered, there are no further obligations to customers, and collectibility is probable. Product delivery occurs when title and risk of loss transfer to the customer. The Company s shipping terms vary based on the contract. If any significant obligations to the customer with respect to such sale remain to be fulfilled following shipment, typically involving obligations relating to installation and acceptance by the buyer, revenue recognition is deferred until such obligations have been fulfilled. Any customer allowances and discounts (primarily volume discounts) are recorded as a reduction in reported revenues at the time of sale because these allowances reflect a reduction in the purchase price for the products purchased. These allowances and discounts are estimated based on historical experience and known trends. Revenue related to service agreements is recognized as revenue over the term of the agreement.

In some cases, customer contracts may include multiple deliverables for product shipments and installation or maintenance labor. The cost of the products is generally quoted separately from the service costs,

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and the services that are provided are available from other vendors. Revenues from product shipments on this type of contract are recognized when title and risk of loss transfer to the customer, and the service revenue components are recognized as services are performed.

For long-term contracts, revenue is generally recognized based on the percentage-of-completion method calculated on the units of delivery basis or the cost-to-cost basis. Percentage of completion revenue was approximately 2.9%, 3.8% and 2.2% of consolidated revenues for the years ended December 31, 2007, 2006 and 2005, respectively. For long-term contracts in which reasonable estimates cannot be made, the Company uses the completed contract method.

Amounts billed for shipping and handling are recorded as revenue. Shipping and handling expenses are recorded as cost of sales. Progress billings are generally shown as a reduction of inventory unless such billings are in excess of accumulated costs, in which case such balances are included in accrued liabilities. The Company accrues for bad debts, as a component of selling, general, and administrative expenses, based upon estimates of amounts deemed uncollectible and a specific review of significant delinquent accounts factoring in current and expected economic conditions. Product return reserves are accrued at the time of sale based on historical rates, and are recorded as a reduction to net sales.

The foregoing criteria are used for all classes of customers including original equipment manufacturers, distributors, government contractors and other end users.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Company collects various taxes and fees as an agent in connection with the sale of products and remits these amounts to the respective taxing authorities. These taxes and fees have been presented on a net basis in the consolidated statements of operations and comprehensive income (loss) and are recorded as a liability until remitted to the respective taxing authority.

Research and Development

Research and development costs are expensed as incurred.

Advertising

Advertising costs of $0.6 million, $1.0 million, and $0.8 million for years ending December 31, 2007, 2006 and 2005, respectively, are expensed as incurred and have been included in selling, general and administrative expenses.

Cash and Cash Equivalents

Cash and cash equivalents include all financial instruments purchased with an initial maturity of three months or less.

Trade Receivables

Receivables are presented net of allowances for doubtful accounts. The Company records the allowance for doubtful accounts based on its best estimate of probable losses incurred in the collection of accounts receivable. Estimated losses are based on historical collection experience, and are reviewed periodically by management.

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Inventories

Inventories include the costs of material, labor and overhead. Inventories are stated at the lower of cost or market. Cost is primarily determined using the first-in, first-out method. The Company periodically reviews its quantities of inventories on hand and compares these amounts to the expected usage of each particular product. The Company records as a charge to cost of sales any amounts required to reduce the carrying value of inventories to net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost, which includes the fair values of such assets acquired (see Note 4). Depreciation of property, plant and equipment is provided for on a straight-line basis over estimated useful lives ranging from three to 40 years. Assets recorded under capital leases are amortized over the shorter of their estimated useful lives or the lease terms. The estimated useful lives or lease terms of assets range from three to 40 years. Repairs and maintenance expenditures are expensed as incurred unless the repair extends the useful life of the asset.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the costs in excess of the fair value of net assets acquired associated with acquisitions by the Company.

The Company evaluates the recoverability of goodwill and indefinite-lived intangible assets annually on December 31 or more frequently if events or changes in circumstances, such as a decline in sales, earnings, or cash flows, or material adverse changes in the business climate, indicate that the carrying value of an asset might be impaired. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. Estimated fair values for each reporting unit are established based upon the average of actual and projected EBITDA for the next two years (net income before income taxes, interest, depreciation and amortization) multiplied by related industry valuation multiples for recent transactions between unrelated parties. The determination of EBITDA is based on the Company s actual results, budgets, and strategic plans. Related industry valuation multiples of EBITDA are obtained by the Company from investment bankers. This data is gathered from recent change of control transactions involving entities with comparable operations and economic characteristics within our industry. This valuation methodology is consistent with the objective of measuring fair value, and is commonly used by the investment banking community as one estimate of fair value. If valuation based upon EBITDA multiples demonstrates any possibility of impairment, the Company utilizes other valuation techniques, such as discounted cash flows, or multiples of earnings or revenues, to further define estimated fair value. If the carrying amount of a reporting unit exceeds its implied fair value, then the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The analysis indicated no impairment to be present for the years ended December 31, 2007, 2006 and 2005.

Impairment of Long-Lived Assets Other Than Goodwill and Indefinite-Lived Intangible Assets

Intangibles primarily represent acquired customer relationships, acquired order backlog, acquired technology, software license agreements and patents. Acquired order backlog is being amortized in the same period the corresponding revenue is recognized. A portion of the Company s acquired customer relationships is being amortized over seven years based on the present value of the expected future cash flows from the acquired customers. All other intangibles are being amortized on a straight-line basis over their estimated useful lives, generally ranging from three to 15 years (see Note 8).

The Company assesses its long-lived assets other than goodwill and indefinite-lived intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be fully recoverable.

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To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining lives of such assets. If these projected cash flows are less than the carrying amounts, an impairment loss would be recognized, resulting in a write-down of the assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amounts and the fair values of the assets. Assets to be disposed of are reported at the lower of the carrying amounts or fair value less cost to sell. Management determines fair value using the discounted cash flow method or other accepted valuation techniques. No such impairments were recorded in 2007, 2006 or 2005.

Derivatives

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.

Interest rate swaps and other derivatives are recognized on the balance sheet as assets and liabilities, measured at fair value. If a derivative is a hedge, a change in its fair value is either offset against the change in the fair value of the hedged item through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. Any difference between fair value of the hedge and the item being hedged, known as the ineffective portion, is immediately recognized in earnings.

Self-Insurance

Certain operations of the Company are self-insured for U.S. medical, U.S. workers compensation, product liability and other liability exposure up to predetermined amounts above which third-party insurance applies. The Company is responsible for up to $0.2 million per occurrence under the retention program for workers compensation and $0.5 million per occurrence under the retention program for product liability with a $4.0 million aggregate with respect to domestic liability and $3.0 million with respect to foreign liability. The Company also has a $0.1 million per occurrence stop-loss limit under our group medical plan. For a discussion of asbestos liability, see Note 18. The Company accrues loss reserves up to the retention amounts when such amounts are reasonably estimable and probable. The accompanying consolidated balance sheets include estimated amounts for claims exposure based on experience factors and management estimates for known and anticipated claims as follows:

	2007	2006
Medical insurance	$ 569	$ 490
Workers compensation	217	240
Product liability (excluding asbestos)		
Total self-insurance reserves	$ 786	$ 730

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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 years ended December 31, 2007 and 2006 consisted of the following:

	2007	2006
Warranty liability at beginning of the year	$ 2,988	$ 2,534
Accrued warranty expense	(42)	1,383
Warranty service work performed	(348)	(798)
Assumed in acquisitions	143	
Foreign exchange translation effect	230	(131)
Warranty liability at end of the year	$ 2,971	$ 2,988

Income Taxes

Income taxes for the Company are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is generally recognized in income in the period that includes the enactment date.

Valuation allowances are recorded if it is more likely than not that some portion of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors, including the expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in the evaluation of our valuation allowance, we record a change in valuation allowance through income tax expense in the period such determination is made.

Foreign Currency Exchange Gains and Losses

The Company s financial statements are presented in U.S. dollars. The functional currencies of the Company s operating subsidiaries are the local currencies of the countries in which each subsidiary is located. Assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at average rates of exchange in effect during the year. In 2007, 2006, and 2005 differences arising from translation of approximately $9.0 million, $6.5 million and $(11.9) million, respectively, are recorded in comprehensive income (loss). The foreign currency translation adjustment recorded in accumulated other comprehensive loss was approximately $19.4 million and $10.5 million at December 31, 2007 and 2006, respectively. The amounts recorded in each year are net of income taxes to the extent the underlying equity balances in the entities are not deemed to be permanently reinvested.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated for inclusion in the consolidated balance sheets are recognized in the consolidated statements of operations for that period. The foreign currency transaction gain (loss) in income was $(1.0) million, $0.1 million and, $(0.4) million for the years ended December 31, 2007, 2006, and 2005, respectively.

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Debt Issuance Costs

Costs directly related to the placement of debt are capitalized and amortized using the straight-line method, which approximates the effective interest method over the term of the related obligation. Amounts written off due to early extinguishment of debt are charged to earnings. Cost and accumulated amortization related to debt issuance costs amounted to approximately $12.5 million and $7.4 million as of December 31, 2007 and $11.1 million and $5.7 million as of December 31, 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For the Company, the estimates made in connection with the asbestos liability reserve and related insurance recoverables (as discussed in Note 18) represent the most significant estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Basic and Diluted Earnings Per Share

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted earnings (loss) from continuing operations per share (dollars in thousands, except per share amounts):

	Year ended December 31, 2007	2006	2005
Numerator:			
Income from continuing operations	$ 64,882	$ 1,491	$ 11,631
Dividends on preferred stock	(25,816)		(13,600)
Income (loss) from continuing operations available to common shareholders	$ 39,066	$ 1,491	$ (1,969)
Denominator:			
Weighted average shares of common stock outstanding-basic and diluted	21,885,929	21,885,929	21,885,929
Earnings (loss) from continuing operations per share-basic and diluted	$ 1.79	$ 0.07	$ (0.09)

3. Discontinued Operations Sale of Power Transmission Business Unit

On November 30, 2004, the Company sold substantially all assets and operating liabilities related to its Power Transmission business to Altra Holdings, Inc., (Altra) pursuant to an agreement dated October 25, 2004 for $175.8 million after final purchase price adjustments. As such, the Power Transmission business unit is classified in these financial statements as a discontinued operation.

Proceeds from the sale of $100.0 million were used by the Company to redeem preferred stock and pay dividends to the shareholders in 2005. Proceeds of $73.3 million were used to retire domestic senior term debt in the amount of $47.8 million, reduce the amount outstanding on the Company s revolving credit line by $22.5 million and pay deal associated fees in the amount of $3.0 million. In January 2007, the Company received $2.5 million of funds held in escrow, plus accrued interest of $0.2 million.

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The Company retained the retirement cost liability for retirees and terminated vested employees under U.S. defined benefit plans and other post-employment benefit plans including health and life insurance. In March of 2006, the Company was able to settle a portion of its liability under the terms of the other post-employment benefits plan (see Note 11). As a result, a gain of $9.1 million was recorded in 2006 in selling, general and administrative expense.

In addition, the Company retained certain real estate and associated liabilities in Roscoe, Illinois and Bishop Auckland, UK. The property located in Roscoe, Illinois was sold in August of 2005 and the Bishop Auckland, UK property was sold in December of 2004.

As a result of the divestiture of the Power Transmission business, a net gain of approximately $49.7 million, inclusive of a $15.6 million write-off in goodwill, was recorded in 2004. A further gain of approximately $0.3 million was recorded in 2005 primarily associated with the sale of retained real estate. In addition, in 2005, income from discontinued operations of approximately $0.4 million was recorded as a result of exiting a cross currency swap related to the divested business. In 2006 a loss of approximately $1.4 million was recorded as a result of settlement of claims made by the purchaser against amounts that were held in escrow. Revenues of $275.2 million and net income of $6.8 million (including allocated interest expense of $5.9 million), related to Power Transmission operations were reported in discontinued operations in 2004. Interest expense was allocated to discontinued operations based upon its percentage of the net assets. Certain retirement plan costs were allocated to discontinued operations during 2004 (see Note 11). Current liabilities of discontinued operations included in the balance sheet were approximately $0.1 million and $0.1 million at December 31, 2007 and 2006, respectively.

4. Acquisitions

The following acquisitions were accounted for using the purchase method of accounting and, accordingly, the accompanying financial statements include the financial position and the results of operations from the dates of acquisition. Goodwill resulted from the acquisitions as these transactions were all entered into to advance the Company s fluid handling business.

On August 9, 2005, the Company purchased all the outstanding stock of Tushaco Pump Private Limited (Tushaco), a company organized under the laws of India, for approximately $11.5 million. Tushaco is a manufacturer of screw and gear pumps, headquartered in Mumbai, India with production facilities in Daiman and Vapi, India. As a result of the acquisition of Tushaco, intangible assets of approximately $8.1 million were recorded. The acquisition of Tushaco strengthened the Company s presence in the expanding Asian market and provides a low cost production facility to serve global markets.

On January 31, 2007, the Company purchased all of the outstanding stock of Lubrication Systems Company of Texas (LSC), a manufacturer of fluid handling systems, including oil mist lubrication systems and lube oil purification systems, for $29.8 million. As a result of the acquisition of LSC, intangible assets of $22.4 million were recorded. The purchase of LSC complements the Company s existing line of fluid handling products.

On November 29, 2007, the Company acquired Fairmount Automation, Inc. (Fairmount), an original equipment manufacturer of mission critical programmable automation controllers in fluid handling applications primarily for the U.S. Navy, for $4.5 million plus contingent payments based on future revenue and earnings targets. In addition to strengthening its existing position with the U.S. Navy, the Company intends to leverage Fairmount s experienced engineering talent and technology expertise to develop a portfolio of fluid handling solutions with diagnostic and prognostic capabilities for use in industrial applications.

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The Company s preliminary purchase price allocation is based on fair value of the acquired assets and liabilities. This information is obtained mainly through due diligence and other information from the sellers, as well as tangible and intangible asset appraisals. The Company has completed its purchase price allocations for Tushaco and LSC and its preliminary purchase price allocation for Fairmount. The allocations are as follows:

	Fairmount	LSC	Tushaco
Cash	$ 1,155	$ 74	$ 126
Accounts receivable	243	5,809	1,078
Inventories	469	4,248	2,510
Prepaid expenses and other current assets	77	301	1,185
Property, plant and equipment	109	428	1,179
Goodwill	2,223	14,849	5,677
Trade name	90	870	422
Developed technology	860	2,770	
Backlog of open orders		552	225
Customer relationships	990	3,360	1,842
Long-term deferred tax assets			11
Other long-term assets		1,381	
Total assets acquired	$ 6,216	$ 34,642	$ 14,255
Accounts payable and accrued liabilities assumed	$ 1,750	$ 4,892	$ 2,789

Developed technology is being amortized over a term of approximately 6 to 15 years. Backlog of open orders is amortized over a term of approximately one year. Customer relationships are being amortized over periods of 7 to 10 years. The weighted average amortization period for intangibles subject to amortization is approximately six years.

Goodwill deductible for income tax purposes due to the LSC and Fairmount acquisitions is $14.4 million and $2.1 million, respectively.

The unaudited pro forma information below gives effect to these acquisitions as if they had occurred at the beginning of the period. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have occurred had the acquisitions been consummated as of that time.

	Pro Forma	
	Year ended December 31,	
(Dollars in thousands, except per share amounts)	2007	2006
Net sales	$ 510,021	$ 419,592
Net income (loss)	64,757	(829)
Earnings (loss) per common share basic and diluted	2.96	(0.04)

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

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5. Recent Accounting Pronouncements

In December 2004, the FASB issued two Staff Positions (FSPs) addressing accounting and disclosure issues related to certain provisions of the American Jobs Creation Act of 2004, which was signed into law in October 2004. FSP No. 109-1 addresses the application of FASB Statement No. 109 to the new tax deduction for qualified domestic production activities provided by this legislation. FSP No. 109-2 addresses accounting and disclosure considerations related to the one-time dividends received deduction the legislation provides to encourage U.S. companies to repatriate earnings from foreign subsidiaries. The Company s current U.S. tax position significantly limits the potential benefit of a deduction for the qualified domestic production activities provision of the American Jobs Creation Act and is not expected to have a material impact effect on the consolidated financial statements. In December 2005, the Company repatriated approximately $28.8 million from a foreign subsidiary, of which a portion of this amount is considered eligible for the one-time dividends received deduction. The net tax result of this one-time dividend received deduction is reflected in the Company s tax expense (see Note 10 for further discussion).

In June 2005, the FASB issued EITF issue 05-05, *Accounting for Altersteilzeit (ATZ) Early Retirement Programs and Similar Type Arrangements*. EITF 05-05 states that benefits provided under a Type II ATZ arrangement should be accounted for as a termination benefit under Statement 112. Recognition of the cost of the benefits begins at the time individual employees enroll in the ATZ arrangements (e.g., sign a contract). The consensus is effective for plans within its scope in the first fiscal year that begins after December 2005, and adoption of the pronouncement did not have a significant impact upon the Company.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*, to create a single model to address accounting for uncertainty in tax positions. The Interpretation applies to all tax positions accounted for in accordance with SFAS No. 109 and requires a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on classification, interest and penalties, accounting in interim periods and transition, and significantly expands income tax disclosure requirements. The Interpretation is effective for public reporting companies for fiscal years beginning after December 15, 2006. As a result of the implementation of Interpretation No. 48, the Company has increased the net liability for unrecognized tax benefits by $6.7 million which resulted in a decrease to opening retained earnings as of January 1, 2007.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which provides a definition of fair value, establishes a framework for measuring fair value, and requires additional disclosures about fair value measurements. This Statement applies to value measurements that are already required or permitted by other accounting standards, except for measurements of share-based payments and measurements that are similar to, but not intended to be, fair value and does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities, and for fiscal years beginning after November 15, 2008 for non-financial assets and liabilities. The Company is currently evaluating the effects of implementing the provisions of this Statement.

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an Amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which requires employers to fully recognize, as an asset or liability, the overfunded or underfunded status of its benefit plans in the balance sheet and changes in that funded status to be recognized in comprehensive income (loss) in the year in which the changes occur. This Statement also requires a company to measure its plan assets and benefit obligations as of its year-end balance sheet date. The recognition provisions of SFAS No. 158 for public companies are effective for fiscal years ending after June 15, 2006, while the measurement date provisions are effective for fiscal years ending after December 15, 2008. As of December 31, 2006, the Company adopted the provisions of FAS No. 158. See Note 11 for further discussion of the effects of adopting SFAS No. 158 on the Company s consolidated financial statements.

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

6. Inventories

Inventories at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Raw materials	$ 29,122	$ 20,643
Work in process	31,614	26,029
Finished goods	16,859	17,419
	77,595	64,091
Less-Customer progress billings	(1,719)	(566)
Less-Allowance for excess, slow-moving and obsolete inventory	(7,589)	(6,412)
	$ 68,287	$ 57,113

7. Property, Plant and Equipment

Property, plant and equipment at December 31, 2007 and 2006 consisted of the following:

	Depreciable Lives in Years	2007	2006
Land		$ 16,921	$ 15,516
Buildings and improvements	3 40	36,248	33,855
Machinery and equipment	3 16	103,950	86,538
Software	3 5	13,465	11,353
		170,584	147,262
Less-Accumulated depreciation		(82,193)	(67,302)
		$ 88,391	$ 79,960

Depreciation expense, including the amortization of assets recorded under capital leases, for the years ended December 31, 2007, 2006 and 2005, was approximately $11.8 million, $9.8 million and $8.9 million, respectively. These amounts include depreciation expense related to software for the years ended December 31, 2007, 2006 and 2005 of $2.6 million, $1.8 million and $1.5 million, respectively.

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8. Goodwill and Intangible Assets

Goodwill and other intangibles as of December 31, 2007 and 2006 consisted of the following:

	Goodwill
Balance December 31, 2005	$ 138,472
Impact of changes in foreign exchange rates	5,995
Balance December 31, 2006	144,467
Attributable to 2007 acquisitions	17,073
Impact of changes in foreign exchange rates	7,419
Balance December 31, 2007	$ 168,959

	2007		2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired customer relationships	$ 14,584	$ (5,084)	$ 10,018	$ (3,090)
Trade names-indefinite life	2,136		1,127	
Acquired backlog of open orders	2,601	(2,601)	2,022	(2,022)
Acquired developed technology	5,620	(885)	1,990	(328)
Other intangibles	463	(440)	433	(386)
	$ 25,404	$ (9,010)	$ 15,590	$ (5,826)

Acquired customer relationships, acquired backlog of open orders, and acquired developed technology are amortized over their estimated useful lives. The weighted average estimated useful lives are summarized in the table below.

	Weighted Average Lives
Acquired customer relationships	7.6 years
Acquired backlog of open orders	1.3 years
Acquired developed technology	9.8 years
	7.5 years

Amortization expense for the years ended December 31, 2007, 2006 and 2005 was approximately $3.4 million, $1.7 million and $2.5 million, respectively. Amortization expense for the next five fiscal years is expected to be: 2008 $2.6 million, 2009 $2.5 million, 2010 $2.4 million, 2011 $2.3 million and 2012 $2.0 million.

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9. Accrued Liabilities

Accrued liabilities as of December 31, 2007 and 2006 consisted of the following:

	2007	2006
Payroll	$ 19,902	$ 15,923
Taxes	9,707	7,739
Other litigation and environmental	6,356	8,258
Advance customer payments	5,952	2,131
Defense costs related to asbestos liability	5,423	7,953
Accrued payables	4,898	3,649
Commissions	3,552	3,155
Warranty	2,971	2,988
Asbestos liability insurance coverage litigation	1,775	3,603
Other	7,387	5,116
	$ 67,923	$ 60,515

10. Income Taxes

Income taxes are provided for the Company s domestic corporations and foreign entities. Income from continuing operations before income taxes and the components of the provision for income taxes as of December 31, 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Income (loss) from continuing operations before income tax expense:			
Domestic	$ 59,919	$ (23,271)	$ (4,270)
Foreign	44,110	28,628	22,808
	$ 104,029	$ 5,357	$ 18,538
Provision for income taxes:			
Current income tax (benefit) expense:			
Federal	$ 444	$ (397)	$ 76
State	199	91	181
Foreign	16,318	10,380	10,094
	16,961	10,074	10,351
Deferred income tax (benefit) expense			
Domestic	24,257	(5,488)	(1,883)
Foreign	(2,071)	(720)	(1,561)
	22,186	(6,208)	(3,444)
	$ 39,147	$ 3,866	$ 6,907

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U.S. income taxes for continuing operations at the statutory rate reconciled to the overall U.S. and foreign provision for income taxes were as follows:

	2007	2006	2005
Tax at U.S. federal income tax rate	$ 36,411	$ 1,875	$ 6,488
State taxes	2,098	(592)	611
Effect of international tax rates and refunds	(2,230)	309	962
Changes in valuation and tax reserves	853	128	(2,610)
Inclusion of foreign earnings	1,565	2,025	1,677
Other	450	121	(221)
Provision (benefit) for income taxes	$ 39,147	$ 3,866	$ 6,907

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred income tax assets and liabilities as of December 31, 2007 and 2006 were as follows:

	2007		2006	
	Current	Long-Term	Current	Long-Term
Deferred income tax assets:				
Post-retirement obligations	$ 305	$ 30,962	$ 1,209	$ 36,597
Expenses not currently deductible	12,032	35,230	8,922	41,254
Net operating loss carryover		14,958	227	31,768
Tax credit carryover		7,807		6,956
Other		992	265	2,859
Total deferred income tax assets	12,337	89,949	10,623	119,434
Valuation allowance for deferred income tax assets	(2,197)	(22,189)	(907)	(23,479)
Net deferred income tax assets	10,140	67,760	9,716	95,955
Net deferred income tax liabilities:				
Tax over book depreciation		9,447		12,845
Other		31,774	2,240	27,255
Total deferred income tax liabilities		41,221	2,240	40,100
Net deferred income tax assets	$ 10,140	$ 26,539	$ 7,476	$ 55,855

For purposes of the balance sheet presentation, the Company nets non-current deferred income tax assets and liabilities within each taxing jurisdiction. The above table is presented prior to the netting of the non-current deferred income tax items. Valuation allowances are established in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. The Company continually reviews the adequacy of the valuation allowance and is recognizing these benefits only as reassessment indicates that it is more likely than not the benefits will be realized. The valuation allowance was $24.4 million at December 31, 2007 and 2006.

The Company has U.S. net operating loss carryforwards of approximately $38.7 million expiring in years 2021 through 2026, and minimum tax credits of approximately $4.2 million, which may be carried forward indefinitely. Tax credit carryforwards include foreign tax credits that have substantially been offset by a valuation reserve. These carryforwards are generally available to offset federal taxable income, but may be subject to certain limitations under the tax law, including Internal Revenue Code Section 382, among other federal tax provisions, that could limit their ability to be utilized.

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The Company has also recorded in tax expense the inclusion of certain foreign earnings in U.S. taxable income. This expense is offset by the deferred tax benefit recognized by a German subsidiary as a result of German tax rate reductions from approximately 38% to 29% which will be effective January 1, 2008.

For the year ending December 31, 2007, the Company intends that all undistributed earnings of its international subsidiaries will be reinvested and no tax expense has been recognized under APB 23 for these reinvested earnings. The amount of unremitted earnings from international subsidiaries, subject to local statutory restrictions, as of December 31, 2007 is approximately $76.7 million. It is not reasonably determinable as to the amount of deferred tax liability that would need to be provided if such earnings were not reinvested. For the years ending December 31, 2006 and 2005, the Company recognized deferred tax expense pursuant to APB 23 on earnings from its Swedish subsidiary that were eligible under local law to be repatriated. All other earnings of the Company s international subsidiaries were considered to be permanently reinvested for 2006 and 2005.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*. As a result of the implementation of Interpretation No. 48, the Company has recognized an increase in the net liability for unrecognized tax benefits of $6.7 million, which was accounted for as a decrease to the January 1, 2007 opening retained earnings. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

Balance at January 1, 2007	$ 9,116
Additions for tax positions in prior periods	543
Additions for tax positions in current period	413
Reductions for lapse of statute of limitations	(179)
Balance at December 31, 2007	$ 9,893

As of December 31, 2007, our unrecognized tax benefits, inclusive of interest of $0.8 million, totaled $10.7 million offset by tax benefits of approximately $1.0 million. The net liability for uncertain tax positions is $9.7 million and if recognized, would favorably impact the effective tax rate.

The Company records interest and penalties for post-adoption periods on uncertain tax positions as a component of income tax expense. The total amount of interest and penalties accrued as of the date of adoption was $0.5 million which was recorded as a reduction to retained earnings. The interest and penalty expense recorded in income tax expense attributed to uncertain tax positions for the year ending December 31, 2007 was $0.3 million.

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 2002 to 2007 and from 2001 to 2007, respectively, remain subject to examination. Several tax years remain open in the U.S. due to tax attribute carry forwards from applicable tax years as tax authorities have the ability to modify these attributes. Notably, tax years from 2003 and beyond generally remain open for examination by U.S. and state tax authorities as well as various tax years from 1994-2000 that have tax attributes carry forwards.

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, the Company does not anticipate a significant increase or decrease to the liability for unrecognized tax benefits in 2008.

The American Jobs Creation Act of 2004 (the AJCA) introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to the United States. The deduction results in an approximate 5.25% regular federal income tax rate or in certain circumstances a 3.0% alternative minimum tax rate on eligible repatriations of foreign earnings. In the fourth quarter of 2005, the Company s President

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approved a domestic reinvestment plan as required by the AJCA with subsequent approval by the Company s Board of Directors. During the fourth quarter of 2005, the Company repatriated $28.8 million from a foreign subsidiary of which a portion of this amount is considered eligible for the one-time dividend received deduction, and recognized $1.9 million of tax expense related to the eligible foreign earnings repatriation. All investments required by the dividend reinvestment plan have been made as of December 31, 2006.

11. Retirement and Benefit Plans

The Company sponsors various defined benefit plans, defined contribution plans and other post-retirement benefits plans, including health and life insurance, for certain eligible employees or former employees.

On December 31, 2006, the Company adopted the provisions of SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R).* SFAS No. 158 requires the Company to recognize the funded status of its pension and other post-employment plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of taxes. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial adoption of SFAS No. 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company s historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods, will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income at adoption of SFAS No. 158.

The following is detail of other changes in plan assets and benefit obligations recognized in other comprehensive income:

2007	
U.S. pension benefits:	
Current year actuarial gain	$ (4,767)
Amortization of net loss	(2,942)
Total recognized in other comprehensive income	$ (7,709)
Non-U.S. pension benefits:	
Current year actuarial gain	$ (4,202)
Amortization of net loss	(718)
Total recognized in other comprehensive income	$ (4,920)
Total pension benefits:	
Current year actuarial gain	$ (8,969)
Amortization of net loss	(3,660)
Total recognized in other comprehensive income	$ (12,629)
Other post-employment benefits:	
Current year actuarial loss	$ 167
Amortization of net loss	(133)
Total recognized in other comprehensive income	$ 34

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The actuarial loss included in accumulated comprehensive income and expected to be recognized in net periodic pension costs during the year ended December 31, 2008 is $2.7 million and $0.2 million for pension benefits and other post-employment benefits, respectively.

The following table sets forth the defined benefit plans funded status as of the most recent actuarial valuation using a measurement date of December 31.

	Pension Benefits		Other Benefits	
	2007	**2006**	**2007**	**2006**
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$ 324,471	$ 325,119	$ 8,276	$ 18,111
Service cost	1,170	1,009		
Interest cost	17,974	17,130	445	540
Actuarial (gain) loss	(9,216)	(6,043)		207
Settlement/curtailment			167	(9,102)
Foreign exchange effect	7,797	7,885		
Benefits paid	(21,427)	(20,629)	(1,584)	(1,480)
Projected benefit obligation at end of year	$ 320,769	$ 324,471	$ 7,304	$ 8,276
Accumulated benefit obligation at end of year	$ 317,712	$ 318,788	$	$
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 249,525	$ 231,473	$	$
Actual return on plan assets	19,415	24,799		
Employer contribution	5,135	9,532	1,584	1,480
Foreign exchange effect	2,361	2,533		
Benefits paid	(19,400)	(18,812)	(1,584)	(1,480)
Fair value of plan assets at end of year	$ 257,036	$ 249,525	$	$
Funded status	$ (63,733)	$ (74,946)	$ (7,304)	$ (8,276)
Amounts recognized in the balance sheet consist of:				
Non-current assets	$ 2,793	$ 1,506	$	$
Current liabilities	(1,625)	(1,680)	(840)	(840)
Non-current liabilities	(64,901)	(74,772)	(6,464)	(7,436)
Total	$ (63,733)	$ (74,946)	$ (7,304)	$ (8,276)

	Pension Benefits			Other Benefits		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Components of net periodic benefit cost:						
Service cost	$ 1,170	$ 1,009	$ 617	$	$	$
Interest cost	17,974	17,130	17,556	445	540	1,203
Recognized net actuarial loss	3,660	5,337	3,903			
Expected return on plan assets	(19,667)	(19,015)	(18,190)			
Settlement/curtailment					(9,102)	(251)
Amortization				133	117	170
Net periodic benefit cost	$ 3,137	$ 4,461	$ 3,886	$ 578	$ (8,445)	$ 1,122

The accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $302.1 million and $238.4 million, respectively, as of December 31, 2007 and $318.8 million and $246.8 million, respectively, as of December 31, 2006.

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The projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were $305.0 million and $238.4 million, respectively, as of December 31, 2007 and $321.7 million and $246.8 million, respectively, as of December 31, 2006.

In March 2006, the Company was able to settle a portion of its other post-employment benefits liability that it had retained as part of the sale of the Power Transmission business. As a result, a gain of $9.1 million was recorded in 2006 in selling, general and administrative expense.

The following table sets forth the foreign pension plans funded status, included within the previous disclosure, as of the most recent actuarial valuation using a measurement date of December 31.

	Foreign Pension Benefits	
	2007	**2006**
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 79,867	$ 72,275
Service cost	1,170	1,009
Interest cost	3,738	3,312
Actuarial gain	(4,360)	(719)
Foreign exchange effect	7,796	7,884
Benefits paid	(4,562)	(3,894)
Projected benefit obligation at end of year	$ 83,649	$ 79,867
Accumulated benefit obligation at end of year	$ 80,592	$ 76,926
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 27,000	$ 24,530
Actual return on plan assets	1,257	1,275
Employer contribution	835	740
Foreign exchange effect	2,361	2,532
Benefits paid	(2,535)	(2,077)
Fair value of plan assets at end of year	$ 28,918	$ 27,000
Funded status	$ (54,731)	$ (52,867)

	Foreign Pension Benefits		
	2007	**2006**	**2005**
Components of net periodic benefit cost:			
Service cost	$ 1,170	$ 1,009	$ 617
Interest cost	3,738	3,312	3,419
Recognized net actuarial loss	718	725	203
Expected return on plan assets	(1,538)	(1,389)	(1,254)
Net periodic benefit cost	$ 4,088	$ 3,657	$ 2,985

The key economic assumptions used in the measurement of the Company s benefit obligations at December 31, 2007 and 2006 are as follows:

	Pension Benefits		Other Benefits	
	2007	**2006**	**2007**	**2006**

Weighted average discount rate:				
For all plans	6.0%	5.7%	6.3%	5.7%
For all foreign plans	4.7%	4.7%		
Weighted average rate of increase in compensation levels for active foreign plans	2.2%	2.0%		

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The key economic assumptions used in the computation of net periodic benefit cost for the years ended December 31, 2007, 2006 and 2005 are as follows:

	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
Weighted average discount rate:						
For all plans	5.9%	5.3%	6.1%	6.0%	6.0%	5.9%
For all foreign plans	5.4%	4.4%	5.5%			
Weighted average expected return on plan assets:						
For all plans	8.4%	8.4%	8.5%			
For all foreign plans	5.5%	5.6%	5.2%			
Weighted average rate of increase in compensation levels for active foreign plans	2.6%	2.0%	2.0%			

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of approximately 8.0% was assumed. The rate was assumed to decrease gradually to 5.0% by 2010 and remain at that level thereafter for benefits covered under the Plans.

The expected long-term rate of return on plan assets reflects management s expectations of long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. The Company has established the expected long-term rate of return assumptions for plan assets by considering historical rates of return over a period of time that are consistent with the long-term nature of the underlying obligations of these plans. The historical rates of return for each of the asset classes used by the Company to determine its estimated rate of return assumption at its December 31 measurement data were based upon the rates of return earned by investments in the equivalent benchmark market indices for each of the asset classes over consecutive ten year time periods. Capital market assumptions are re-evaluated annually to reflect the expected return over most 10 year economic cycles resulting in an expected rate of return for U.S. plans of 8.75%, 8.75% and 8.90% for 2007, 2006 and 2005, respectively. Expected contributions to the plans for 2008 are $3.2 million and relate primarily to the domestic plans.

Expected benefit payments during the years ending December 31 are:

	All Plans	Foreign Plans
2008	$ 22,110	$ 4,768
2009	22,184	4,812
2010	22,142	4,845
2011	22,334	4,968
2012	22,460	5,008
Years 2013 2017	112,633	26,320

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The following is the actual allocation percentage and target allocation percentage for the pension plan assets at the measurement date:

	2007 Actual Allocation	2006 Actual Allocation	Target Allocation Range
United States Plans:			
Large cap equity securities	45%	44%	35% 45%
Extended market equity securities	8	8	15% 25%
Non-U.S. equity securities	14	15	0% 10%
Fixed income securities	3	3	5% 15%
Money market	2	3	0% 5%
Other	28	27	15% 25%
Foreign Plans:			
Large cap equity securities	24	25	0% 20%
Fixed income	74	74	80% 100%
Cash and cash equivalents	2	1	0% 5%

The following post-retirement benefits are expected to be paid during the years ending December 31:

	Payments
2008	$ 840
2009	813
2010	781
2011	741
2012	706
Years 2013-2017	2,974

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point change in assumed health care cost trend rates would have the following pre-tax effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of 2007 service and interest cost components	$ 25	$ (22)
Effect on 2007 post-retirement benefit obligation	431	(383)

The Company maintains defined contribution plans covering substantially all of their non-union domestic employees, as well as certain union domestic employees. Under the terms of the plans, eligible employees may generally contribute from 1 percent to 50 percent of their compensation on a pre-tax basis. The Company s contributions are based on 50 percent of the first 6 percent of each participant s pre-tax contribution. Additionally, the Company makes a unilateral contribution of 3 percent of all employees salary (including non-contributing participants) to the defined contribution plans. The Company s expense for 2007, 2006 and 2005 was $2.0 million, $1.6 million and $1.7 million, respectively, related to these plans.

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

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Generally, each of these plans provides the applicable named executive officers with the opportunity to receive a certain percentage, in cash (or, with respect to the 2001 Plan only, in equity, at the determination of the Board of Directors), of the increase in value of the Company from the date of grant of the award until the date of the liquidity event.

For the 2001 Plan, the percentage interest of participation for each participating named executive officer was determined solely in the discretion of the Board of Directors, based on their reasoned business judgment. For the 2006 Plan, while the Board determined the percentage interest for each named executive officer based on discretion, the Board also took into account, in their subjective judgment, the level of the officer s responsibility with the Company, his term of service with the Company and his contributions to date. The 2001 Plan rights fully vested on the third anniversary of the grant date, subject to the participating named executive officer s continued employment and thus each such named executive officer is fully vested in his percentage interest under the 2001 Plan. The 2006 Plan rights vest if a liquidity event occurs prior to the 10 year expiration of the term of the plan. Amounts are only payable upon the occurrence of a liquidity event. As a result, no liability or expense is recorded in the financial statements for these plans.

12. Debt

Long-term debt of the Company at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Term B notes	$ 176,678	$ 123,463
Term C notes	28,606	35,277
Revolving lines of credit		28,500
Capital leases and other	1,209	1,480
Total debt	206,493	188,720
Less current portion Term B	(1,785)	(1,790)
Less current portion Term C	(397)	(356)
Less current portion capital leases and other	(458)	(395)
Total long-term debt	$ 203,853	$ 186,179

The Credit Agreement, as amended, led by Merrill Lynch and administered by the Bank of Nova Scotia, is a senior secured structure with a $50.0 million revolver, a Term B Note of $176.7 million that bears interest at LIBOR plus 2.25 percent, or 7.1 percent at December 31, 2007, and a Term C note of 19.5 million that bears interest at EURIBOR plus 2.25 percent, or 7.0 percent at December 31, 2007.

The $50.0 million revolver contains a $25.0 million letter of credit sub-facility and a Euro sub-facility in which Euro borrowing capacity is limited to $30.0 million. The annual commitment fee on the revolver is 0.5 percent and the administrative agent receives a fee of $0.2 million per annum. Interest rate margins for the revolver are based on the Company s leverage ratio calculated at each quarter-end. At December 31, 2007, USD Prime and Swing Line based revolvers bear interest at Prime plus 1.50 percent, or 8.75 percent. At December 31, 2007, the USD LIBOR based revolver bears interest at LIBOR plus 2.50 percent, and the Euro revolver bears interest at EURIBOR plus 2.00 percent. There was no outstanding balance on the Euro, USD LIBOR, USD Prime and Swing Line based revolvers at December 31, 2007.

The Term B Note, as amended on January 3, 2007, has approximately $0.4 million due on a quarterly basis on the last day of each March, June, September and December beginning with March 31, 2007 and ending September 30, 2011, and one installment of approximately $170.0 million payable on December 19, 2011. The Term C Note, as amended on January 3, 2007, has approximately 0.1 million due on a quarterly basis on the last day of each March, June, September and December beginning with March 31, 2007 and ending September 30, 2011, and one installment of approximately 18.4 million payable on December 19, 2011.

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On December 31, 2007, there was $205.3 million outstanding on the Term B and Term C loan facilities, no outstanding balance on the revolving lines of credit, and $18.7 million on the letter of credit sub-facility. The weighted-average interest rate at December 31, 2007 was 7.4 percent.

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

On August 10, 2007, the Company amended the Credit Agreement to extend the termination date of the Revolving Credit Facility, the Swing Line Facility and the Letter of Credit Facility for an additional two years to May 30, 2010.

The Company s loan agreements require the Company to comply with certain provisions. These provisions include submitting financial reports to the administrative agent, restrictions on payments of dividends, and the maintenance of minimum interest coverage, leverage and fixed charge coverage ratios, as defined in the credit agreements. The Company was in compliance with all such covenants at December 31, 2007. Substantially all assets and stock of the Company s domestic subsidiaries and 66% of the shares of certain European subsidiaries shares are pledged as collateral against borrowings under the facility. Certain European assets are pledged against borrowings directly made to European subsidiaries under the Term C Note and Euro sub-facility.

The term loans have required mandatory prepayments under certain conditions such as proceeds of asset sales, specified percentages of net proceeds of equity issuances and a percentage of excess cash flow. The mandatory prepayments will be applied to the Term B and Term C Notes at the Company s discretion, then to the repayment of the revolving lines of credit.

The future aggregate annual maturities of long-term debt and annual principal payments for capital leases and other at December 31, 2007 are:

	Debt	Capital Leases and Other	Total Debt
2008	$ 2,182	$ 458	$ 2,640
2009	2,182	422	$ 2,604
2010	2,182	189	$ 2,371
2011	198,738	140	$ 198,878
2012			$
Total	$ 205,284	$ 1,209	$ 206,493

13. Preferred Stock

The holders of the Preferred Stock are entitled to receive dividends in preference to any dividend on the common stock at the rate of LIBOR plus 2.50% per annum, when and if declared by the Board of Directors. Dividends of $14.4 million were declared on December 31, 2004 and paid on February 4, 2005. Dividends of $4.4 million were declared on April 8, 2005 and paid on April 11, 2005. Dividends of $12.2 million, $13.7 million and $9.2 million were declared on December 31, 2007, May 15, 2007 and December 31, 2005, respectively and classified as a long-term liability because payment is restricted by the Credit Agreement and management does not anticipate payment until after December 31, 2008, except in the event of certain future events, which are not considered probable at this time.

On April 11, 2005, 82,000 shares of preferred stock were redeemed for $82.0 million. The number of shares of preferred stock issued and outstanding prior to redemption was 256,785 and after redemption was 174,785.

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The holders of the Preferred Stock do not have voting rights except in certain corporate matters involving the priority and payment rights of such shares.

The Preferred Stock will be automatically converted into shares of common stock upon the closing of a public offering, on a pro rata basis between the original issue price of the preferred shares and the issue price of the common shares at the offering date, subject to certain restrictions. These shares are not included in the calculation of earnings per share.

Upon any dissolution or liquidation, the holders of the Preferred Stock will be entitled to receive out of the assets of the Company legally available for distribution, after payments of all creditor claims and prior to the holders of the common stock, an amount equal to the original purchase price per share plus all accrued and unpaid dividends.

14. Financial Instruments

The carrying values of financial instruments, including accounts receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The fair value of long-term debt is estimated to approximate the carrying amount based on current interest rates for similar types of borrowings. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

As of December 31, 2004, the Company had a cross currency swap denominated in Euro with an aggregate notional value of approximately $23.2 million. During 2005, the U.S. dollar strengthened and the Company was able to exit the cross currency swap for zero cost. As a result, a gain of approximately $2.4 million was recorded in 2005, of which approximately $2.1 million was recorded as a reduction in selling, general and administrative expenses and approximately $0.3 million was recorded in income from discontinued operations.

On July 1, 2005, the Company entered into an interest rate collar with an aggregate notional value of $90.0 million, whereby the Company exchanged its LIBOR-based variable rate interest for a ceiling of 4.75% and a floor of approximately 3.40%. The LIBOR-based interest can vary between the ceiling and floor based on market conditions. The fair value of the collar agreement, based upon third-party quotes, was approximately $0.1 million and $0.8 million as of December 31, 2007 and 2006, respectively, and are recorded in Deferred loan costs, pension and other assets on the accompanying consolidated balance sheets. The Company has not elected hedge accounting for the collar agreement, and therefore movements in the fair value are recognized in income as a component of interest expense. The collar agreement expires on July 1, 2008.

As of December 31, 2007 and 2006, the Company had copper futures contracts with notional values of $3.1 million and $3.5 million, respectively. The fair value of the contracts was a liability of $0.2 million as of December 31, 2007 and 2006, and is recorded in Accrued liabilities on the accompanying consolidated balance sheets. The Company has not elected hedge accounting for the futures contract, and therefore movements in the fair value are recognized as a component of cost of sales. As of December 31, 2007, the Company had nickel futures contracts with a notional value of $1.1 million. The fair value of the contract was a liability of $0.2 million, as of December 31, 2007, and is recorded in Accrued liabilities on the accompanying consolidated balance sheets. The Company has not elected hedge accounting for the futures contract, and therefore movements in the fair value are recognized as a component of cost of sales.

In 2001, as part of the demutualization of Prudential Insurance Company, the Company received 20,416 shares of Prudential common stock. These shares, which are classified as available-for-sale, had a fair value of $1.8 million at December 31, 2006. The Company has recorded a gain of $0.7 million in selling, general and administrative expenses and unrecognized gains of $0.7 million, net of $0.4 million tax expense, in other comprehensive income at December 31, 2006. In 2007, the Company disposed of all shares for net proceeds of $1.8 million. A gain of $1.1 million was recorded in selling, general and administrative expenses in 2007.

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15. Concentration of Credit Risk

In addition to interest rate swaps, financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and marketable securities.

The Company performs credit evaluations of its customers prior to delivery or commencement of services and normally does not require collateral. Letters of credit are occasionally required for international customers when the Company deems necessary. Payments are typically due within thirty days of billing. The Company maintains an allowance for potential credit losses and losses have historically been within management s expectations.

The Company may be exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Counterparties to the Company s financial instruments represent, in general, international financial institutions or well-established financial institutions.

No one customer accounted for 10% or more of the Company s sales in 2007, 2006 or 2005 or accounts receivable at December 31, 2007 or 2006.

16. Related Party Transactions

During 2007, 2006 and 2005, the Company paid a management fee of $1.0 million to Colfax Towers in equal quarterly installments, a party related by common ownership, recorded in selling, general and administrative expenses.

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17. Operations by Geographical Area

The Company operates in a single business segment for the design, production and distribution of fluid handling products. The operations of the Company on a geographic basis are as follows:

	Year ended December 31,		
	2007	2006	2005
Net sales by origin:			
United States	$ 173,713	$ 136,978	$ 131,219
Europe	320,654	249,028	212,296
Asia	11,938	7,598	1,963
Total net sales	$ 506,305	$ 393,604	$ 345,478
Operating income:			
United States	$ 77,284	$ (12,297)	$ 4,254
Europe	44,494	32,807	25,607
Asia	1,195	(1,697)	(1,564)
Other	302	730	(733)
Total operating income	$ 123,275	$ 19,543	$ 27,564
Identifiable assets:			
United States	$ 622,889	$ 554,729	$ 518,407
Europe	247,887	220,788	166,023
Asia	25,208	20,496	15,910
Other	556	1,213	234
Total identifiable assets	$ 896,540	$ 797,226	$ 700,574
Net sales by final destination:			
North America	$ 119,782	$ 112,103	$ 108,323
Europe	239,556	192,430	162,953
Asia and Australia	83,164	52,237	44,468
Canada	10,946	8,898	9,189
Central and South America	17,394	9,427	6,987
Middle East and Africa	34,283	16,025	10,787
Other	1,180	2,484	2,771
Total net sales	$ 506,305	$ 393,604	$ 345,478
Net sales by product:			
Pumps, including aftermarket parts and service	$ 441,692	$ 360,016	$ 313,224
Systems, including installation service	48,355	16,114	14,566
Valves	9,537	11,292	12,797
Other	6,721	6,182	4,891
Total net sales	$ 506,305	$ 393,604	$ 345,478

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18. 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, and management expects such fluctuations to continue in the future based upon, among other things, the number and type of claims settled in a particular period and the jurisdictions in which such claims arose. To date, the majority of settled claims have been dismissed for no payment.

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

	Year ended December 31, 2007	2006	2005
Claims unresolved at the beginning of the period	50,020	59,217	65,165
Claims filed(2)	6,861	5,992	8,540
Claims resolved(3)	(19,327)	(15,189)	(14,488)
Claims unresolved at the end of the period	37,554	50,020	59,217
Average cost of resolved claims (4)	$ 5,232	$ 6,194	$ 8,896

(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.

(4) Average cost of settlement to resolve claims in whole dollars. These amounts exclude claims in Mississippi for which the majority of claims have historically been without merit and have been resolved for no payment. These amounts also exclude any potential insurance recoveries.

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. This methodology is based upon risk equations, exposed population estimates, mortality rates, and other demographic statistics. In applying the Nicholson methodology for each subsidiary the Company performed: 1) an analysis of the estimated population likely to have been exposed or claim to have been exposed to products manufactured by the subsidiaries based upon national studies undertaken of the population of workers believed to have been exposed to asbestos; 2) the use of epidemiological and demographic studies to estimate the number of potentially exposed people that would be likely to develop asbestos-related diseases in each year; 3) an analysis of the subsidiaries recent claims history to estimate likely filing rates for these diseases; and 4) an analysis of the historical asbestos liability costs to develop average values, which vary by disease type, jurisdiction and the nature of claim, to determine an estimate of costs likely to be associated with currently pending and projected asbestos claims. The Company s projections based upon the Nicholson methodology estimate both claims and the estimated cash outflows related to the resolution of such claims for periods up to and including the endpoint of asbestos studies referred to in item 2) above. 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.

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Projecting future asbestos-related liability costs is subject to numerous variables that are difficult to predict, including the number of claims that might be received, the type and severity of the disease alleged by each claimant, the latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in the claims, funds available in post-bankruptcy trusts, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any projections with respect to these variables are subject to even greater uncertainty as the projection period lengthens. These trend factors have both positive and negative effects on the dynamics of asbestos litigation in the tort system and the related best estimate of the Company s asbestos liability, and these effects do not move in linear fashion but rather change over multiple year periods. Accordingly the Company s management monitors these trend factors over time and periodically assesses whether an alternative forecast period is appropriate. Taking these factors into account and the inherent uncertainties, 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 associated with asbestos-related liabilities as well as costs incurred related to litigation against the subsidiaries insurers are expensed as incurred.

The Company assessed the subsidiaries existing insurance arrangements and agreements, determined the applicability of insurance coverage for existing and expected future claims, analyzed publicly available information bearing on the current creditworthiness and solvency of the various insurers and employed such insurance allocation methodologies as the Company believed appropriate to ascertain the probable insurance recoveries for asbestos liabilities. The analysis took into account self-insurance reserves, policy exclusions, pending litigation, liability caps and gaps in the Company s coverage, allocation agreements, indemnity arrangements with third-parties, existing and potential insolvencies of insurers as well as how legal and defense costs will be covered under the insurance policies. 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, in addition to the criteria listed above, the Company used differing insurance allocation methodologies for each subsidiary based upon the state law that will or is likely to apply for that subsidiary.

For the one subsidiary, 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, that 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. This allocation methodology, known as the all sums approach, allows the policyholder to select any policy year triggered by the claim. Under this methodology, each policy provides indemnity for all amounts that the insured becomes legally obligated to pay as damages, subject to the terms, conditions and limitations of the policy language. The Company uses this allocation methodology because it is the most likely methodology based upon the corporate history of the subsidiary and that of its primary insurer which are domiciled in either Florida or Massachusetts. The primary and umbrella insurer historically has paid all liability and legal defense costs. In 2006, this insurer asserted that certain insurance policies contained deductibles. As a result, the Company established a reserve of $7.5 million as a reduction of its asbestos insurance asset at December 31, 2007 and as a reduction of its long-term asbestos insurance asset at December 31, 2006, for the probable and reasonably estimable liability the Company expects related to these deductibles under the primary insurance policies.

For the other 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. This allocation methodology, referred to as the Carter-Wallace methodology, was applied in the New Jersey Supreme Court in the case of Carter-Wallace, Inc. v. Admiral Ins. Co., 154 N.J. 312 (N.J. 1998), which provides that the loss is allocated to each policy year based on the proportion of the policyholder s total triggered coverage that was purchased in that year. Based

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upon this ruling and upon a series of other favorable rulings regarding interpretation of certain policy provisions related to deductibles, the number of occurrences and the resulting calculation, the Company increased its expected recovery percentage to 87.5% from 75% of all liability costs recorded after September 28, 2007 and revalued its insurance asset at that date. For the period between December 31, 2005 and September 28, 2007, the Company had estimated that recovery was probable for 75% of all liability costs paid and 85% of defense costs paid. Prior to December 31, 2005, the Company had estimated that recovery was probable for two-thirds of all liabilities paid.

For this subsidiary, until June 2004, based upon an interim agreement, the subsidiary s primary insurers paid at least two-thirds of liability costs and all defense costs. In 2003, the subsidiary brought legal action against a large number of its insurers and its former parent to resolve a variety of disputes concerning insurance for asbestos bodily injury claims asserted against it. Although none of these defendant insurance companies contested coverage, they disputed the timing, reasonableness and allocation of payments. One of the primary insurers and one of the excess insurers stopped or severely reduced payments alleging that its policies were exhausted and the subsidiary began paying various amounts of its liability and defense costs during 2004. The Company historically had recorded a receivable for any amounts paid above the expected insurance recovery percent for that period which the Company considered recovery probable. As of December 31, 2007, based upon (i) application of the New Jersey allocation model, (ii) court records indicating the Court was likely to order insurers to reimburse the subsidiary for past costs and (iii) the receipt of $58.0 million in cash from certain insurers during the fourth quarter of 2007, the Company recorded a receivable for all past liability and defense cost for which it believes recovery is probable.

In 2007, certain insurance carriers 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. The subsidiary received approximately $65.5 million for the year ended December 31, 2007, of which approximately $49.4 million represents reimbursement of past cost, which reduced the Company s outstanding insurance receivables, and approximately $16.1 million represents settlement in full for future costs not yet incurred by the subsidiary. Of the $16.1 million, approximately $7.6 million relates to insurance policies which are triggered within the Company s 15 year-estimate of asbestos-related liability and as such were recorded as a reduction to the insurance asset, while, approximately $8.5 million relates to insurance policies which were not included in the Company s 15 year estimate of asbestos-related liability cost and, as such, were recorded as income in Legacy asbestos (income) expense. Subsequent to December 31, 2007, the subsidiary received an additional $1.7 million in reimbursement of past cost from an insurer and another $0.9 million from an insurer previously considered insolvent. Presently certain insurers are paying approximately 36.8% of costs for current asbestos-related liability and defense cost.

Based on the analysis referred to above, the Company has established reserves of $376.2 million and $388.9 million as of December 31, 2007 and 2006, respectively, for the probable and reasonably estimable asbestos-related liabilities it believes the subsidiaries will pay through the next 15 years, and has also established recoverables of $305.2 million and $297.1 million as of December 31, 2007 and 2006, respectively, for the insurance recoveries that are deemed probable during the same time period. Net of these recoverables, the subsidiaries expected cash outlay on a non-discounted basis for asbestos-related bodily injury claims over the next 15 years was estimated to be $71.0 million and $91.8 million as of December 31, 2007 and 2006, respectively. 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 in the accompanying consolidated balance sheets. In addition the Company has recorded a receivable for liability and defense costs it had previously paid in the amount of $44.7 million and $41.1 million as of December 31, 2007 and 2006, respectively, for which insurance recovery is deemed probable. These amounts are included in Asbestos insurance receivable in the accompanying consolidated balance sheets.

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The (income) expense related to these liabilities and legal defense was $(65.2) million, $21.8 million and $14.3 million, net of estimated insurance recoveries, for the years ended December 31, 2007, 2006 and 2005, respectively. Legal costs related to the subsidiaries action against their asbestos insurers were $14.9 million, $12.0 million and $3.8 million for the years ended December 31, 2007, 2006 and 2005, respectively. All of these amounts are included in the consolidated statements of operations and comprehensive income (loss) in Legacy asbestos (income) expense.

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

General Litigation

One of the Company s subsidiaries is a defendant in a lawsuit in the Supreme Court of British Columbia alleging breach of contract arising from the sale of a steam turbine delivered by the Company s former Delaval Turbine Division and claiming damages in excess of $6.0 million (Canadian). In 2002, the plaintiff amended its complaint to add claims for negligence. The Company believes that there are legal and factual defenses to the claim and intends to defend the action vigorously. A trial date has been set for November 2008.

On June 3, 1997, one of the Company s subsidiaries was served with a complaint in a case brought 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 the Company s former Electro-Optical Systems business. The Electro-Optical Systems business was sold in a transaction that closed on June 2, 1995. The sales contract provided certain representations and warranties as to the status of the business at the time of sale. The complaint alleges that the subsidiary failed to provide notice of a reasonably anticipated loss under a bid that was pending at the time of the transfer of the business and therefore a representation was breached. 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 is recorded in Other liabilities in the accompanying consolidated balance sheets. The judgment is secured by a letter of credit under the Company s existing credit facility. Both the subsidiary and the plaintiff 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 petitioned for reconsideration of the decision which was denied on February 28, 2008. The subsidiary intends to seek certification from the Supreme Court of New Jersey for appeal. The subsidiary believes that there are legal and factual defenses to the claims and intends to continue to defend the action vigorously.

The Company was a defendant in an action brought by the landlord of one of its subsidiaries for rent. In March 2006, a jury found in part for the landlord, awarding the landlord $1.6 million for rent and $1.2 million in attorney s fees. The Company has appealed this judgment.

The Company and its subsidiaries are 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

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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.

Minimum Lease Obligations

The Company has the following minimum rental obligations under non-cancelable operating leases for certain property, plant and equipment. The remaining lease terms range from 1 to 6 years.

Year ended December 31,	
2008	$ 3,807
2009	2,765
2010	1,929
2011	840
2012	709
Thereafter	
Total	$ 10,050

Net rental expense under operating leases was approximately $4.6 million, $3.3 million and $3.5 million in 2007, 2006 and 2005, respectively.

19. Subsequent Events

In January 2008, the Company s Board of Directors approved a registration statement on Form S-1 to be filed with the Securities and Exchange Commission in connection with the initial public offering of the Company s common stock. In connection with the Company s initial public offering, on April 21, 2008, the Company s Board of Directors approved a restatement of the capital accounts of the Company through an amendment of the Company s certificate of incorporation to provide for a stock split to convert each share of common stock issued and outstanding into 13,436.22841 shares of common stock. The accompanying consolidated financial statements give retroactive effect as though the stock split of the Company s common stock occurred for all periods presented.

Also on April 21, 2008, the Company s Board of Directors and stockholders approved the Colfax Corporation 2008 Omnibus Incentive Plan. Under this plan, the Company has reserved up to 6.5 million shares of common stock for potential issuance as stock-based awards.

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COLFAX CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Write offs, Write Downs & Deductions	Foreign Currency Translation	Balance at End of Period
Year Ended December 31, 2007						
Allowance for doubtful accounts	$ 1,650	964	(10)[(a)]	(909)	117	$ 1,812
Allowance for excess, slow-moving and obsolete inventory	$ 6,412	1,735	144(a)	(1,309)	607	$ 7,589
Valuation allowance for deferred tax assets	$ 24,386					$ 24,386
Year Ended December 31, 2006						
Allowance for doubtful accounts	$ 1,306	507	230(a)	(486)	93	$ 1,650
Allowance for excess, slow-moving and obsolete inventory	$ 5,562	620		(239)	469	$ 6,412
Valuation allowance for deferred tax assets	$ 24,506			(120)		$ 24,386
Year Ended December 31, 2005						
Allowance for doubtful accounts	$ 1,846	283	7(a)	(687)	(143)	$ 1,306
Allowance for excess, slow-moving and obsolete inventory	$ 5,385	3,289	366(a)	(2,958)	(520)	$ 5,562
Valuation allowance for deferred tax assets	$ 17,096	7,410				$ 24,506

(a) Amounts related to businesses acquired and related adjustments.

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Through and including , 2008 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

18,750,000 Shares

Common Stock

PROSPECTUS

Merrill Lynch & Co.

Lehman Brothers

UBS Investment Bank

Robert W. Baird & Co.

Banc of America Securities LLC

Deutsche Bank Securities

KeyBanc Capital Markets

, 2008

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution*.**

The following table sets forth the costs and expenses, other than the underwriting discount, payable by the Registrant in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the FINRA filing fees.

SEC registration fee	$ 14,406
FINRA filing fee	$ 30,500
New York Stock Exchange listing fee	$ 200,000
Printing and engraving expenses	$ 400,000
Legal fees and expenses	$ 2,000,000
Accounting fees and expenses	$ 2,400,000
Blue Sky fees and expenses (including legal fees)	$ 5,000
Miscellaneous	$ 450,094
Total	$ 5,500,000

The Registrant will bear all expenses shown above.

Item 14. ***Indemnification of Directors and Officers*.**

Certificate of Incorporation. The certificate of incorporation of the Registrant provides as follows:

(a) The Registrant shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law (the DGCL), as the same exists or may hereafter be amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Registrant to provide broader indemnification rights than said law permitted the Registrant to provide prior to such amendment), indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including any action by or in the right of the Registrant) against any expenses (including attorneys fees), judgments, fines and amounts paid or to be paid in settlement, excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974, as amended, actually and reasonably incurred by such person in connection with such action, suit or proceeding (and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his heirs, executors and administrators) by reason of the fact that he, or a person of whom he is a legal representative, is or was an officer, director, employee or agent of the Registrant or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that his conduct was unlawful; provided, however, that with certain exceptions, the Registrant shall indemnify any such person seeking indemnification in connection with a proceeding or part thereof initiated by such a person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Registrant. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he

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reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceedings, had reasonable cause to believe that his conduct was unlawful. The rights to indemnification pursuant to this section (including advancement of expenses) shall be a contract right.

(b) Any indemnification under subsection (a) above (unless ordered by a court) shall be made by the Registrant only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsection (a) above. Such determination shall be made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

(c) Expenses (including attorneys fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Registrant in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking (to the extent required by the DGCL) by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Registrant as authorized in this section. Such expenses (including attorneys fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors of the Registrant deems appropriate.

(d) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person s official capacity and as to action in another capacity while holding such office.

(e) The Registrant shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Registrant, or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against and incurred by such person in any such capacity or arising out of such person s status as such, whether or not the Registrant would have the power to indemnify such person against such liability under this section.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executor and administrators of such a person. The indemnification and advancement of expenses provided by, or grants pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an employee or agent (other than an officer or director), and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Registrant s certificate of incorporation also provides that a director of the Registrant shall not be personally liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director for any act or omission, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. If the DGCL is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Registrant shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any repeal or modification of this section by the stockholders of the Registrant or otherwise shall not apply to or have any adverse effect on any right or protection of a director of the Registrant existing hereunder for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

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Bylaws. The Registrant s amended and restated bylaws provide for the indemnification of the officers and directors of the Registrant to the fullest extent permitted by the DGCL. The bylaws provide that each person who was or is made a party to, or is threatened to be made a party to, any civil or criminal action, suit or proceeding by reason of the fact that such person is or was a director or officer of the Registrant shall be indemnified and held harmless by the Registrant to the fullest extent authorized by the DGCL against all expense, liability and loss, including, without limitation, attorneys fees, incurred by such person in connection therewith, if such person acted in good faith and in a manner such person reasonably believed to be or not opposed to the best interests of the Registrant and had no reason to believe that such person s conduct was illegal.

Insurance. The Registrant maintains directors and officers liability insurance, which covers directors and officers of the Registrant against certain claims or liabilities arising out of the performance of their duties.

Indemnification Agreements. The Registrant intends to enter into agreements to indemnify its directors and executive officers. These agreements, a form of which is filed as Exhibit 10.4 hereto, will provide for indemnification of the Registrant s directors and executive officers to the fullest extent permitted by the DGCL against all expenses, including attorneys fees, judgments, fines and settlement amounts incurred by any such person in actions or proceedings, including actions by the Registrant or in its right, arising out of such person s services as a director or executive officer of the Registrant, any subsidiary of the Registrant or any other company or enterprise to which the person provided services at the Registrant s request.

Purchase Agreements. The Registrant s purchase agreement with the underwriters will provide for the indemnification of the directors and officers of the Registrant against specified liabilities related to the prospectus under the Securities Act in certain circumstances.

Item 15. ***Recent Sales of Unregistered Securities.***

None.

Item 16. ***Exhibits and Financial Statement Schedules.***

(a) Exhibits

The exhibits to this registration statement are listed on the exhibit index, which appears elsewhere herein and is incorporated herein by reference.

(b) Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts (which schedule is included in the financial statements contained in the prospectus)

Item 17. ***Undertakings.***

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the purchase agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the

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Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purpose of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) For the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 4 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Richmond, Virginia, on this 23rd day of April, 2008.

COLFAX CORPORATION

By: /s/ JOHN A. YOUNG

John A. Young

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 4 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN A. YOUNG **John A. Young**	President and Chief Executive Officer (Principal Executive Officer)	April 23, 2008
/s/ G. SCOTT FAISON **G. Scott Faison**	Senior Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	April 23, 2008
* **Mitchell P. Rales**	Director	April 23, 2008
* **Steven M. Rales**	Director	April 23, 2008

*By: /s/ JOHN A. YOUNG

John A. Young

Attorney-in-fact

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EXHIBIT INDEX

Exhibit No.	Description
1.1 *	Form of Underwriting Agreement
3.1 **	Amended and Restated Certificate of Incorporation of the Company
3.2 **	Certificate of Amendment to the Amended and Restated Certificate of Incorporation
3.3 **	Certificate of Amendment to the Amended and Restated Certificate of Incorporation
3.4 **	Bylaws of the Company
3.5 *	Form of Amended and Restated Certificate of Incorporation of the Company (to become effective upon completion of the offering)
3.6 *	Form of Amended and Restated Bylaws of the Company (to become effective upon completion of the offering)
4.1 *	Specimen Common Stock Certificate
5.1	Opinion of Hogan & Hartson LLP
10.1	Colfax Corporation 2008 Omnibus Incentive Plan
10.2 **	Service Contract for Board Member, dated November 14, 2006, between the Company and Dr. Michael Matros.
10.3 *	Form of Indemnification Agreement to be entered into between the Company and each of its directors and officers.
10.4 **	Registration Rights Agreement, dated as of May 30, 2003, between Colfax Corporation and certain stockholders named therein.
10.5	Colfax Corporation Amended and Restated Excess Benefit Plan
10.6 **	Retirement Plan for salaried U.S. Employees of Imo Industries, Inc. and Affiliates
10.7 **	Colfax Corporation Excess Benefit Plan
10.8 **	Allweiler AG Company Pension Plan
10.9	Colfax Corporation Director Deferred Compensation Plan
10.10*	Employment Agreement between Colfax Corporation and John A. Young
10.11	Employment Agreement between Colfax Corporation and Thomas M. O Brien
10.12	Employment Agreement between Colfax Corporation and Michael K. Dwyer
10.13*	Employment Agreement between Colfax Corporation and G. Scott Faison
21.1 **	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of Hogan & Hartson LLP (included in Exhibit 5.1)
24.1 **	Powers of Attorney
99.1 **	Consent of Patrick W. Allender to be named as a director nominee
99.2 **	Consent of C. Scott Brannan to be named as a director nominee
99.3 **	Consent of Joseph O. Bunting III to be named as a director nominee
99.4 **	Consent of Thomas S. Gayner to be named as a director nominee
99.5 **	Consent of Clay Kiefaber to be named as a director nominee
99.6 **	Consent of Rajiv Vinnakota to be named as a director nominee

* To be filed by amendment.
** Previously filed

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