ROYAL BANK OF CANADA
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January 2018
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Dated January 4, 2018
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STRUCTURED INVESTMENTS
Opportunities in International Equities
Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities

The Equity-Linked Partial Principal at Risk Securities (the "securities") are senior unsecured obligations of Royal Bank of Canada, do not pay interest, provide for a minimum return of only 90% of the principal at maturity, subject to our creditworthiness, and have the terms described in the accompanying prospectus supplement and prospectus, as supplemented or modified by this document. At maturity, if the level of the underlying index has increased, investors will receive the stated principal amount of their investment plus a return reflecting the leveraged upside performance of the underlying index. However, if the level of the underlying index has decreased, then investors will lose 1% for every 1% decline in the level of the underlying index, subject to the minimum payment amount. Under these circumstances, the payment at maturity will be less than the stated principal amount and could be as little as 90% of the principal amount. The securities are for investors who seek an equity index-based return and who are willing to risk a portion of their principal and forgo current income in exchange for the upside leverage feature. The securities are senior notes issued as part of Royal Bank of Canada's Global Medium-Term Notes, Series G program. All payments on the securities are subject to the credit risk of Royal Bank of Canada.

SUMMARY TERMS

Issuer:	Royal Bank of Canada
Underlying index:	The EURO STOXX 50® Index (Bloomberg symbol: "SX5E")
Aggregate principal amount:	$
Stated principal amount:	$10 per security
Issue price:	$10 per security
Pricing date:	January 31, 2018
Issue date:	February 5, 2018 (three business days after the pricing date)
Maturity date:	February 3, 2021, subject to adjustment as described in "Additional Information About the Securities" below.
Payment at maturity:	If the final index level is greater than the initial index level, $10 + $10 × leverage factor × underlying index return If the final index level is less than or equal to the initial index level, $10 + $10 × underlying index return However, the payment at maturity will not be less than the minimum payment amount.
Minimum payment amount:	$9.00 per security (90% of the stated principal amount)
Leverage factor:	118%
Underlying index return:	(final index level - initial index level) / initial index level
Initial index level:	, which is the closing level of the underlying index on the pricing date
Final index level:	The closing level of the underlying index on the valuation date
Valuation date:	

	January 29, 2021, subject to adjustment for non-trading days and certain market disruption events		
CUSIP/ISIN:	78013Q152 / US78013Q1528		
Listing:	The securities will not be listed on any securities exchange.		
Agent:	RBC Capital Markets, LLC ("RBCCM"). See "Supplemental Information Regarding Plan of Distribution; Conflicts of Interest."		
Commissions and issue price:	Price to public	Agent's commissions	Proceeds to issuer
Per security	$10.00	$0.25[(1)]	
		$0.05[(2)]	$9.70
Total	$	$	$

(1) RBCCM, acting as agent for Royal Bank of Canada, will receive a fee of $0.30 per $10 stated principal amount and will pay to Morgan Stanley Wealth Management ("MSWM") a fixed sales commission of $0.25 for each security that MSWM sells. See "Supplemental Information Regarding Plan of Distribution; Conflicts of Interest."

(2) Of the amount per $10 stated principal amount received by RBCCM, acting as agent for Royal Bank of Canada, RBCCM will pay MSWM a structuring fee of $0.05 for each security.

The pricing date, the issue date and other dates set forth above are subject to change, and will be set forth in the pricing supplement relating to the securities. The initial estimated value of the securities as of the date of this document is $9.6101 per $10 security, which is less than the price to public. The pricing supplement relating to the securities will set forth our estimate of the initial value of the securities as of the pricing date, which will not be more than $0.30 less than this amount. The market value of the securities at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount.

An investment in the securities involves certain risks. See "Risk Factors" beginning on page 6 of this document, beginning on page S-1 of the accompanying prospectus supplement, and beginning on page 1 of the prospectus.

You should read this document together with the related prospectus supplement and prospectus each of which can be accessed via the hyperlinks below, before you decide to invest.

Please also see "Additional Terms of the Securities" in this document.

Prospectus Supplement dated January 8, 2016

Prospectus dated January 8, 2016

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense. The securities will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities
Investment Summary
Equity-Linked Partial Principal at Risk Securities
The Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021 (the "securities") can be used:

- As an alternative to direct exposure to the underlying index that enhances returns for positive performance of the underlying index.
- To achieve similar levels of upside exposure to the underlying index as a direct investment, while using fewer dollars by taking advantage of the leverage factor.
- To provide a minimum payment amount at maturity, subject to our creditworthiness.

The securities are exposed on a 1:1 basis to the negative performance of the underlying index, subject to the minimum payment amount. If the final index level is less than the initial index level, the payment at maturity will be less than the stated principal amount and could be as little as 90% of the stated principal amount.

Maturity:	Approximately 3 years
Leverage factor:	118% (applicable only if the final index level is greater than the initial index level)
Maximum payment at maturity:	None.
Minimum payment at maturity:	90% of the stated principal amount.
Coupon:	None.

Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities

Key Investment Rationale

These securities offer leveraged positive exposure to the performance of the underlying index. In exchange for enhanced performance of 118% of the appreciation of the underlying index, investors are exposed to the negative performance of the underlying index, subject to the minimum payment amount. At maturity, if the level of the underlying index has increased, investors will receive the stated principal amount of their investment plus a return reflecting the leveraged upside performance of the underlying index. If the level of the underlying index remains unchanged, investors will receive the stated principal amount. However, if the level of the underlying index has decreased, investors will lose 1% for every 1% decline in the level of the underlying index over the term of the securities, subject to the minimum payment amount. Under these circumstances, the payment at maturity will be less than the stated principal amount and could be as little as 90% of the stated principal amount. Accordingly, you may lose up to 10% of your investment.

Leveraged Upside Performance	The securities offer investors an opportunity to capture enhanced returns relative to a direct investment in the underlying index.
Upside Scenario	The level of the underlying index increases and, at maturity, we will pay the stated principal amount of $10 plus 118% of the underlying index return.
Par Scenario	The final index level is equal to the initial index level. In this case, you receive the stated principal amount of $10 at maturity.
Downside Scenario	The level of the underlying index declines and, at maturity, we will pay less than the stated principal amount by an amount that is proportionate to the percentage decrease in the level of the underlying index from the initial index level, subject to the minimum payment amount. You may lose up to 10% of the stated principal amount.

Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities
Additional Information

You should read this document together with the prospectus dated January 8, 2016, as supplemented by the prospectus supplement dated January 8, 2016, relating to our Senior Global Medium-Term Notes, Series G, of which the securities are a part. This document, together with these documents, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials, including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours.

You should rely only on the information provided or incorporated by reference in this document, the prospectus and the prospectus supplement. We have not authorized anyone else to provide you with different information, and we take no responsibility for any other information that others may give you. We and Morgan Stanley Wealth Management are offering to sell the securities and seeking offers to buy the securities only in jurisdictions where it is lawful to do so. The information contained in this document and the accompanying prospectus supplement and prospectus is current only as of their respective dates.

If the information in this document differs from the information contained in the prospectus supplement or the prospectus, you should rely on the information in this document.

You should carefully consider, among other things, the matters set forth in "Risk Factors" in this document and the accompanying prospectus supplement, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the securities.

You may access these documents on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Prospectus dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008810/j18160424b3.htm
- Prospectus Supplement dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008811/p14150424b3.htm

Our Central Index Key, or CIK, on the SEC website is 1000275.

Please see the section "Documents Incorporated by Reference" on page i of the above prospectus for a description of our filings with the SEC that are incorporated by reference therein.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC website at.www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in this offering will arrange to send you the prospectus if you request it by calling toll-free 1-877-688-2301.

Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities
How the Securities Work
Payoff Diagram
The payoff diagram below illustrates the payment at maturity on the securities for a range of hypothetical percentage changes in the closing level of the underlying index. The graph is based on the following terms:

Stated principal amount:	$10 per security
Leverage factor:	118%
Maximum payment at maturity:	None
Minimum payment at maturity:	90% of the stated principal amount.

Securities Payoff Diagram

n The Securities n The Underlying Index

How it works

- Upside Scenario. If the final index level is greater than the initial index level, then investors would receive the $10 stated principal amount plus a return reflecting 118% of the appreciation of the underlying index over the term of the securities.
- If the underlying index appreciates 10%, the investor would receive an 11.80% return, or $11.18 per security, or 111.80% of the stated principal amount.
- Par Scenario. If the final index level is equal to the initial index level, the investor would receive an amount equal to the $10 stated principal amount.
- Downside Scenario. If the final index level is less than the initial index level, the investor would receive an amount that is less than the $10 stated principal amount, based on a 1% loss of principal for each 1% decline in the underlying index, subject to the minimum payment amount. Under these circumstances, the payment at maturity will be less than the stated principal amount per security. The minimum payment at maturity on the securities is 90% of the stated principal amount.
  - If the underlying index depreciates 5%, the investor would lose 5% of the investor's principal and receive only $9.50 per security at maturity, or 95% of the stated principal amount.
- If the underlying index depreciates 30%, the investor would lose 10% of the investor's principal and receive only $9.00 per security at maturity, or 90% of the stated principal amount.

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Principal at Risk Securities

Risk Factors

An investment in the securities is subject to the risks described below, as well as the risks described under "Risk Factors" in the accompanying prospectus supplement and prospectus. Investors in the securities are also exposed to further risks related to the issuer of the securities, Royal Bank of Canada, which are described in Royal Bank of Canada's annual report on Form 40-F for its most recently completed fiscal year, filed with the SEC and incorporated by reference herein. See the categories of risks, identified and disclosed in the management's discussion and analysis of financial condition and results of operations included in the annual report on Form 40-F. This section (and the management's discussion and analysis section of the annual report on Form 40-F) describes the most significant risks relating to the securities. You should carefully consider whether the securities are suited to your particular circumstances.

- The securities do not pay interest or guarantee full return of principal. The terms of the securities differ from those of ordinary debt securities in that the securities do not pay interest or guarantee full payment of the stated principal amount at maturity. If the final index level is less than the initial index level, the payout at maturity will be an amount in cash that is less than the $10 stated principal amount of each security by an amount proportionate to the decrease in the level of the underlying index over the term of the securities, subject to the minimum payment amount. The minimum payment at maturity on the securities is 90%, and accordingly, you could lose up to 10% of your initial investment in the securities.
- The market price of the securities will be influenced by many unpredictable factors. Many factors will influence the value of the securities in the secondary market and the price at which RBCCM may be willing to purchase or sell the securities in the secondary market, including:
  - the trading price and volatility (frequency and magnitude of changes in value) of the securities represented by the underlying index;
  - dividend yields on the securities represented by the underlying index;
  - market interest rates;
  - our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market;
  - time remaining to maturity;
  - geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index; and
  - the exchange rates between the U.S. dollar and the euro.

The level of the underlying index may be volatile, and you should not take the historical levels of the underlying index as an indication of future performance. See "Information About the Underlying Index" below. You may receive less, and possibly significantly less than, the stated principal amount per security if you sell your securities prior to maturity.

- The securities are subject to the credit risk of Royal Bank of Canada, and any actual or anticipated changes to its credit ratings or credit spreads may adversely affect the market value of the securities. You are dependent on Royal Bank of Canada's ability to pay all amounts due on the securities at maturity and therefore you are subject to the credit risk of Royal Bank of Canada. If Royal Bank of Canada defaults on its obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market's view of Royal Bank of Canada's creditworthiness. Any actual or anticipated decline in Royal Bank of Canada's credit ratings or increase in the credit spreads charged by the market for taking Royal Bank of Canada credit risk is likely to adversely affect the market value of the securities.
- The amount payable on the securities is not linked to the level of the underlying index at any time other than the valuation date. The final index level will be based on the closing level of the underlying index on the valuation date, subject to adjustment for non-trading days and certain market disruption events. Even if the level of the underlying index appreciates prior to the valuation date but then decreases by the valuation date to a level that is less than the initial index level, the payment at maturity will be less, and may be significantly less, than it would have been had the payment at maturity been linked to the level of the underlying index prior to that decrease. Although the actual

level of the underlying index on the maturity date or at other times during the term of the securities may be higher than the final index level, the payment at maturity will be based solely on the closing level of the underlying index on the valuation date.

§ Investing in the securities is not equivalent to investing in the underlying index. Investing in the securities is not equivalent to investing in the underlying index or its component stocks. Investors in the securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the underlying index.

§ The initial estimated value of the securities will be less than the price to the public. The initial estimated value that is set forth on the cover page of this document, and that will be set forth in the pricing supplement for the securities, does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the securities in any secondary market (if any exists) at any time. If you attempt to sell the securities prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the level of the underlying index, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the agent's commissions and the estimated costs relating to our hedging of the securities. These factors, together with various credit, market and economic factors over the term of the securities, are expected to reduce the price at which you may be able to sell the securities in any secondary market and will affect the value of the securities in complex and unpredictable ways. Assuming no change in market conditions or

any other relevant factors, the price, if any, at which you may be able to sell your securities prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the agent's commissions and the hedging costs relating to the securities. In addition to bid-ask spreads, the value of the securities determined for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the securities and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The securities are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your securities to maturity.

- Our initial estimated value of the securities is an estimate only, calculated as of the time the terms of the securities are set. The initial estimated value of the securities is based on the value of our obligation to make the payments on the securities, together with the mid-market value of the derivative embedded in the terms of the securities. See "Structuring the Securities" below. Our estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the securities. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the securities or similar securities at a price that is significantly different than we do.

The value of the securities at any time after the pricing date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the securities in any secondary market, if any, should be expected to differ materially from the initial estimated value of your securities.

- An investment in the securities is subject to risks relating to non-U.S. securities markets. Because foreign companies or foreign equity securities included in the underlying index are publicly traded in the applicable foreign countries and are denominated in currencies other than U.S. dollars, an investment in the securities involves particular risks. For example, the non-U.S. securities markets may be more volatile than the U.S. securities markets, and market developments may affect these markets differently from the U.S. or other securities markets. Direct or indirect government intervention to stabilize the securities markets outside the U.S., as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning the foreign issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the foreign issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The securities included in the underlying index are issued by companies located within the Eurozone, which is and has been undergoing severe financial stress, and the political, legal and regulatory ramifications are impossible to predict. Changes within the Eurozone could have a material adverse effect on the performance of the underlying index and, consequently, on the value of the securities.

- The securities will not be adjusted for changes in exchange rates. Although the equity securities composing the underlying index are traded in euro, and the securities are denominated in U.S. dollars, the amount payable on the securities at maturity, if any, will not be adjusted for changes in the exchange rates between the U.S. dollar and the euro. Changes in exchange rates, however, may also reflect changes in the applicable non-U.S. economies that in turn may affect the level of the underlying index, and therefore the securities. The amount we pay in respect of your securities on the maturity date, if any, will be determined solely in accordance with the procedures described in this document.
- Adjustments to the underlying index could adversely affect the value of the securities. The sponsor of the underlying index (the "index sponsor") may add, delete or substitute the stocks constituting the underlying index, or make other methodological changes. Further, the index sponsor may discontinue or suspend calculation or publication of the underlying index at any time. Any of these actions could affect the value of and the return on the securities.
- We have no affiliation with the index sponsor and will not be responsible for any actions taken by the index sponsor. The index sponsor is not an affiliate of ours and will not be involved in the offering of the securities in any way. Consequently, we have no control over the actions of the index sponsor, including any actions of the type that would require the calculation agent to adjust the payment to you at maturity. The index sponsor has no obligation of any

sort with respect to the securities. Thus, the index sponsor has no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the securities. None of our proceeds from the issuance of the securities will be delivered to the index sponsor.

§ The securities will not be listed on any securities exchange and secondary trading may be limited. The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. RBCCM may, but is not obligated to, make a market in the securities, and, if it chooses to do so at any time, it may cease doing so. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimated of the current value of the securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which RBCCM is willing to transact. If, at any time, RBCCM were not to make a market in the securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

§ Historical levels of the underlying index should not be taken as an indication of its future levels during the term of the securities. The trading prices of the equity securities comprising the underlying index will determine the level of the underlying

index at any given time. As a result, it is impossible to predict whether the level of the underlying index will rise or fall. Trading prices of the equity securities comprising the underlying index will be influenced by complex and interrelated political, economic, financial and other factors.

- Hedging and trading activity by us and our subsidiaries could potentially adversely affect the value of the securities. One or more of our subsidiaries and/or third party dealers expect to carry out hedging activities related to the securities (and possibly to other instruments linked to the underlying index or the securities it represents), including trading in those securities as well as in other related instruments. Some of our subsidiaries also may conduct trading activities relating to the underlying index on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could potentially affect the initial index level and, therefore, could increase the level at which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the securities. Additionally, such hedging or trading activities during the term of the securities, including on the valuation date, could adversely affect the closing level of the underlying index on the valuation date and, accordingly, the amount of cash an investor will receive at maturity.
- Our business activities may create conflicts of interest. We and our affiliates may engage in trading activities related to the underlying index or the securities represented by the underlying index that are not for the account of holders of the securities or on their behalf. These trading activities may present a conflict between the holders' interest in the securities and the interests we and our affiliates will have in proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our customers and in accounts under our management. These trading activities could be adverse to the interests of the holders of the securities.

We and our affiliates may presently or from time to time engage in business with one or more of the issuers of the securities represented by the underlying index. This business may include extending loans to, or making equity investments in, such companies or providing advisory services to such companies, including merger and acquisition advisory services. In the course of business, we and our affiliates may acquire non-public information relating to these companies, which we have no obligation to disclose to you, and, in addition, one or more of our affiliates may publish research reports about these companies. Neither we nor the agent have made any independent investigation regarding any matters whatsoever relating to the issuers of the securities represented by the underlying index. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the underlying index or the securities which it represents. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the securities. Any of these activities by us or one or more of our affiliates may affect the level of the underlying index and, therefore, the market value of the securities.

- The calculation agent, which is a subsidiary of the issuer, will make determinations with respect to the securities, which may create a conflict of interest. Our wholly owned subsidiary, RBCCM, will serve as the calculation agent. As calculation agent, RBCCM will determine the initial index level, the final index level and the underlying index return and calculate the amount of cash you will receive at maturity. Moreover, certain determinations made by RBCCM, in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or the calculation of the final index level in the event of a market disruption event or discontinuance of the underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity. For further information regarding these types of determinations see "Additional Terms of the securities" below.
- You will be required to include income on the securities over their term based upon a comparable yield, even though you will not receive any payments until maturity. The securities are considered to be issued with original issue discount. You will be required to include income on the securities over their term based upon a comparable yield, even though you will not receive any payments until maturity. You are urged to review the section entitled "Supplemental Discussion of U.S. Federal Income Tax Consequences" and consult your own tax advisor.

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Principal at Risk Securities
Additional Terms of the Securities
Please read this information in conjunction with the summary terms on the front cover of this document.
Additional Provisions

Postponement of the valuation date:	If the valuation date occurs on a day that is not a trading day or on a day on which the calculation agent has determined that a market disruption event (as defined below) has occurred or is continuing, then the valuation date will be postponed until the next succeeding trading day on which the calculation agent determines that a market disruption event does not occur or is not continuing; provided that in no event will the valuation date be postponed by more than five trading days. If the valuation date is postponed by five trading days, and a market disruption event occurs or is continuing on that fifth trading day, then the calculation agent may determine, in its good faith and reasonable judgment, what the closing level of the underlying index would have been in the absence of the market disruption event. If the valuation date is postponed, then the maturity date will be postponed by an equal number of business days. No interest shall accrue or be payable as a result of such postponement.
Market disruption events:	With respect to the underlying index and any relevant successor index, a "market disruption event" means: § a suspension, absence or material limitation of trading of equity securities then constituting 20% or more of the level of the underlying index (or the relevant successor index) on the relevant exchanges (as defined below) for such securities for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such relevant exchange; or § a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for equity securities then constituting 20% or more of the level of the underlying index (or the relevant successor index) during the one hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate; or § a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to the underlying index (or the relevant successor index) for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such exchange or market; or § a decision to permanently discontinue trading in the relevant futures or options contracts; in each case as determined by the calculation agent in its sole discretion; and § a determination by the calculation agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the securities. For purposes of determining whether a market disruption event with respect to the underlying index (or the relevant successor index) exists at any time, if trading in a security included in the underlying index (or the relevant successor index) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the underlying index (or the relevant successor index) will be based on a comparison of (a) the portion of the level of the underlying index (or the relevant successor index) attributable to that security relative to (b) the overall level of the underlying index (or the relevant successor index), in each case immediately before that suspension or limitation. For purposes of determining whether a market disruption event with respect to the underlying index (or the relevant successor index) has occurred: § a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange, or the primary exchange or market for trading in futures or options contracts related to the underlying index (or the relevant successor index); § limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any

government agency of scope similar to NYSE Rule 80B as determined by the calculation agent) on trading during significant market fluctuations will constitute a

suspension, absence or material limitation of trading;

§ a suspension of trading in futures or options contracts on the underlying index (or the relevant successor index) by the primary exchange or market trading in such contracts by reason of:

§ a price change exceeding limits set by such exchange or market,

§ an imbalance of orders relating to such contracts, or

§ a disparity in bid and ask quotes relating to such contracts,

will, in each such case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to the underlying index (or the relevant successor index); and

§ a "suspension, absence or material limitation of trading" on any relevant exchange or on the primary exchange or market on which futures or options contracts related to the underlying index (or the relevant successor index) are traded will not include any time when such exchange or market is itself closed for trading under ordinary circumstances.

"Relevant exchange" means, with respect to the underlying index or any successor index, the primary exchange or market of trading for any security (or any combination thereof) then included in the underlying index or such successor index, as applicable.

Discontinuation of/adjustments to the underlying index:

If the index sponsor discontinues publication of the underlying index and the index sponsor or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued index (such index being referred to herein as a "successor index"), then the closing level of the underlying index on the valuation date will be determined by reference to the level of such successor index at the close of trading on the relevant exchange for the successor index on such day.

Upon any selection by the calculation agent of a successor index, the calculation agent will cause written notice to be promptly furnished to the trustee, to us and to the holders of the securities.

If the index sponsor discontinues publication of the underlying index prior to, and that discontinuation is continuing on the valuation date, and the calculation agent determines, in its sole discretion, that no successor index is available at that time or the calculation agent has previously selected a successor index and publication of that successor index is discontinued prior to, and that discontinuation is continuing on, the valuation date, then the calculation agent will determine the closing level of the underlying index for that date. The closing level of the underlying index will be computed by the calculation agent in accordance with the formula for and method of calculating the underlying index or successor index, as applicable, last in effect prior to the discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for the suspension or limitation) at the close of the principal trading session on that date of each security most recently included in the underlying index or successor index, as applicable.

If at any time the method of calculating the underlying index or a successor index, or the level thereof, is changed in a material respect, or if the underlying index or a successor index is in any other way modified so that the underlying index or successor index does not, in the opinion of the calculation agent, fairly represent the level of the underlying index or successor index had those changes or modifications not been made, then the calculation agent will, at the close of business in New York City on the date on which the closing level of the underlying index is to be determined, make any calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the underlying index or successor index, as the case may be, as if those changes or modifications had not been made, and calculate the closing level of the underlying index with reference to the underlying index or such successor index, as adjusted. Accordingly, if the method of calculating the underlying index or a successor index is modified so that the level of the underlying index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the

underlying index), then the calculation agent will adjust its calculation of the underlying index or such successor index in order to arrive at a level of the underlying index or such successor index as if there had been no such modification (e.g., as if such split had not occurred).

Notwithstanding these alternative arrangements, discontinuation the publication of or modification of the underlying index or successor index, as applicable, may adversely affect the value of the securities.

Business day: A business day means a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York generally are authorized or obligated by law,

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	regulation or executive order to close.
Trading day:	A trading day means a day, as determined by the calculation agent, on which trading is generally conducted on (i) the relevant exchanges for securities comprising the underlying index or the successor index and (ii) the exchanges on which futures or options contracts related to the underlying index or the successor index are traded, other than a day on which trading on such relevant exchange or exchange on which such futures or options contracts are traded is scheduled to close prior to its regular weekday closing time.
Default interest upon acceleration:	In the event we fail to make a payment on the maturity date, any overdue payment in respect of such payment on the securities will bear interest until the date upon which all sums due are received by or on behalf of the relevant holder, at a rate per annum which is the rate for deposits in U.S. dollars for a period of six months which appears on the Reuters Screen LIBOR page as of 11:00 a.m. (London time) on the first business day following such failure to pay. Such rate shall be determined by the calculation agent. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of the actual number of days in the period.
Events of default and acceleration:	If the maturity of the securities is accelerated upon an event of default under the Indenture, the amount payable upon acceleration will be determined by the calculation agent. Such amount will be calculated as if the date of declaration of acceleration were the valuation date.
Minimum ticketing size:	$1,000 / 100 securities
Additional amounts:	We will pay any amounts to be paid by us on the securities without deduction or withholding for, or on account of, any and all present or future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings (“taxes”) now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of Canada or any Canadian political subdivision or authority that has the power to tax, unless the deduction or withholding is required by law or by the interpretation or administration thereof by the relevant governmental authority. At any time a Canadian taxing jurisdiction requires us to deduct or withhold for or on account of taxes from any payment made under or in respect of the securities, we will pay such additional amounts (“Additional Amounts”) as may be necessary so that the net amounts received by each holder (including Additional Amounts), after such deduction or withholding, shall not be less than the amount the holder would have received had no such deduction or withholding been required. However, no Additional Amounts will be payable with respect to a payment made to a holder of a securities or of a right to receive payments in respect thereto (a “Payment Recipient”), which we refer to as an “Excluded Holder,” in respect of any taxes imposed because the beneficial owner or Payment Recipient: (i) with whom we do not deal at arm’s length (within the meaning of the Income Tax Act (Canada)) at the time of making such payment; (ii) who is subject to such taxes by reason of its being connected presently or formerly with Canada or any province or territory thereof otherwise than by reason of the holder’s activity in connection with purchasing the securities, the holding of the securities or the receipt of payments thereunder; (iii) who is, or who does not deal at arm’s length with a person who is, a “specified shareholder” (within the meaning of subsection 18(5) of the Income Tax Act (Canada)) of Royal Bank of Canada (generally a person will be a “specified shareholder” for this purpose if that person, either alone or together with persons with whom the person does not deal at arm’s length, owns 25% or more of (a) our voting shares, or (b) the fair market value of all of our issued and outstanding shares); (iv) who presents such security for payment (where presentation is required) more than 30 days after the relevant date (except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting a security for payment on the last day of such 30 day period); for this

purpose, the “relevant date” in relation to any payments on any security means:

a. the due date for payment thereof, or

b. if the full amount of the monies payable on such date has not been received by the trustee on or prior to such due date, the date on which the full amount of such monies has been received and notice to that effect is given to holders of the

securities in accordance with the Indenture;

(v) who could lawfully avoid (but has not so avoided) such withholding or deduction by complying, or requiring that any agent comply with, any statutory requirements necessary to establish qualification for an exemption from withholding or by making, or requiring that any agent make, a declaration of non-residence or other similar claim for exemption to any relevant tax authority; or

(vi) who is subject to deduction or withholding on account of any tax, assessment, or other governmental charge that is imposed or withheld by reason of the application of Section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code") (or any successor provisions), any regulation, pronouncement, or agreement thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto, whether currently in effect or as published and amended from time to time.

For the avoidance of doubt, we will not have any obligation to pay any holders Additional Amounts on any tax which is payable otherwise than by deduction or withholding from payments made under or in respect of the securities.

We will also make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. We will furnish to the trustee, within 30 days after the date the payment of any taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made or other evidence of such payment satisfactory to the trustee. We will indemnify and hold harmless each holder of the securities (other than an Excluded Holder) and upon written request reimburse each such holder for the amount of (x) any taxes so levied or imposed and paid by such holder as a result of payments made under or with respect to the securities, and (y) any taxes levied or imposed and paid by such holder with respect to any reimbursement under (x) above, but excluding any such taxes on such holder's net income or capital.

For additional information, see the section entitled "Tax Consequences—Canadian Taxation" in the accompanying prospectus.

Form of the securities:	Book-entry
Trustee:	The Bank of New York Mellon
Calculation agent:	RBCCM. The calculation agent will make all determinations regarding the securities. Absent manifest error, all determinations of the calculation agent will be final and binding on you and us, without any liability on the part of the calculation agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations or confirmations by the calculation agent.
Contact:	Morgan Stanley Wealth Management clients may contact their local Morgan Stanley Wealth Management branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number 1-(866)-477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at 1-(800)-233-1087.

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Information About the Underlying Index

All disclosures contained in this document regarding the underlying index, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, STOXX Limited, as the sponsor of the underlying index ("STOXX"). STOXX, which owns the copyright and all other rights to the underlying index, has no obligation to continue to publish, and may discontinue publication of, the underlying index. The consequences of STOXX discontinuing publication of the underlying index are discussed above in the section entitled "Additional Terms of the securities—Discontinuation of/adjustments to the underlying index." Neither we nor RBCCM accepts any responsibility for the calculation, maintenance or publication of the underlying index or any successor index.

The EURO STOXX 50® Index

The underlying index was created by STOXX Limited and SIX Swiss Exchange AG. Publication of the underlying index began in February 1998, based on an initial level of 1,000 at December 31, 1991.

Index Composition and Maintenance

The underlying index is composed of 50 component stocks of market sector leaders from within the EURO STOXX TMI Supersector indices, which represent the Eurozone portion of the STOXX Europe 600® Supersector indices. The composition of the underlying index is reviewed annually in September, based on the closing stock data on the last trading day in August. Changes in the composition of the underlying index are made to ensure that the underlying index includes the 50 market sector leaders from within the EURO STOXX TMI Supersector indices.

For each of the 19 EURO STOXX TMI Supersector indices, the stocks are ranked in terms of free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding Supersector index. If the next highest-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. All current stocks in the underlying index are then added to the selection list. All of the stocks on the selection list are then ranked in terms of free-float market capitalization to produce the final index selection list. The largest 40 stocks on the selection list are selected; the remaining 10 stocks are selected from the largest remaining current stocks ranked between 41 and 60; if the number of stocks selected is still below 50, then the largest remaining stocks are selected until there are 50 stocks. In exceptional cases, STOXX's management board can add stocks to and remove them from the selection list.

The index components are subject to a capped maximum index weight of 10%, which is applied on a quarterly basis. The free float factors for each component stock used to calculate the underlying index, as described below, are reviewed, calculated, and implemented on a quarterly basis and are fixed until the next quarterly review.

The underlying index is subject to a "fast exit rule." The index components are monitored for any changes based on the monthly selection list ranking, i.e., on an ongoing monthly basis. A stock is deleted from the underlying index if: (a) it ranks 75 or below on the monthly selection list and (b) it ranked 75 or below on the selection list of the previous month. The highest-ranked stock that is not an index component will replace it. Changes will be implemented on the close of the fifth trading day of the month, and are effective the next trading day.

The underlying index is also subject to a "fast entry rule." All stocks on the latest selection lists and initial public offering (IPO) stocks are reviewed for a fast-track addition on a quarterly basis. A stock is added, if (a) it qualifies for the latest STOXX blue-chip selection list generated at the end of February, May, August or November and (b) it ranks within the "lower buffer" (ranks 1-25) on this selection list.

The underlying index is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings and bankruptcies) that affect the index composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day.

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Index Calculation

The underlying index is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the underlying index value can be expressed as follows:

$$\text{Index} = \frac{\text{Free float market capitalization of the index}}{\text{Adjusted base date market capitalization of the index}} \times 1{,}000$$

The "free float market capitalization of the index" is equal to the sum of the products of the closing price, number of shares outstanding, free float factor and weighting cap factor for each component stock as of the time the underlying index is being calculated.

The underlying index is also subject to a divisor, which is adjusted to maintain the continuity of the underlying index values across changes due to corporate actions, such as the deletion and addition of stocks, the substitution of stocks, stock dividends and stock splits.

License Agreement

We have entered into a non-exclusive license agreement with STOXX providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use indices owned and published by STOXX (including the EURO STOXX 50® Index) in connection with certain securities, including the securities.

The license agreement between us and STOXX requires that the following language be stated in this document:

STOXX has no relationship to us, other than the licensing of the EURO STOXX 50® Index and the related trademarks for use in connection with the securities.

STOXX does not:

- sponsor, endorse, sell, or promote the securities;
- recommend that any person invest in the securities or any other securities;
- have any responsibility or liability for or make any decisions about the timing, amount or pricing of the securities.
- have any responsibility or liability for the administration, management, or marketing of the securities; or
- consider the needs of the securities or the holders of the securities in determining, composing, or calculating the EURO STOXX 50® Index, or have any obligation to do so.

STOXX will not have any liability in connection with the securities. Specifically, STOXX does not make any warranty, express or implied, and disclaims any and all warranty concerning:

- the results to be obtained by the securities, the holders of the securities or any other person in connection with the use of the EURO STOXX 50® Index and the data included in the EURO STOXX 50® Index;
- the accuracy or completeness of the EURO STOXX 50® Index and its data;
- the merchantability and the fitness for a particular purpose or use of the EURO STOXX 50® Index and its data;
- STOXX will have no liability for any errors, omissions, or interruptions in the EURO STOXX 50® Index or its data; and
- under no circumstances will STOXX be liable for any lost profits or indirect, punitive, special, or consequential damages or losses, even if STOXX knows that they might occur.

The licensing agreement between us and STOXX is solely for their benefit and our benefit, and not for the benefit of the holders of the securities or any other third parties.

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Historical Information

The table below sets forth the published high and low closing levels of the underlying index for each quarter in the period from January 1, 2013 through January 3, 2018 . The graph below sets forth the daily closing levels of the underlying index from January 1, 2013 through January 3, 2018. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. You should not take the historical performance of the underlying index as an indication of its future performance, and no assurance can be given as to the level of the underlying index on the valuation date.

The EURO STOXX 50® Index

Information as of market close on January 3, 2018:

Bloomberg Ticker Symbol:	SX5E	52 Weeks Ago:	3,315.02
Current Index Level:	3,509.88	52 Week High (on 11/1/2017):	3.697.40
		52 Week Low (on 1/31/2017):	3,230.68

The EURO STOXX 50® Index	High	Low
2013		
First Quarter	2,749.27	2,570.52
Second Quarter	2,835.87	2,511.83
Third Quarter	2,936.20	2,570.76
Fourth Quarter	3,111.37	2,902.12
2014		
First Quarter	3,172.43	2,962.49
Second Quarter	3,314.80	3,091.52
Third Quarter	3,289.75	3,006.83
Fourth Quarter	3,277.38	2,874.65
2015		
First Quarter	3,731.35	3,007.91
Second Quarter	3,828.78	3,424.30
Third Quarter	3,686.58	3,019.34
Fourth Quarter	3,506.45	3,069.05
2016		
First Quarter	3,178.01	2,680.35
Second Quarter	3,151.69	2,697.44
Third Quarter	3,091.66	2,761.37
Fourth Quarter	3,290.52	2,954.53
2017		
First Quarter	3,500.93	3,230.68
Second Quarter	3,658.79	3,409.78
Third Quarter	3,594.85	3,388.22
Fourth Quarter	3,697.40	3,527.55

2018		
First Quarter (through January 3, 2018)	3,509.88	3,490.19

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The EURO STOXX 50® Index – Historical Closing Levels
January 1, 2013 to January 3, 2018

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Canadian Federal Income Tax Consequences

An investor should read carefully the description of material Canadian federal income tax considerations relevant to a Non-resident Holder owning debt securities under "Tax Consequences—Canadian Taxation" in the accompanying prospectus.

Supplemental Discussion of U.S. Federal Income Tax Consequences

The following, together with the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement, is a general description of the material U.S. tax considerations relating to the securities. It does not purport to be a complete analysis of all tax considerations relating to the securities. Prospective purchasers of the securities should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Canada and the U.S. of acquiring, holding and disposing of the securities and receiving payments under the securities. This summary is based upon the law as in effect on the date of this document and is subject to any change in law that may take effect after such date.

Supplemental U.S. Tax Considerations

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus and prospectus supplement. It applies only to those initial holders who are not excluded from the discussion of U.S. federal income taxation in the accompanying prospectus.

NO STATUTORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE SECURITIES SHOULD BE TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES. AS A RESULT, THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE SECURITIES ARE UNCERTAIN. BECAUSE OF THE UNCERTAINTY, YOU SHOULD CONSULT YOUR TAX ADVISOR IN DETERMINING THE U.S. FEDERAL INCOME TAX AND OTHER TAX CONSEQUENCES OF YOUR INVESTMENT IN THE SECURITIES, INCLUDING THE APPLICATION OF STATE, LOCAL OR OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

We will not attempt to ascertain whether any of the entities whose stock is included in the underlying index would be treated as a "passive foreign investment company" within the meaning of Section 1297 of the Code, or a "U.S. real property holding corporation" within the meaning of Section 897 of the Code. If any of the entities whose stock is included in the underlying index were so treated, certain adverse U.S. federal income tax consequences could possibly apply to U.S. and non-U.S. holders, respectively. You should refer to any available information filed with the SEC and other authorities by the entities whose stock is included in the underlying index and consult your tax advisor regarding the possible consequences to you in this regard.

We intend to take the position that the securities will be treated as debt instruments subject to the special tax rules governing contingent payment debt instruments for U.S. federal income tax purposes. Under those rules, the amount of interest you are required to take into account for each accrual period will be determined by constructing a projected payment schedule for the securities, and applying the rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to the securities (the "comparable yield") and then determining a payment schedule as of the issue date that would produce the comparable yield. A projected payment schedule with respect to a security generally is a series of projected payments, the amount and timing of which would produce a yield to maturity on that security equal to the comparable yield. This projected payment schedule is solely for tax purposes and will consist of the Payment at Maturity. These rules will generally have the effect of requiring you to include amounts as income in respect of the securities prior to your receipt of cash attributable to that income.

The amount of interest that you will be required to include in income during each accrual period for the securities will equal the product of the adjusted issue price for the securities at the beginning of the accrual period and the comparable yield for the securities for such period. The adjusted issue price of the securities will equal the securities' original offering price plus any interest deemed to be accrued on the securities (under the rules governing contingent payment debt instruments).

To obtain the comparable yield and projected payment schedule for your security, you should call RBC Capital Markets, LLC toll free at (866) 609-6009. You are required to use such comparable yield and projected payment schedule in determining your interest accruals in respect of your securities, unless you timely disclose and justify on your federal income tax return the use of a different comparable yield and projected payment schedule.

The comparable yield and projected payment schedule are not provided to you for any purpose other than the determination of your interest accruals in respect of the securities, and we make no representations regarding the amount of contingent payments with respect to the securities.

If the contingent payment on the securities becomes fixed on a day that is more than 6 months before the payment is due, applicable Treasury regulations provide that you should make adjustments to the prior and future interest inclusions in respect of your securities over the remaining term for the securities in a reasonable manner. You should consult your tax advisor as to what would be a "reasonable manner" in your particular situation.

You will recognize gain or loss on the sale or maturity of the securities in an amount equal to the difference, if any, between the amount of cash you receive at such time and your adjusted basis in the securities. In general, your adjusted basis in the securities will equal the amount you paid for the securities, increased by the amount of interest you previously accrued with respect to the securities (in accordance with the comparable yield for the securities).

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Any gain you recognize on the sale or maturity of the securities will be ordinary interest income. Any loss you recognize at such time will be ordinary loss to the extent of interest you included as income in the current or previous taxable years in respect of the securities, and thereafter, capital loss. The deductibility of capital losses is limited.

Backup Withholding and Information Reporting. Payments made with respect to the securities and proceeds from the sale or exchange of the securities may be subject to a backup withholding tax unless, in general, the holder complies with certain procedures or is an exempt recipient. Any amounts so withheld generally will be refunded by the IRS or allowed as a credit against the holder's U.S. federal income tax liability, provided the holder makes a timely filing of an appropriate tax return or refund claim to the IRS.

Reports will be made to the IRS and to holders that are not exempted from the reporting requirements.

Non-U.S. Holders. The following discussion applies to non-U.S. holders of the securities. A non-U.S. holder is a beneficial owner of a security that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, or a foreign estate or trust.

Except as described below, a non-U.S. holder will generally not be subject to U.S. federal income or withholding tax for amounts paid in respect of the securities, provided that (i) the holder complies with any applicable certification requirements, (ii) the payment is not effectively connected with the conduct by the holder of a U.S. trade or business, and (iii) if the holder is a non-resident alien individual, such holder is not present in the U.S. for 183 days or more during the taxable year of the sale, exchange or maturity of the securities. In the case of (ii) above, the holder generally would be subject to U.S. federal income tax with respect to any income or gain in the same manner as if the holder were a U.S. holder and, in the case of a holder that is a corporation, the holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable U.S. income tax treaty) of a portion of its earnings and profits for the taxable year that are effectively connected with its conduct of a U.S. trade or business, subject to certain adjustments. Payments made to a non-U.S. holder may be subject to information reporting and to backup withholding unless the holder complies with applicable certification and identification requirements as to its foreign status.

Under Section 871(m) of the Code, a “dividend equivalent” payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the securities are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the securities. However, it is possible that the securities could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the underlying index or the securities (for example, upon an underlying index rebalancing), and following such occurrence the securities could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the underlying index or the securities should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the securities and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

As discussed above, alternative characterizations of the securities for U.S. federal income tax purposes are possible. Should an alternative characterization, by reason of change or clarification of the law, by regulation or otherwise, cause payments as to the securities to become subject to withholding tax, we will withhold tax at the applicable statutory rate. The IRS has also indicated that it is considering whether income in respect of instruments such as the securities should be subject to withholding tax. We will not be required to pay any additional amounts in respect of

such withholding. Prospective investors should consult their own tax advisors in this regard.

Foreign Account Tax Compliance Act. The Foreign Account Tax Compliance Act ("FATCA") imposes a 30% U.S. withholding tax on certain U.S.-source payments, including interest (and OID), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S. source interest or dividends ("Withholdable Payments"), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the U.S. Treasury Department certain information regarding U.S. financial account holders, including certain account holders that are foreign entities with U.S. owners, with such institution or otherwise complies with FATCA. In addition, the securities may constitute a "financial account" for these purposes and thus, be subject to information reporting requirements pursuant to FATCA. FATCA also generally imposes a withholding tax of 30% on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

The U.S. Treasury Department and the IRS have announced that withholding on payments of gross proceeds from a sale or redemption of the securities will only apply to payments made after December 31, 2018. If we determine withholding is appropriate with respect to the securities, we will withhold tax at the applicable statutory rate, and we will not pay any additional amounts in respect of such withholding. Therefore, if such withholding applies, any payments on the securities will be significantly less than what you would have otherwise received. Depending on your circumstances, these amounts withheld may be creditable or refundable to you. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA

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may be subject to different rules. Prospective investors are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the securities.

Use of Proceeds and Hedging

The net proceeds from the sale of the securities will be used as described under "Use of Proceeds" in the accompanying prospectus supplement and prospectus and to hedge market risks of Royal Bank of Canada associated with its obligation to make the payment at maturity on the securities. The initial public offering price of the securities includes the underwriting discount and commission and the estimated cost of hedging our obligations under the securities.

Supplemental Information Regarding Plan of Distribution; Conflicts of Interest

Pursuant to the terms of a distribution agreement, RBCCM, an affiliate of Royal Bank of Canada, will purchase the securities from Royal Bank of Canada for distribution to Morgan Stanley Wealth Management. RBCCM will act as agent for the securities and will receive a fee of $0.30 per $10 stated principal amount and will pay to Morgan Stanley Wealth Management a fixed sales commission of $0.25 for each of the securities they sell. Of the amount per $10 stated principal amount received by RBCCM, RBCCM will pay Morgan Stanley Wealth Management a structuring fee of $0.05 for each securities. Morgan Stanley Wealth Management may reclaim selling concessions allowed to individual brokers within Morgan Stanley Wealth Management in connection with the offering if, within 30 days of the offering, Royal Bank of Canada repurchases the securities distributed by such brokers.

We expect that delivery of the securities will be made against payment for the securities on or about February 5 2018, which is the third business day following the pricing date (this settlement cycle being referred to as "T+3"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the securities parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the securities more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

In addition, RBCCM or another of its affiliates or agents may use this document in market-making transactions after the initial sale of the securities, but is under no obligation to do so and may discontinue any market-making activities at any time without notice.

For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution—Conflicts of Interest" in the accompanying prospectus.

The value of the securities shown on your account statement may be based on RBCCM's estimate of the value of the securities if RBCCM or another of our affiliates were to make a market in the securities (which it is not obligated to do). That estimate will be based on the price that RBCCM may pay for the securities in light of then prevailing market conditions, our creditworthiness and transaction costs. For an initial period of approximately 18 months, the value of the securities that may be shown on your account statement is expected to be higher than RBCCM's estimated value of the securities at that time. This is because the estimated value of the securities will not include the agent's commission and our hedging costs and profits; however, the value of the securities shown on your account statement during that period is initially expected to be a higher amount, reflecting the addition of the agent's commission and our estimated costs and profits from hedging the securities. This excess is expected to decrease over time until the end of this period, and we reserve the right to shorten this period. After this period, if RBCCM repurchases your securities, it expects to do so at prices that reflect its estimated value.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive")) will be prepared in connection with these securities. Accordingly, these securities may not be offered to the public in any member state of the European Economic Area (the "EEA"), and any purchaser of these securities who subsequently sells any of these securities in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The securities are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, and a "retail investor" means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as

amended, "MiFID II"); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities

Structuring the Securities

The securities are our debt securities, the return on which is linked to the performance of the underlying index. As is the case for all of our debt securities, including our structured notes, the economic terms of the securities reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these securities at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate, rather than the secondary market rate, along with the fees and expenses associated with structured notes, typically reduces the initial estimated value of the securities at the time their terms are set. Unlike the estimated value included in this document, any value of the securities determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the securities than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the securities, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the underlying index, and the tenor of the securities. The economic terms of the securities and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate, the underwriting commission and the hedging-related costs relating to the securities reduce the economic terms of the securities to you and result in the initial estimated value for the securities on the pricing date being less than their public offering price. See “Risk Factors—The initial estimated value of the securities will be less than the price to the public” above.

Equity-Linked Partial Principal at Risk Securities Based on the Performance of the EURO STOXX 50® Index, due February 3, 2021
Principal at Risk Securities

Employee Retirement Income Security Act

This section is only relevant to you if you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh Plan) proposing to invest in the securities.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Each fiduciary of an ERISA Plan should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

In addition, Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Internal Revenue Code, such as individual retirement accounts, including entities whose underlying assets include the assets of such plans (together with ERISA Plans, "Plans") and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Governmental plans may be subject to similar prohibitions. Therefore, a plan fiduciary considering purchasing securities should consider whether the purchase or holding of such instruments might constitute a "prohibited transaction."

Royal Bank of Canada and certain of its affiliates each may be considered a "party in interest" or a "disqualified person" with respect to many employee benefit plans by reason of, for example, Royal Bank of Canada (or its affiliate) providing services to such plans. Prohibited transactions within the meaning of ERISA or the Internal Revenue Code may arise, for example, if securities are acquired by or with the assets of a Plan, and with respect to which Royal Bank of Canada or any of its affiliates is a "party in interest" or a "disqualified person," unless those securities are acquired under an exemption for transactions effected on behalf of that Plan by a "qualified professional asset manager" or an "in-house asset manager," for transactions involving insurance company general accounts, for transactions involving insurance company pooled separate accounts, for transactions involving bank collective investment funds, or under another available exemption. Section 408(b)(17) provides an additional exemption for the purchase and sale of securities and related lending transactions where neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and the Plan pays no more than "adequate consideration" in connection with the transaction. The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and any such plan, by purchasing and holding the securities, or exercising any rights related thereto, to represent that (a) such purchase, holding and exercise of the securities will not result in a non-exempt prohibited transaction under ERISA or the Internal Revenue Code (or, with respect to a governmental plan, under any similar applicable law or regulation) and (b) neither Royal Bank of Canada nor any of its affiliates is a "fiduciary" (within the meaning of Section 3(21) of ERISA) with respect to the purchaser or holder in connection with such person's acquisition, disposition or holding of the securities, or any exercise related thereto or as a result of any exercise by Royal Bank of Canada or any of its affiliates of any rights in connection with the securities, and no advice provided by Royal Bank of Canada or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the securities and the transactions contemplated with respect to the securities.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the securities, you should consult your legal counsel.

ficer. Mr. Kiefaber succeeded John A. Young, who resigned as our President and Chief Executive Officer and as a director of the Company effective January 9, 2010. Mr. Kiefaber, who was the Chair of our Compensation Committee, was removed from that position by the Board effective January 9, 2010 in connection with his appointment as President and Chief Executive Officer but remains a director of the Company. The Company entered into an employment agreement with Mr. Kiefaber and a separation agreement with Mr. Young in connection with the foregoing, the terms of which are described below.

Dr. Michael Matros resigned as the Company's Senior Vice President, General Manager—Allweiler, effective April 12, 2010, and entered into a termination agreement regarding the same. Mr. Roller was promoted to Executive Vice President – Colfax Americas and received equity grants for this promotion on April 22, 2010. The terms of Dr. Matros' termination agreement and Mr. Roller's equity grants are each described below.

Thomas M. O'Brien, the Company's former Senior Vice President, General Counsel and Secretary, retired from the Company effective October 16, 2010. Mr. O'Brien entered into a consulting agreement with the Company, the terms of which are described below.

Effective October 18, 2010, C. Scott Brannan became our Senior Vice President, Finance, Chief Financial Officer and Treasurer. Mr. Brannan succeeded Mr. Faison, who stepped down as the Corporation's Chief Financial Officer and Treasurer on October 18, 2010. Mr. Brannan, who was previously a director of the Company, Chair of our Audit Committee and member of our Nominating and Corporate Governance Committee, resigned from the Board and all committees thereof on September 21, 2010 in connection with his appointment. The Company entered into an employment agreement with Mr. Brannan and a consulting agreement with Mr. Faison in connection with the foregoing, the terms of which are described below.

On April 22, 2010, William E. Roller was promoted to Executive Vice President— Colfax Americas. Further, on November 9, 2010, we restructured our executive team and named Mr. Roller Executive Vice President— Colfax Fluid Handling.

Setting of Executive Compensation

Compensation Consultant and Peer Review. During 2010 our Compensation Committee, with assistance from Frederic Cook, as independent advisor to the Compensation Committee on matters of executive compensation, reviewed the list of peer companies used for competitive comparisons by the Compensation Committee. The list of peer companies was determined to be appropriate and remained as follows: Altra Holdings, Inc., Ameron International Corporation, Ampco-Pittsburgh Corporation, Badger Meter, Inc., Ceradyne, Inc., CIRCOR International, Inc., Columbus McKinnon Corp., EnPro Industries, Inc., ESCO Technologies, Inc., L.B. Foster Company, Franklin Electric Co., The Gorman-Rupp Company, Graco Inc., Kaydon Corporation, Nordson Corporation, and Robbins & Myers, Inc. These companies were selected to reflect capital goods manufacturing companies of similar size to the Company (median revenue of approximately $515 million). Following the approval of the peer group, Frederic Cook conducted a competitive review, which was used by the Compensation Committee for advice and perspective on executive compensation in 2010. While this information was not used to "benchmark" the amount of compensation paid to the named executive officers (or to our executives generally), the information was utilized by the Compensation Committee as a general reference to assist in its compensation decisions.

Annual Bonus Plan. All bonus payments to executive officers, if any, are made pursuant to the Colfax Corporation Annual Incentive Plan (the "Annual Incentive Plan"), which allows us to obtain the benefit of a federal income tax deduction for certain performance-based compensation we pay to our executive officers.

Long-Term Equity Incentives. Any equity awards are made pursuant to the Colfax Corporation 2008 Omnibus Incentive Plan, which allows our Compensation Committee to have maximum flexibility in structuring an executive compensation program that provides a wide range of potential incentive awards to our executive officers and associates. This plan also allows us to preserve, to the maximum extent possible, our deductibility of performance-based compensation pursuant to Section 162(m) of the Internal Revenue Code. For example, pursuant to the plan, the Compensation Committee has the discretion to determine the portion of each named executive officer's total compensation that will consist of awards under the plan, the mix of short-term and long-term incentives represented by the awards, the forms of the equity awards, and the service-based requirements or performance goals

that the officer will have to satisfy to receive the awards.

We have also adopted guidelines for grants of equity awards. These guidelines were adopted by the Board in recognition of the importance of adhering to a set of practices and procedures for the grant of equity awards. The Compensation Committee has the power to grant equity awards. The Company does not time the grant of equity awards around material, non-public information. Grant dates are determined either as of the date of Compensation Committee approval or on the date of a specific event, such as the date of hire. Grants of equity awards (other than to newly-appointed directors or newly-hired or promoted executive officers) are expected to be made annually by the Compensation Committee during "open-window" periods, which are the periods when officers and directors are not expressly prohibited from trading in shares of our common stock by our applicable policies. Equity awards to newly-appointed directors, and to newly-hired or promoted executive officers, are expected to be during an "open–window" period whenever possible, or, if approved in advance as to newly-appointed directors and newly-hired executives, effective as of their first day of service to the Company.

Elements of Our Executive Compensation Program

Base Salary. As noted above, our base salary goal is to be competitive with the marketplace for executive talent to ensure that we can attract and retain our senior management. Base salaries are reviewed annually with this objective in mind. The annual base salary levels set for our named executive officers in fiscal 2010 were based on the Compensation Committee's assessment of the relative scope of roles and responsibilities of management, combined with perspective from the competitive compensation data provided by Frederic Cook and the Compensation Committee's reasoned business judgment. Mr. Kiefaber's base salary of $525,000 and Mr. Brannan's base salary of $350,000 were set pursuant to the terms of their employment agreements, which were negotiated with and approved by the Board upon recommendation from the Compensation Committee. Salaries for our other named executive officers were not increased from their 2009 base levels except for Mr. Roller's, whose base salary increased by approximately 1%. Mr. Young's base salary paid for his pro rata portion of service in 2010 was paid at his base salary level set in 2009.

Annual Incentive Plan. As noted above, our Annual Incentive Plan goal is to reward our executive officers for achievement in key areas of Company operational and financial performance. Our Annual Incentive Plan provides our named executive officers the opportunity to receive a bonus payment, which is expressed as a percentage of their base salary (i.e., their "target bonus"). The annual cash bonus targets incentivize our named executive officers to achieve outstanding performance in what we view as key Company financial and operational metrics, establishing a long-term goal of growth for Colfax from year-to-year. The performance measures and specific financial and operational metrics used, which are discussed below in greater detail, are set at the beginning of each year. Actual bonus amounts are determined following the end of the performance period and are based on performance relative to pre-established goals.

Mr. Kiefaber's target amount of 75% and Mr. Brannan's target amount of 50% were set pursuant to the terms of their employment agreements negotiated with and approved by the Board upon the recommendation of the Compensation Committee based upon its collective experience and reasoned business judgment with perspective from the competitive review data provided by Frederic Cook. For Company's other named executive officers in 2010, the Compensation Committee set the bonus payment percentage based upon their collective experience and reasoned business judgment after also considering the competitive review data provided by Frederic Cook. The bonus target levels approved by the Compensation Committee were 50%, 45%, 45%, 40% and 45% for each of Messrs. Faison , Roller, O'Brien, Niemann and Weidenmuller, respectively. Mr. Young was not entitled to participate in the Annual Incentive Plan in 2010 pursuant to the terms of his separation agreement, and Dr. Matros received a payment in lieu of any bonus as part of his severance. See "Severance Payment to Former Executives" below.

Financial and Operational Targets. Consistent with prior years, a substantial percentage of the funding for the Annual Incentive Plan in 2010 was determined by the achievement of performance targets based on Board-approved corporate

financial goals for the year. For each named executive officer other than Mr. Roller the achievement of financial performance targets represented 70% of the funding for their potential annual bonuses. These financial performance targets consisted of sales, EBIT (as adjusted to remove the impact of income tax expense, interest expense, asbestos liability and defense costs, asbestos coverage litigation expense, discontinued operations, cumulative effect of accounting changes, restructuring costs such as severance, outplacement or the cost to relocate production, asset impairment, goodwill impairment, legacy legal adjustments, costs related to unsuccessful acquisitions and early extinguishment of debt costs) and working capital turns (each of sales, EBIT and working capital turns as adjusted to negate the effects of foreign currency exchange rates). The Compensation Committee chose these metrics, as it has in recent years, as we believe these are the three performance metrics that most influence Colfax's potential growth and, as a result, stockholder value.

For Mr. Roller, the achievement of financial performance targets represented 75% of the funding of his potential annual bonus. The financial performance targets applicable to Mr. Roller included the performance metrics discussed above that are applicable to our other named executive officers. However, the Compensation Committee believed that the financial metrics for Mr. Roller's potential annual bonus should be based on the primary business unit that he oversaw during 2010 prior to his promotion to Executive Vice President — Colfax Fluid Handling on November 9, 2010, and not only on the Company as a whole, as is the case for the other named executive officers. Thus, 65% of the potential bonus for Mr. Roller was based on sales (as adjusted), EBIT (as adjusted) and working capital turns (as adjusted) with respect to the business unit he oversaw for the majority of 2010. The additional 10% of Mr. Roller's potential bonus was based on achievement of the Company-wide sales (as adjusted) target for the year, as the Compensation Committee believed that a Company-wide sales target would encourage cross-selling of products globally.

The remaining 30% (or 25%, in the case of Mr. Roller) of the Annual Incentive Plan was based on Compensation Committee-approved personal objectives for each named executive officer, as discussed below.

The following table outlines the Annual Incentive Plan goal structure and respective weighting for each of the named executive officers, other than Mr. Roller (as discussed further below), during fiscal 2010:

Measure	Weighting	
Sales (as adjusted)	15	%
EBIT (as adjusted)	30	%
Working Capital Turns (as adjusted)	25	%
Personal Objectives	30	%

The following table outlines the Annual Incentive Plan goal structure and respective weighting for Mr. Roller during fiscal 2010:

Measure	Weighting	
Sales (as adjusted)—business unit	15	%
EBIT (as adjusted)—business unit	25	%
Working Capital Turns (as adjusted)—business unit	25	%
Sales (as adjusted)—Colfax consolidated	10	%
Personal Objectives	25	%

The Compensation Committee placed a greater emphasis on EBIT (as adjusted) and working capital turns (as adjusted) as compared to the other performance metrics as we believe profitability and cash flow are the primary drivers of our growth. With respect to the financial and operational performance metrics, the Annual Incentive Plan is strictly formulaic in nature, and neither the Board, the Compensation Committee nor any executive officer has any discretion with respect to the targets, or the resulting payments.

The “target goal” relating to each financial or operations performance metric, including the business units specific to Mr. Roller, represented Board-approved corporate financial goals for 2010 and were set to represent significant progress in each category toward the achievement of the Company’s long-term growth objectives. The Compensation Committee then set “threshold goals” (the level of performance necessary to achieve the minimum bonus payout) and “maximum goals” (the level of performance necessary to achieve the maximum bonus payment) based upon their collective experience and business judgment to reward the named executive officers for achievements in each of the key metrics, including rewarding Mr. Roller for achievements in the metrics for the business unit he oversaw during 2010. To determine the actual bonus paid to each named executive officer, the actual financial performance is multiplied by each named executive officer’s target bonus (as set forth above and in footnote 4 to the Summary Compensation Table below) and the corresponding weighting for the measure. The 2010 financial performance goals for each of the named executive officers, other than Mr. Roller (other than with respect to the 10% of Mr. Roller’s potential bonus based on the Company-wide sales target) are set forth below:

Measure (weighting)	Target Goal	Threshold Goal	Threshold Payment	Maximum Goal	Maximum Payment
Sales (as adjusted) (15%)(1)	$489million	$460 million	65 %	$538 million	250 %
EBIT (as adjusted) (30%)	$50 million	$45 million	65 %	$60 million	250 %
Working Capital Turns (as adjusted) (25%)	4.3	3.96	70 %	4.73	200 %

(1) For Mr. Roller’s 2010 annual bonus, Company-wide sales represented 10% of the potential bonus.

We do not disclose the specific sales (as adjusted), EBIT (as adjusted) and working capital turns (as adjusted) targets applicable to the business unit overseen by Mr. Roller during 2010 prior to his promotion as Executive Vice President — Colfax Fluid Handling, as they are highly confidential to our business. We believe that disclosure of these targets would be competitively harmful to us, as it would provide our competitors with strategic information specific to our regional operations, thus providing our competitors in these regions insight into our plans and projections for the region. The actual achievement of the financial performance targets for fiscal 2010 for Mr. Roller was as follows:

Mr. Roller

- 112% of the sales (as adjusted) target;
- 114% of the EBIT (as adjusted) target; and
- 133% of working capital turns (as adjusted) target.

For each of the named executive officers other than Mr. Roller, results for 2010 were as follows:

- $542 million in sales (as adjusted) (111% of target);
- $69 million in EBIT (as adjusted) (138% of target); and
- 5.3 in working capital turns (as adjusted) (123% of target).

Individual Performance Objectives. As stated above, 30% of each named executive officer’s annual bonus (or 25%, with respect to Mr. Roller) was determined by achievement of Compensation Committee approved individual performance objectives. Individual performance objectives were included as part of the annual cash bonus plan to ensure that more targeted, non-financial Company objectives over which the executive has primary control are factored in as part of the individual’s total annual bonus for the year. We do not view these individual performance

objectives as material to an understanding of this portion of our Annual Incentive Plan as there are several individual objectives established for each named executive officer and, individually, no one factor materially affects the total potential amount of the bonus award.

The actual bonus award paid to each named executive officer under the Annual Incentive Plan in 2010 is disclosed in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table below. Messrs. Faison, and O'Brien received the pro rata portion of their bonus payment under the Annual Incentive Plan, subject to the performance criteria having been met and paid as of the same time payment is made to all other participants under the Annual Incentive Plan. Mr. Young was not entitled to participate in the Annual Incentive Plan pursuant to the terms of his severance agreement.

In lieu of any bonus in 2010, Dr. Matros received €54,000 as a part of the severance under his termination agreement.

Long-Term Incentives. As noted above, our long-term incentive plan goal is to align the rewards of executives with the interests of stockholders by encouraging long-term improvement in operational and financial performance and increase in stockholder value.

2008 Omnibus Incentive Plan. On March 29, 2010, the Compensation Committee granted stock options and PRSUs under the 2008 Omnibus Incentive Plan to each of the named executive officers as an annual long-term incentive equity grant with a targeted aggregate value as follows:

Annual Grant Recipient	Stock Options	Performance-Based Restricted Stock Units	Targeted Aggregate Value ($)
Mr. Kiefaber	94,937	37,975	900,000
Mr. Roller	21,097	8,439	200,000
Mr. Faison	29,008	11,603	275,000
Mr. Niemann	21,097	8,439	200,000
Dr. Matros	10,549	4,219	100,000
Mr. O'Brien	21,097	8,439	200,000
Mr. Weidenmuller	21,097	8,439	200,000

In addition to the annual grant amounts shown above, in connection with Mr. Kiefaber's appointment as our President and Chief Executive Officer, the Board granted him 102,124 stock options and 40,850 PRSUs under the 2008 Omnibus Incentive Plan on January 11, 2010, which grants had a targeted aggregate value of $1,000,000.

On April 22, 2010, Mr. Roller received additional stock options and PRSUs under the Omnibus Incentive Plan pursuant to grants made to him by the Compensation Committee in connection with his promotion to Executive Vice President—Colfax Americas. Mr. Roller received an additional 16,180 stock options and 6,472 PRSUs, which grants had a targeted aggregate value of $175,000.

In connection with his appointment as our Senior Vice President, Finance, Chief Financial Officer and Treasurer, Mr. Brannan received an equity grant of stock options and PRSUs under the 2008 Omnibus Incentive Plan on October 18, 2010. The Board granted Mr. Brannan 59,713 stock options and 4,777 PRSUs, which grants had a targeted aggregate value of $450,000. Unlike the 50%/50% stock option/PRSU split described below for other named executive officers, Mr. Brannan's stock option grants had a target value of $375,000 and his PRSUs had a target value of $75,000.

Mr. Young did not receive any equity grants in 2010.

The Compensation Committee determined these awards by first determining a targeted aggregate value, as set forth above, using its collective experience and business judgment after also considering the competitive review data provided by Frederic Cook. These values do not represent what the fair value of these awards actually were at the time of grant, which is calculated pursuant to FASB ASC Topic 718. Each named executive officer other than Mr. Brannan then received 50% of his award in the form of stock options and 50% of the award in the form of PRSUs in accordance with a formula approved by our Compensation Committee. For stock options, the actual number of stock options granted to each executive was determined by dividing 50% of the value above (for example, for Mr. Kiefaber, $450,000) by 40% of the closing price per share of our common stock on the grant date. Forty percent was determined to approximate the value of the award by the Compensation Committee. While this formula determines the number of options that were subject to the executive's option grant, in each case the exercise price for the stock option equals 100% of the closing price per share of our common stock on the grant date. For the PRSUs, the actual number of

restricted stock units granted to each executive was determined by dividing 50% of the value above (for example, for Mr. Kiefaber, $450,000) by the closing price per share of our common stock on the grant date.

To reinforce retention objectives, the options vest in equal installments over a three year period, contingent upon continued service. In addition, any performance shares earned upon conclusion of the performance period will vest in two equal installments on the fourth and fifth anniversaries of the grant date. For all PRSU grants other than the grant made to Mr. Kiefaber at the time of his appointment as CEO, the PRSUs awarded in 2010 would be earned, if at all, based on our adjusted earnings per share for fiscal 2010. The adjusted earnings per share targets for fiscal year 2010 were set at a range from $0.70 to $0.62, with a sliding scale of vesting for achievement in this range from a maximum of 100% vesting at the $0.70 target to the lowest potential vesting level of 65% at the $0.62 target. If an adjusted earnings per share target of $0.62 or higher was not achieved, no PRSUs would be earned.

For the 40,850 PRSUs awarded to Mr. Kiefaber in connection with his appointment as our President and Chief Executive Officer, the performance criteria would be achieved if the Company has a cumulative adjusted earnings per share for any four consecutive fiscal quarters beginning in the first quarter of 2010 and ending with the last fiscal quarter of 2013 equal to at least 110% of the Company's adjusted earnings per share for the 2009 fiscal year.

The Compensation Committee chose adjusted earnings per share as the performance metric due to its belief that earnings per share growth represents a strong indicator of growth in stockholder value. Adjusted earnings per share is measured for this purpose by excluding from earnings per share the after-tax impact of asbestos liability and defense costs, asbestos coverage litigation expense, discontinued operations, the cumulative effect of accounting changes, restructuring costs, asset and goodwill impairment, legacy legal adjustments, costs related to unsuccessful acquisitions and early extinguishment of debt costs. Each of (i) the cumulative adjusted earnings per share target during the performance period for the 40,850 PRSUs awarded to Mr. Kiefaber in connection with his appointment as CEO and (ii) the maximum adjusted earnings per share targets for all other performance-based restricted stock grants made in fiscal 2010 were met by the Company. Upon certification by the Compensation Committee in February 2011, these PRSUs were earned in full.

Additional information concerning these awards are included in the "Stock Awards" and "Option Awards" columns of the Summary Compensation Table and the Grants of Plan-Based Awards Table below.

Employment Agreements. The Company has entered into employment agreements with all of our executive officers, including our named executive officers. The employment agreements for Messrs. Young, Faison, Roller, O'Brien, Niemann and Weidenmuller were entered into by the Company in April 2008 prior to our initial public offering and are substantially the same, other than the modification of each officer's title (as set forth in the Summary Compensation Table below), base salary amounts and Annual Incentive Plan participation. Each of Mr. Kiefaber and Mr. Brannan are subject to employment agreements with the Company that vary from this form as further described below. Additional details regarding the material terms of these employment agreements, as well as Dr. Matros' service contract with Allweiler AG, are summarized under "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table— Employment Agreements" below.

Prior Form of Employment Agreement. The initial term of our employment agreements with Messrs. Young, Faison, Roller, O'Brien, Niemann and Weidenmuller ended December 31, 2009, with automatic two-year term extensions thereafter, unless the Board or the executive provides written notice to terminate the automatic extension provision. Unless otherwise terminated by the Company as described below under "Severance Payments to Former Executives", the term of these agreements has extended automatically to December 31, 2012. In addition, in the event we undergo a "change in control" (as described below under "Potential Payments Upon Termination or Change in Control") during the term of the employment agreement, the agreements will be automatically extended to the second anniversary of the change in control.

Additional information on these agreements, including benefits provided in these employment agreements for certain terminations or in connection with a change of control are discussed below under "Potential Payments Upon

Termination or Change in Control—Employment Agreements."

New Form of Employment Agreement. On September 15, 2010, the Company adopted a new form of employment agreement for executive officers to be used for new executive hires. Mr. Brannan entered into this agreement on September 21, 2010. This agreement amended our prior form employment agreement to reflect certain changes recommended by the Compensation Committee, including the following:

- the initial term of the agreement and the automatic extension is for one year instead of two (the agreements will still be automatically extended to the second anniversary of any change in control);

- upon any termination without cause or resignation for good reason (as described below under "Potential Payments Upon Termination or Change in Control") executives no longer receive a one year extension of health insurance coverage; and

- the definition of "good reason" has been modified so that:

  - a reduction of an executive's base salary, the setting of an annual target incentive opportunity or payment of an earned annual cash incentive in an amount materially less or not in conformity with the amount set forth in the employment agreement no longer constitutes good reason, and

  - the assignment to the executive of duties materially inconsistent with his or her position or any alteration of an executive's duties, responsibilities and authorities now only constitutes good reason upon or following a change in control, and then only if such adjustments or assignments are not the result of the conclusion by a significantly larger successor entity and its board of directors that such executive's role needs to be altered.

Additional information on benefits provided in the new form of employment agreement for certain terminations or in connection with a change of control are discussed below under "Potential Payments Upon Termination or Change in Control— Employment Agreements."

Employment Agreement with Mr. Kiefaber. On January 9, 2010, the Company, upon the approval of our Board with Mr. Kiefaber abstaining, entered into an employment agreement with Mr. Kiefaber. Under this employment agreement, Mr. Kiefaber's employment with the Company was on an "at-will" basis and may have been terminated for any reason by either party upon 60 days notice. The Company may have accelerated the termination date under this employment agreement so long as payment was made to Mr. Kiefaber of the base salary amount that would have been owed for the full notice period. His employment agreement did not provide for any additional termination or change of control payments.

Mr. Kiefaber's base salary is set at an annual rate of $525,000 with an annual cash incentive target of 75% of this base salary. In connection with his hire, Mr. Kiefaber received a $50,000 signing bonus and was provided with reimbursement of relocation expenses, which included moving expenses, temporary living expenses and closing costs associated with his move. These expenses totaled $22,057 in 2010.

In 2011, the Company entered into a new employment agreement with Mr. Kiefaber in order to align the terms of Mr. Kiefaber's employment agreement with those between the Company and its other executive officers. See "Events Occurring Subsequent to the End of 2010—New Employment Agreement with Mr. Kiefaber" below.

Retirement Benefits. Through the Colfax Corporation Excess Benefit Plan, we provide executive officers, including our named executive officers, with the opportunity to defer a percentage of their compensation without regard to the compensation limits imposed by the Internal Revenue Code for our 401(k) plan. We established the Excess Benefit Plan to allow our senior-level executives to contribute toward retirement on a tax-effective basis in a manner that is consistent with other Colfax employees who are not limited by the Internal Revenue Code limits.

In addition, Messrs. Young, Faison and O'Brien are participants in the Retirement Plan for Salaried U.S. Employees of Imo Industries, Inc. and Affiliates, a plan that was acquired by us in connection with our acquisition of Imo Industries in August 1997 and was subsequently frozen to new participants and benefit accruals in January 1999. Dr. Matros is a participant in the Allweiler AG Company Pension Plan.

For additional details concerning the Excess Benefit Plan, the Retirement Plan for Salaried U.S. Employees, and the Allweiler AG Company Pension Plan, please see the Non-Qualified Deferred Compensation Table and the Pension Benefits Table and accompanying narrative disclosure below.

Severance Payments to Former Executives

Mr. Young. In connection with Mr. Young's resignation, we entered into a separation agreement with him on January 9, 2010 that modified and, for purposes of severance payments that would have otherwise been owed to Mr. Young (such as pro rata annual incentive compensation for the year of termination), superseded the terms of his employment agreement. The separation agreement provided that instead of any payments he would have been entitled to under the employment agreement he receive a lump sum payment of $1,265,842, which was made at the time of his separation, and an additional $300,000 payment that was made to him in March 2011 pursuant to the terms of his separation agreement. In addition, vesting accelerated in full for (i) 25,000 PRSUs held by Mr. Young for which the performance measures associated with such awards had been certified as met by the Compensation Committee on August 25, 2009 but remained subject to an additional service based vesting period, (ii) 20,833 stock options granted to Mr. Young on May 7, 2008 that would have otherwise vested on May 7, 2010, (iii) 50,403 stock options granted to Mr. Young on March 13, 2009 that would have otherwise vested on March 13, 2010, and (iv) 50,403 stock options granted to Mr. Young on March 13, 2009 that would have otherwise vested on March 13, 2011. The term for exercise of these accelerated stock options, as well as 20,834 vested stock options granted in 2008, were amended so that they will remain exercisable until March 31, 2012. In addition, 49,933 shares of Colfax common stock granted to Mr. Young on May 7, 2008 that remained subject to delayed delivery as of the date of his resignation were delivered in full to Mr. Young. The value of the acceleration of these equity awards totaled $573,597 in 2010. At the Company's expense, Mr. Young and his spouse and dependent children were entitled to a continuation of health insurance coverage (i.e., medical, dental and vision) under the Company's group health plan(s) in which Mr. Young was participating on the date of the separation agreement for a period of one (1) year thereafter. The premiums associated with this coverage totaled $16,017 in 2010. Mr. Young is also entitled to the accumulated benefit under the IMO pension plan and his fully vested account balance under the Colfax Corporation Excess Benefit Plan. See "Pension Benefits" and "Nonqualified Deferred Compensation" below.

Messrs. Faison and O'Brien. Upon their respective separations from the Company, each of Mr. Faison and Mr. O'Brien were entitled to receive severance payments as provided for in their employment agreements, which severance payments included:

- a lump sum payment equal to one times the executive's base salary in effect and his target annual incentive compensation for the year (or, if greater, the average of the two highest actual annual incentive payments made to the executive during the last three years);

- a lump sum payment equal to the executive's pro rata annual incentive compensation for the year of termination subject to the performance criteria having been met for that year under the Annual Incentive Plan, paid at the same time payment is made to other participants in the Annual Incentive Plan; and

    - continuation of health care coverage for the executive and his family for one year after termination.

Mr. Faison and Mr. O'Brien each received a lump sum payment equal to $435,690 and $410,617, respectively, and continuation of health care coverage for the executive and his family for one year having a value of $10,685 for Mr. Faison and $18,184 for Mr. O'Brien. They were each also entitled to the pro rata portion of their earned annual incentive compensation for 2010, which was paid at the same time payment is made to other participants in the Annual Incentive Plan and is included in the Summary Compensation Table below under the column "Non-Equity Incentive Plan Compensation." Each of Messrs. Faison and O'Brien are also entitled to their respective accumulated benefit under the IMO pension plan and their respective fully vested account balance under the Colfax Corporation Excess Benefit Plan. See "Pension Benefits" and "Nonqualified Deferred Compensation" below. Further, Mr. Faison and Mr. O'Brien entered into consulting contracts with the Company at the time of their departure, the terms of which are described below under "Services Provided by Former Executives."

Dr. Matros. In connection with Dr. Matros' resignation, which was effective April 12, 2010, the Company's Allweiler subsidiary and Dr. Matros entered into a termination agreement dated the same which modified the terms of his service contract described above. The termination agreement ended the formal service relationship between Dr. Matros and Allweiler effective as of December 31, 2010. Dr. Matros received cash payments of (i) €16,667.67 per month through December 31, 2010 as his fixed remuneration due under his service contract, (ii) €54,000 paid in lieu of any bonus for 2010, and (iii) a severance payment of €250,001. Dr. Matros is entitled to the accumulated balance under the Allweiler AG pension plan, which is described below under "Pension Benefits."

Services Provided by Former Executives

Mr. Faison. On October 8, 2010, we entered into a consulting agreement with Mr. Faison providing that he would cease to be our Chief Financial Officer on October 18, 2010 but remain an employee until November 15, 2010 and that after his employment ended he would serve as financial advisor to the Company through February 28, 2011 or, if later, the filing of the Company's Form 10-K for the fiscal year ended December 31, 2010. He was paid $275 per hour for these services for a minimum of 104 hours per month during the term of the consulting agreement. In addition, in connection with Mr. Faison's agreement to serve as a financial advisor, the Board accelerated vesting in full for 15,401 stock options granted to Mr. Faison on March 13, 2009 that would have otherwise vested on March 13, 2011 and for 9,670 stock options granted to Mr. Faison on March 29, 2010 that would have otherwise vested on March 29, 2011. The term for exercise of these accelerated stock options, as well as 9,549 vested stock options granted in 2008 and 15,401 vested stock options granted in 2009, was amended so that they remain exercisable until November 15, 2012. In addition, 12,483 shares of the Company's common stock granted to Mr. Faison on May 7, 2008 that remain subject to delayed delivery were delivered in full to Mr. Faison. Total payments made to Mr. Faison pursuant to the terms of the consulting agreement totaled $29,013 in 2010 and the value the acceleration of equity awards in connection with his consulting agreement totaled $275,274.

Mr. O'Brien. In connection with Mr. O'Brien's retirement, we entered into a consulting agreement providing that Mr. O'Brien will be paid $250 per hour for his legal consulting services for a minimum of 30 hours per month during the two year term of the agreement. In addition, on October 16, 2010, pursuant to the terms of his agreement vesting accelerated in full for 11,201 stock options granted to Mr. O'Brien on March 13, 2009 that would have otherwise vested on March 13, 2011. The term for exercise of these accelerated stock options, as well as 9,260 vested stock options granted in 2008 and 11,201 vested stock options granted in 2009, was amended so that they will remain exercisable until October 16, 2012. In addition, 14,980 shares of the Company's common stock granted to Mr. O'Brien on May 7, 2008 that remained subject to delayed delivery were delivered in full to Mr. O'Brien on October 16, 2010. Total payments made to Mr. O'Brien pursuant to the terms of the consulting agreement totaled $7,546 in 2010 and the value the acceleration of equity awards in connection with his consulting agreement totaled $139,543.

Effect of Accounting and Tax Treatment on Compensation Decisions

Section 162(m) of the Internal Revenue Code imposes a limit on the amount of compensation that we may deduct in any one year with respect to certain "covered employees," unless certain specific and detailed criteria are satisfied. Performance-based compensation, as defined in the Internal Revenue Code, is fully deductible if the programs are approved by stockholders and meet other requirements. We believe that future grants of awards under our 2008 Omnibus Incentive Plan will qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thus permitting us to receive a federal income tax deduction in connection with such awards. Also, any bonuses awarded pursuant to our Annual Incentive Plan will qualify as "performance-based" for the purposes of Section 162(m). However, as part of our current compensation objectives, we seek to maintain flexibility in compensating our executives, as discussed above and, as a result, the Board has not adopted a policy requiring that all compensation be deductible. In 2010, the grants of PRSUs made to Mr. Roller on April 22, 2010 and to Mr. Brannan on October 18, 2010 will not qualify as performance-based due the timing of these promotional grants. Our Compensation Committee assesses the impact of Section 162(m) on our compensation practices and determines what further action, if any, is appropriate.

Events Occurring Subsequent to the End of 2010

Separation Agreement with Mr. Weidenmuller. On February 21, 2011, the Company entered into a separation with Mr. Weidenmuller. Pursuant to his employment agreement, Mr. Weidenmuller received a lump sum payment equal to $409,944 and continuation of health care coverage for the executive and his family for one year having a value of

$19,677, and will be entitled to a potential future lump sum payment equal to his pro rata annual incentive compensation for 2011 subject to the performance criteria having been met for that year, paid at the same time payment is made to other participants in the Annual Incentive Plan. In addition, pursuant to the terms of his agreement vesting was accelerated in full for 11,201 stock options granted to Mr. Weidenmuller on March 13, 2009 that would have otherwise vested on March 13, 2011. In addition, 12,438 shares of the Company's common stock granted to Mr. Weidenmuller on May 7, 2008 that remained subject to delayed delivery were delivered in full. The value of the acceleration of these equity awards in connection with his consulting agreement totaled $168,708.

New Employment Agreement with Mr. Kiefaber. On March 24, 2011, the Company entered into a new employment agreement with Mr. Kiefaber, which supersedes in its entirety the Company's prior employment agreement with Mr. Kiefaber dated January 9, 2010. His employment agreement now conforms to new form of employment agreement for executive officers described above under "Elements of Our Executive Compensation Program—Employment Agreements—New Form of Employment Agreement" and was approved by the Board in order to align the terms of Mr. Kiefaber's employment with those between the Company and its other executive officers. Under the employment agreement, Mr. Kiefaber's term of employment with the Company runs until December 31, 2013 and will automatically extend for one-year periods thereafter unless the Board or Mr. Kiefaber elects not to extend the term by providing the other party with written notice. Mr. Kiefaber's base salary is set at $525,000 and may not be reduced below the amount previously in effect without his written agreement. In addition, Mr. Kiefaber is entitled to participate in our annual cash incentive program with a target amount equal to 75% of his base salary then in effect. Each of the base salary amount and annual cash incentive target are equal to the levels previously provided in Mr. Kiefaber's prior employment agreement.

In the event that Mr. Kiefaber is terminated by the Company without "cause" or he resigns for "good reason," he will be entitled to (i) a lump sum payment equal to one times his base salary then in effect and his target annual incentive compensation for the year of termination (or, if greater, the average of the two highest actual annual incentive payments made to him during the last three years) and (ii) a lump sum payment equal to his pro rata annual incentive compensation for the year of termination, subject to the performance criteria having been met for that year under the annual bonus plan. In the event Mr. Kiefaber is terminated by the Company without "cause" or for "good reason" within three months prior to a "change in control event," or within two years after a "change in control," he will be entitled to (i) a lump sum payment equal to two times his base salary in effect and his target annual incentive compensation for the year of termination (or, if greater, the average of the two highest actual incentive payments made to him during the last three years), (ii) a lump sum payment equal to his pro rata annual incentive compensation for the year of termination and (iii) immediate vesting of all equity awards, with any performance objectives applicable to performance-based equity awards deemed to have been met at the greater of (a) the target level at the date of termination or (b) actual performance at the date of termination. Mr. Kiefaber's right to these severance payments is conditioned on his execution of a waiver and release agreement in favor of the Company.

COMPENSATION COMMITTEE REPORT

The Compensation Committee participated in the preparation of the Compensation Discussion and Analysis, reviewing successive drafts and discussing the drafts with management. Based on its review and discussions with management, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2011 Proxy Statement and in the Company's Annual Report on Form 10-K for 2010 by reference to the Proxy Statement.

Compensation Committee of the Board of Directors

Rhonda L. Jordan, Compensation Committee Chair
Thomas S. Gayner
Rajiv Vinnakota

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Clay H. Kiefaber President and Chief Executive Officer	2010	516,014	951,234	1,079,592	771,750	—	39,160	3,357,750
C. Scott Brannan Senior Vice President, Finance and Chief Financial Officer	2010	110,202	134,997	409,631	87,500	—	2,019	744,349
John A. Young Former President and Chief Executive Officer	2010	10,875	—	—	—	2,529	1,858,874	1,872,278
	2009	565,500	450,001	338,710	—	1,881	62,400	1,418,492
	2008	560,950	1,798,182	360,625	5,328,173	484	431,809	8,480,223
G. Scott Faison Former Senior Vice President, Finance and Chief Financial Officer	2010	230,776	137,496	156,063	233,578	1,892	767,959	1,527,764
	2009	290,460	137,506	103,495	43,569	1,459	29,402	605,891
	2008	278,500	811,602	110,190	2,597,942	426	215,069	4,013,729
William E. Roller Executive Vice President — Americas	2010	267,550	187,503	212,685	240,827	—	19,564	928,129
	2009	255,183	100,001	75,271	53,971	—	27,439	511,865
	2008	244,250	1,160,496	80,140	2,975,868	—	278,201	4,738,955
Joseph B. Niemann Senior Vice President,	2010	207,803	100,002	113,502	157,930	—	16,338	595,575

Marketing and Strategic Planning								
Dr. Michael Matros	2010	262,886(7)	49,995	56,754	—	8,284	416,748	794,667
Former Senior Vice	2009	280,005	100,000	75,271	29,655	2,643	32,109	519,683
President, General Manager— Allweiler	2008	279,106	100,000	80,140	1,275,582	6,976	32,296	1,774,100
Thomas M. O'Brien	2010	218,361	100,002	113,502	200,440	24,918	593,513	1,250,736
Former Senior Vice	2009	276,946	100,000	75,271	33,649	22,296	28,526	536,688
President, General Counsel and Secretary	2008	265,380	908,928	80,140	2,264,633	54,840	208,270	3,782,191
Steven W. Weidenmuller	2010	246,417	100,002	113,502	214,013	—	17,324	691,258
Former Senior Vice President—Human Resources								

(1) For Messrs. Kiefaber and Brannan, amounts include $1,110 and $36,164, respectively, which reflect fees paid or earned in cash for their service on our Board of Directors in 2010 prior to their appointment as executive officers of the Company. See "Director Compensation" above.

(2) Amounts represent the aggregate grant date fair value of grants made to each named executive officer, as computed in accordance with FASB ASC Topic 718. Amounts include the probable grant date fair values on the date of grant for awards of PRSUs, which equaled the maximum grant date fair value for these awards.

For Mr. Brannan, the amount shown also includes $59,998 to reflect the grant date fair value of 4,823 DSUs he received in connection with the annual meeting of stockholders prior to his appointment as an executive officer of the Company. See "Director Compensation" above.

For 2009, since the performance criteria for the 2009 stock award grants was not met, no shares were issued pursuant to these awards for 2009 and their actual value is zero.

Amounts for 2008 also include awards of common stock made pursuant to our 2001 Employee Appreciation Rights Plan (the "2001 Plan").

(3) Amounts represent the aggregate grant date fair value of grants made to each named executive officer, as computed in accordance with FASB ASC Topic 718.

(4) For 2010, amounts represent the payouts pursuant to our Annual Incentive Plan.

For a discussion of the performance metrics on which the Annual Incentive Plan was based, including the weighting for each performance metric and the actual percentage achievement of the financial performance targets, see the Compensation Discussion and Analysis above. To determine the actual bonus paid to each named executive officer, the actual financial performance was multiplied by each named executive officer's 2010 target bonus and the corresponding weighting for the measure. For fiscal 2010, each named executive officer's target bonus (other than Mr. Young and Dr. Matros, who did not receive a payment under the Annual Incentive Plan in 2010), expressed as a percentage of base salary, was as follows:

- Mr. Kiefaber: 75 %
- Mr. Brannan: 50 %
- Mr. Faison: 50 %
- Mr. Roller: 45 %
- Mr. Niemann: 45 %
- Mr. O'Brien: 45 %
- Mr. Weidenmuller: 45 %

For 2008, amounts represent payouts pursuant to (i) our 2008 Management Incentive Bonus Plan and (ii) the 2001 Plan and our 2006 Executive Stock Rights Plan that were paid upon the consummation of our initial public offering.

(5) Amounts represent solely the aggregate change in the actuarial present value of the named executive officer's accumulated benefit under the respective pension benefit plan from the pension plan measurement date used for financial statement reporting purposes in fiscal 2009 as compared to fiscal 2010.

(6) Amounts set forth in this column for 2010 consist of the following:

Name	Supplemental Long-Term Disability Premiums ($)	Company Car ($)(a)	Company 401(k)/Deferred Compensation Plan Match and Contribution ($)(b)	Accident Insurance ($)(c)	Relocation Expenses ($)	Severance Payments ($)(d)	Consulting Payments ($)(e)
Mr. Kiefaber	2,403	—	14,700	—	22,057	—	—
Mr. Brannan	—	—	2,019	—	—	—	—
Mr. Young	156	—	3,263	—	—	1,855,456	—
Mr. Faison	1,703	—	15,595	—	—	446,735	304,287
Mr. Roller	2,089	—	17,475	—	—	—	—
Mr. Niemann	2,224	—	14,114	—	—	—	—
Dr. Matros	—	4,504	9,276	138	—	402,830	—
Mr. O'Brien	2,572	—	15,051	—	—	428,801	147,089
Mr. Weidenmuller	1,978	—	15,346	—	—	—	—

(a) Amount represents the annual cost of a car lease, including insurance, maintenance and gas in the amount of €3,399 or $4,504 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010.

(b) For each named executive officer other than Dr. Matros, amounts represent the aggregate Company match and Company contribution made by Colfax during 2010 to such officer's 401(k) plan account and Excess Benefit Plan (nonqualified deferred compensation) account. See the Nonqualified Deferred Compensation Table and accompanying narrative below for additional information on the Excess Benefit Plan. For Dr. Matros, the amount represents the contribution made by Allweiler AG during 2010 pursuant to a Joint Support Fund Agreement between Allweiler AG and Dr. Matros. The "joint support fund" is similar to a U.S. defined contribution, or 401(k), plan. The aggregate amount required to be contributed to Dr. Matros' account by Allweiler AG during 2010 was €7,000, or $9,276 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010.

(c) Amount represents €104, or $138 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010. This benefit was provided pursuant to the terms of Dr. Matros' service contract. For additional information on this benefit, see "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table—Employment Agreements—Dr. Matros' Service Contract" below.

(d) For Mr. Young, the amount represents a severance payment of $1,265,842, $16,017 in premiums associated with the continuation of health insurance coverage as well as $573,597 representing the value of accelerated equity awards pursuant to the terms of his termination agreement. For Messrs. Faison and O'Brien, respectively, the amounts represent a severance payment of $435,690 and $410,617 and $10,685 and $18,184 in premiums associated with the continuation of health insurance coverage pursuant to the terms of their employment agreement.

For Dr. Matros, the amount represents €54,000, or $71,555 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010, paid in lieu of any bonus for 2010, as well as a severance payment of €250,000, or $331,275 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010

(e) Amounts represent payments for services under the consulting agreements with Messrs. Faison and O'Brien, respectively, of $29,013 and $7,645, as well as $275,274 and $139,543 representing the value of accelerated equity awards pursuant to the terms of their consulting agreement.

(7) For Dr. Matros, amount represents €198,374 or $262,886 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010.

Grants of Plan-Based Awards

The following table sets forth information with respect to grants of plan-based awards to our named executive officers during 2010:

Name	Award Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Thres-hold ($)	Target ($)	Maxi-mum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Thres-hold (#)	Target (#)	Maxi-mum (#)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Clay H. Kiefaber	Annual Incentive Plan	—	143,851	386,178	801,319						
	PRSUs	1/11/2010				—	40,850	—			501,230
	Stock Options	1/11/2010							102,124	12.27	568,831
	PRSUs	3/29/2010				—	37,975	—			450,004
	Stock Options	3/29/2010							94,937	11.85	510,761
C. Scott Brannan	Annual Incentive Plan	—	13,790	37,019	76,815						
	PRSUs	10/18/2010				—	4,777	—			74,999
	Stock Options	10/18/2010							59,713	15.70	409,631
John A. Young	Annual Incentive Plan	—	3,038	8,156	16,924						
G. Scott Faison	Annual Incentive Plan	—	42,982	115,388	239,430						
	PRSUs	3/29/2010				—	11,603	—			137,496
	Stock Options	3/29/2010							29,008	11.85	156,063
William E. Roller	Annual Incentive Plan	—	48,159	120,397	255,844						
	PRSUs	3/29/2010				—	8,439	—			100,002
	Stock Options	3/29/2010							21,097	11.85	113,502
	PRSUs	4/22/2010				—	6,472	—			87,501

	Stock Options	4/22/2010					16,180	13.52	99,183
Joseph B. Niemann	Annual Incentive Plan	—	30,963	83,121	172,476				
	PRSUs	3/29/2010				— 8,439	—		100,002
	Stock Options	3/29/2010					21,097	11.85	113,502
Dr. Michael Matros	Annual Incentive Plan	—	47,316	118,289	251,365				
	PRSUs	3/29/2010				— 4,219	—		49,995
	Stock Options	3/29/2010					10,549	11.85	56,754
Thomas M. O'Brien	Annual Incentive Plan	—	36,603	98,263	203,895				
	PRSUs	3/29/2010				— 8,439	—		100,002
	Stock Options	3/29/2010					21,097	11.85	113,502
Steven W. Weidenmuller	Annual Incentive Plan	—	41,306	110,888	230,092				
	PRSUs	3/29/2010				— 8,439	—		100,002
	Stock Options	3/29/2010					21,097	11.85	113,502

(1) Amounts represent the possible payouts under our Annual Incentive Plan. For a discussion of the performance metrics and actual results and payouts under the plan for fiscal 2010, see the Compensation Discussion and Analysis and the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table above, respectively.

(2) Amounts represent potential shares issued under performance-based share awards. The PRSUs may be earned at the end of the one-year performance period upon certification by the Compensation Committee that the performance metric had been met and are then been subject to an additional service-based vesting period, pursuant to which vesting occurs in equal amounts on the fourth and fifth anniversaries of the grant date pending continued service with the Company. The performance metric was met for 2010 and as such these shares were earned upon certification by the Compensation Committee on February 24, 2011. For further discussion of these awards, see "Long-Term Incentives— 2008 Omnibus Incentive Plan" in the Compensation Discussion and Analysis. Messrs. Faison, O'Brien and Weidenmuller and Dr. Matros' earned PRSUs will not vest as a result of their separation from the Company.

(3) Amounts represent stock option awards that vest ratably over three years, beginning on the first anniversary of the grant date, based on continued service.

(4) The amounts shown in this column represent the full grant date fair value of grants made to each named executive officer, as computed in accordance with FASB ASC Topic 718. PRSUs are valued based upon the probable outcome of the performance conditions associated with these awards as of the grant date and such calculation is consistent with the estimate of aggregate compensation cost recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures.

Outstanding Equity Awards at Fiscal Year-End

The following table shows, as of December 31, 2010, the number of outstanding stock options, performance-based restricted stock awards and, for Messrs. Kiefaber and Brannan, director restricted stock units or DSUs held by the named executive officers:

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
Clay H. Kiefaber	—	102,124	12.27	1/11/17				
	—	94,937	11.85	3/29/17				
					6,778	124,783	78,825	1,451,168
C. Scott Brannan	—	59,713	15.70	10/18/17	11,601	213,574		
					—	—	4,777	87,945
John A. Young	41,667	—	18.00	3/31/12(6)				
G. Scott Faison	12,731	6,366 (7)	18.00	11/15/12(7)				
	30,802	15,401 (7)	7.44	11/15/12(7)				
	9,670	19,338 (7)	11.85	11/15/12(7)				
William E. Roller	9,260	4,659	18.00	5/7/15				
	11,201	22,402	7.44	3/13/16				
	—	21,097	11.85	3/29/17				
	—	16,180	13.52	4/22/17				
					5,556	102,286	—	—
					—	—	14,911	274,512
Joseph E. Niemann	9,260	4,659	18.00	5/7/15				
	11,201	22,402	7.44	3/13/16				
	—	21,097	11.85	3/29/17				
					5,556	102,286	—	—
					—	—	8,439	155,362
Dr. Michael Matros (8)	9,260	4,659	18.00	05/7/15				
	11,201	22,402	7.44	3/13/16				

	—	10,549	11.85	3/29/17				
					5,556	102,286	—	—
					—	—	4,219	77,671
Thomas M. O'Brien	9,260	4,659 (9)	18.00	10/16/12(9)				
	22,402	11,201 (9)	7.44	10/16/12(9)				
	—	21,097 (9)	11.85	10/16/12(9)				
Steven W. Weidenmuller (10)	9,260	4,659	18.00	5/7/15				
	11,201	22,402	7.44	3/13/16				
	—	21,097	11.85	3/29/17				
					5,556	102,286	—	—
					—	—	8,439	155,362

(1) Except as described in footnotes six through ten below for the Outstanding Equity Awards at Fiscal Year-End table, the vesting date of unvested stock option awards is set forth beside each option expiration date in the following chart. Note that the vesting date provided reflects when the options fully vest. Stock option awards vest ratably over three years beginning on the first anniversary of the grant date.

Option Grant Date	Option Expiration Date	Option Vesting Date
5/7/08	05/7/15	5/7/11
3/13/09	3/13/16	3/13/12
1/11/10	1/11/17	1/11/13
3/29/10	3/29/17	3/29/13
4/22/10	4/22/17	4/22/13
10/18/10	10/18/17	10/18/13

(2) For each named executive officer except Messrs. Kiefaber and Brannan, these amounts reflect PRSUs granted in 2008 that were earned on August 25, 2009 upon certification by the Compensation Committee that the performance metric had been met. They are subject to an additional service-based vesting period, pursuant to which vesting will occur in equal amounts on the fourth and fifth anniversaries of the grant date.

For Messrs. Kiefaber and Brannan, these amounts represent unvested director restricted stock units (for Mr. Kiefaber) and DSUs (for Mr. Brannan) received for service on our Board prior to their appointment as executive officers of the Company.

(3) The amounts shown in this column represent the market value of the director restricted stock units, DSUs or PRSUs based on the Company's common stock price on December 31, 2010, which was $18.41 per share, multiplied by the number of units, respectively, for each unvested director or performance stock award.

(4) The amounts show in this column reflect PRSUs that are earned at the end of a one-year performance period upon certification by the Compensation Committee that the performance metric had been met. These PRSUs are then subject to an additional service based vesting period, pursuant to which vesting will occur in equal amounts on the fourth and fifth anniversaries of the grant date contingent on continued employment with the Company. For the awards reflected in this column, which were granted in 2010, the performance metric was met and these PRSUs were then earned upon certification by the Compensation Committee on February 24, 2011. Awards made in 2009 are not reflected in this table as the performance metric was not met for these awards and as such no shares will ever be issued pursuant to their terms.

(5) The amounts shown in this column represent the market value of the PRSUs based on the Company's common stock price on December 31, 2010, which was $18.41 per share, multiplied by the number of units, respectively, for each unvested and unearned performance stock award.

(6) Mr. Young's vested options remain exercisable until March 31, 2012 pursuant to the terms of his termination agreement. See "Severance Payments to Former Executives" in the Compensation Discussion and Analysis for more detail regarding the terms of his termination agreement.

(7) As described above under "Services Provided by Former Executives" in the Compensation Discussion and Analysis, in connection with Mr. Faison's agreement to serve as a financial advisor to the Company, vesting accelerated in full for 15,401 stock options granted to Mr. Faison on March 13, 2009 that would have otherwise vested on March 13, 2011 and for 9,670 stock options granted to Mr. Faison on March 29, 2010 that would have otherwise vested on March 29, 2011. Mr. Faison's options vested remain exercisable until November 15, 2012 pursuant to the terms of his consulting agreement. Options reflected in the Number of Securities Underlying Unexercised Options column expired pursuant to their terms on January 16, 2011. See "Services Provided by Former Executives" in the Compensation Discussion and Analysis for more detail regarding the terms of his consulting agreement.

(8) As described above under "Severance Payments to Former Executives", Dr. Matros' effective date of termination was December 31, 2010. As such, all of the stock options as held by Dr. Matros in this table

expired pursuant to their terms on March 31, 2011 and all of his earned but unvested PRSUs failed to vest. Dr. Matros exercised and sold all of his shares covered by exercisable options (9,260 options granted on May 7, 2008 and 11,201 options granted on March 13, 2009) on February 22, 2011. As these transactions occurred after the end of 2010, they are not reflected in the “Options Exercised and Stock Vested” table below.

(9) As described above under "Services Provided by Former Executives" in the Compensation Discussion and Analysis, in connection with Mr. O'Brien's agreement to provide legal consulting services to the Company, vesting accelerated in full for 11,201 stock options granted to Mr. O'Brien on March 13, 2009 that would have otherwise vested on March 13, 2011. Mr. O'Brien's vested options remain exercisable until October 16, 2012 pursuant to the terms of his consulting agreement. Options reflected in the Number of Securities Underlying Unexercised Options column expired pursuant to their terms on January 14, 2011. See "Services Provided by Former Executives" in the Compensation Discussion and Analysis for more detail regarding the terms of his consulting agreement.

(10) As described above under "Events Occurring Subsequent to the End of 2010—Separation Agreement with Mr. Weidenmuller", pursuant to the terms of Mr. Weidenmuller's severance agreement vesting was accelerated in full for 11,201 stock options granted to Mr. Weidenmuller on March 13, 2009 that would have otherwise vested on March 13, 2011. Mr. Weidenmuller's vested options will remain exercisable until May 19, 2011, at which time any unexercised options will expire pursuant to their terms. Mr. Weidenmuller's earned PRSUs will not vest as a result of his separation from the Company.

Option Exercises and Stock Vested

The following table provides information for our named executive officers on stock option exercises and vesting of PRSUs during 2010, including the number of shares acquired upon exercise and the value realized, and the number of shares acquired upon the vesting of stock awards and the value realized, each before payment of any taxes and broker commissions. Value realized represents (i) for options, the difference between the closing market price of our common stock on the date of exercise and the exercise price multiplied by the number of shares underlying each exercised option and (ii) for PRSUs, the product of the number of shares received upon vesting and the closing market price of our common stock on the vesting date.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
John A. Young	100,806	523,931	25,000	306,750

(1) Based on the difference between (i) the Company's common stock price on the applicable date of exercise, which was $12.45 on April 14, 2010 (for 25,806 shares acquired on exercise), $12.80 on April 15, 2010 (for 6,400 shares acquired on exercise), $12.76 on April 16, 2010 (for 2,700 shares acquired on exercise), and $12.69 on April 19, 2010 (for 65,900 shares acquired on exercise), and (ii) the exercise price of these options, which was $7.44.

(2) Pursuant to the terms of Mr. Young's separation agreement, on January 9, 2010 vesting accelerated in full for 25,000 PRSUs held by Mr. Young for which the performance measures associated with such awards had been certified as met by the Compensation Committee but remained subject to an additional service based vesting period. See "Severance Payments to Former Executives" above in the Compensation Discussion and Analysis.

(3) Based on the Company's common stock price on January 11, 2010, which was $12.27 per share. The value reflected in this column differs from the amount of compensation expense recognized by the Company and reported in the "All Other Compensation" column of the Summary Compensation Table.

Employment Agreements

As discussed in the Compensation Discussion and Analysis above, we have entered into an employment agreement with each of our executive officers, including our named executive officers. Employment agreements for Messrs. Young, Faison, Roller, O'Brien, Niemann, and Weidenmuller were entered into by the Company in April 2008 prior to our initial public offering and are substantially the same, other than the modification of each officer's title (as set forth in the Summary Compensation Table above), base salary amounts and Annual Incentive Plan participation. Each of Mr. Kiefaber, Mr. Brannan and Dr. Matros are or were subject to employment agreements with the Company that vary from this form.

Prior Form of Employment Agreement. The initial term of our employment agreements with Messrs. Young, Faison, Roller, O'Brien, Niemann and Weidenmuller ended December 31, 2009, with automatic two-year term extensions thereafter, unless the Board or the executive provides written notice to terminate the automatic extension provision. Unless otherwise terminated by the Company as described in the Compensation Discussion and Analysis under "Severance Payments to Former Executives," the term of these agreements extended automatically to December 31, 2012. In addition, in the event we undergo a "change in control" (as described below under "Potential Payments Upon Termination or Change in Control") during the term of the employment agreement, the agreements will be automatically extended to the second anniversary of the change in control. Each officer's base salary may not be reduced below the amount previously in effect without the written agreement of the executive.

On December 15, 2008 we entered into amendments of these agreements we believed appropriate to reflect guidance on the application of Section 162(m) of the Internal Revenue Code. These amendments took effect on January 1, 2010 and require that any bonus payment paid in conjunction with the termination of a named executive officer will be based upon the performance of the Company, as stipulated in the Company's Annual Incentive Plan.

With respect to the benefits payable to each executive under these agreements upon a change in control of Colfax, the benefits are only paid upon a "double trigger," meaning a change in control event must occur and the executive must either be terminated without cause by Colfax (or its successor) or the executive must resign for good reason. In entering into these arrangements, we wanted to have the continued dedication of these executive officers, notwithstanding the possibility of a change in control, and to retain such officer in our employ after any such transaction. We believe that, should the possibility of a change in control arise, Colfax should be able to receive and rely upon our officers' advice as to the best interests of the Company and without the concern that such officer might be distracted by the personal uncertainties and risks created by a potential change in control. In the event, however, that such officer is actually terminated during the period beginning three months prior to a change in control event or within a certain period of time following the change in control (or prior to the end of the term of the applicable employment agreement should the change of control not be consummated), which termination may be out of their control (i.e., by the successor company or management), we believe that the officers should be compensated for their efforts in positioning Colfax for the possibility of an acquisition event.

New Form of Employment Agreement. On September 15, 2010, the Company adopted a new form of employment agreement for executive officers to be used for new executive hires. Mr. Brannan entered into this agreement on September 21, 2010 and Mr. Kiefaber on March 24, 2011. This agreement amended our prior form employment agreement to reflect certain changes recommended by the Compensation Committee, including the following:

- the term of the agreement and the automatic extension is for one year instead of two (the agreements will still be automatically extended to the second anniversary of any change in control);

- upon any termination without cause or resignation for good reason executives no longer receive a one year extension of health insurance coverage; and

- the definition of "good reason" has been modified so that:

  - a reduction of an executive's base salary, the setting of an annual target incentive opportunity or payment of an earned annual cash incentive in an amount materially less or not in conformity with the amount set forth in the employment agreement no longer constitutes good reason; and

- the assignment to the executive of duties materially inconsistent with his or her position or any alteration of an executive's duties, responsibilities and authorities now only constitutes good reason upon or following a change in control, and then only if such adjustments or assignments are not the result of the conclusion by a significantly larger successor entity and its board of directors that such executive's role needs to be altered.

Additional information on certain benefits provided in the new form of employment agreement in certain terminations or in connection with a change of control are discussed below under "Potential Payments Upon Termination or Change in Control."

Employment Agreements with Mr. Kiefaber. On January 9, 2010, the Company, upon the approval of our Board with Mr. Kiefaber abstaining, entered into an employment agreement with Mr. Kiefaber. Under this employment agreement, Mr. Kiefaber's employment with the Company was on an "at-will" basis and may have been terminated for any reason by either party upon 60 days notice. The Company may have accelerated the termination date under this employment agreement so long as payment was made to Mr. Kiefaber of the base salary amount that would have been owed for the full notice period. This employment agreement did not provide for any additional termination or change of control payments.

Mr. Kiefaber's base salary is set at an annual rate of $525,000 with an annual cash incentive target of 75% of this base salary. In connection with his hire, Mr. Kiefaber received a $50,000 signing bonus and was provided with reimbursement of relocation expenses, which included moving expenses, temporary living expenses and closing costs associated with his move. These expenses totaled $22,057 in 2010.

In 2011, the Company entered into a new employment agreement with Mr. Kiefaber in order to align the terms of Mr. Kiefaber's employment agreement with those between the Company and its other executive officers. See "Events Occurring Subsequent to the End of 2010—New Employment Agreement with Mr. Kiefaber" in the Compensation Discussion and Analysis above.

Service Contract with Dr. Matros. Pursuant to a service contract and resolution of the advisory board of Allweiler AG effective November 14, 2006, Dr. Matros was appointed as a member of the management board of Allweiler AG, the German subsidiary of Colfax. Dr. Matros' appointment was for a term of three years, until December 31, 2009, and was automatically extended for one year, until December 31, 2010.

Under this service contract, Dr. Matros was entitled to an annual salary and to receive a performance-related annual bonus.

Consistent with what we believe to be customary practice for German companies and executives, the service contract further provided that Dr. Matros was entitled to a Company car for business and personal use; however, Dr. Matros was required to bear the cost of any tax associated with such personal use. Dr. Matros was also entitled to the benefit of a accident insurance policy required to be maintained by Allweiler AG in favor of Dr. Matros during the term of his service contract and payable upon his death or disability.

The service contract further provided for limited payments and benefits upon certain termination events. A description of severance payments received by Dr. Matros is set forth in the Compensation Discussion & Analysis under "Severance Payments to Former Executives."

Pension Benefits

Messrs. Young, Faison and O'Brien. Messrs. Young, Faison and O'Brien participated in the Retirement Plan for Salaried U.S. Employees of Imo Industries, Inc. and Affiliates (the "Imo Plan"). The Imo Plan was acquired by us in

connection with our acquisition of Imo Industries in August 1997 and was subsequently frozen to new participants and benefit accruals in January 1999. At such time, active employees participating in the Imo Plan received a benefit enhancement equal to 20% of their respective “base” benefits. Our Board determined to cease participation in the Imo Plan because it was determined that our enhanced defined contribution plan, or 401(k) plan, was more aligned with the Company’s strategy.

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

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

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

There is no provision in the Imo Plan for early retirement with unreduced benefits. The Imo Plan does provide for early retirement with reduced benefits subject to the executive's attainment of age 55 and completion of ten years of service. Upon his termination Mr. O'Brien was eligible to elect early retirement under the Imo Plan, though he has not yet commenced benefits. If elected, early retirement benefits for Mr. O'Brien will be calculated based on the "rule of 75" formula within the Imo Plan. Pursuant to this formula, participants with age plus years of service totaling at least 75 may retire early with the reduction in benefits split equally between the "base" and "excess" portions of the benefit formula. Thus, for each full year below age 65, there will be a reduction in the "base" benefit of 3% and the "excess" benefit will be reduced based on the applicable early retirement factor. The "early retirement factor," which is a specific percentage based on the age at which a participant starts to receive benefit payments, reduces the monthly benefit to account for the additional years during which the participant will receive payments.

The normal form of benefits payment pursuant to the Imo Plan is a single life annuity (or, if married, an actuarially equivalent 50% joint and survivor annuity, which entitles the surviving spouse to continue receiving 50% of the monthly benefit after the participant's death). The Imo Plan also provides for the participating named executive officer to select a single life annuity, a 66 2 / 3 %, 75% or 100% joint and survivor annuity, a 5-, 10-, or 15-year period certain and life annuity (which provides reduced monthly payments for the participant's life with a guarantee of at least 5, 10 or 15 years of payments, as applicable), or a Social Security adjustment annuity with respect to certain early retirement benefits (which provides increased monthly benefit payments before the participant's Social Security benefits begin and reduced payments thereafter). No lump sum option is available unless the total value of the accumulated benefit is less than $5,000.

Dr. Matros. Dr. Matros participated in a pension plan provided by Allweiler AG. In order to participate in the plan, employees of Allweiler AG must be employed for a qualifying period of 10 years. The pension amount available to each participant under the plan is based on the participant's years of service and his or her "allowable income." For purposes of the plan, "allowable income" generally means the monthly average of the participant's base salary during the last year of service to Allweiler AG. Bonus payments are not included in "allowable income" unless such payments, during the last three years of service of the participant, represented more than 50% of the compensation paid to the participant during the last year of service, in which case "allowable income" means base salary plus 50% of the bonus payments during the last three years of service to Allweiler AG.

The normal monthly pension formula under the plan is 0.17% of the allowable retirement income multiplied by the allowable years of service for each participant. However, for executives such as Dr. Matros, the amount of the monthly pension benefit under the plan is 0.6% of the allowable retirement income, but not exceeding the contribution ceiling under the German statutory pension insurance, multiplied by the allowable years of service, with a minimum of €255.65 per month.

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All pension amounts under the plan are paid monthly.

Name	Plan Name(1)	Number of Years Credited Service (#)(2)	Accumulated Benefit ($)(3)		Payments During Last Fiscal Year ($)
John A. Young	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	1.083	12,474		—
G. Scott Faison	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	1.25	10,401		—
Thomas M. O'Brien	Retirement Plan for Salaried U.S. Employees of IMO Industries, Inc. and Affiliates	13.75	356,549		—
Dr. Michael Matros	Allweiler AG Company Pension Plan	14.0	55,451	(4)	—

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

(2) Represents the number of years of credited service for each applicable named executive officer under the applicable plan, computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to our 2010 financial statements. The number of years of credited service represents each officer's actual years of credited service.

(3) Amounts represent the actuarial present value of each named executive officer's accumulated benefit under the applicable plan, computed as of the date used for financial statement reporting purposes with respect to our 2010 financial statements and assuming the normal retirement age as set forth in the plan, or age 65, or assuming retirement at current age if the executive officer is currently eligible for early retirement under age 65. For a discussion of the assumptions used to determine the accumulated present value, see Note 11 to our Consolidated Financial Statements in our 2010 Annual Report on Form 10-K.

(4) Amount represents €41,847 or $55,451 in U.S. dollars, calculated based on the exchange rate in effect on December 31, 2010.

Nonqualified Deferred Compensation

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

The Excess Benefit Plan allows the named executive officers to defer up to 50% of their base salaries and up to 50% of their bonus compensation. These deferral limits are the same as that of other employees who participate in our qualified 401(k) plan. In addition, we match up to 3% of all excess deferrals by the named executive officers and provide a 3% Company contribution, each of which are the same percentage match and contribution, respectively, as provided under the 401(k) plan. Each of the participating named executive officers, except for Messrs. Kiefaber and Brannan, is fully vested in his deferral account, including Company match contributions. Messrs. Kiefaber and Brannan will not be fully vested in the portion of their deferral account representing any Company match contributions until five years from the date they were appointed an executive officer.

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

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

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

Mr. Young received a lump sum payment representing his account balance of $963,469 in August 2010. The other named executive officers whose service has terminated and whom are scheduled to receive payment of their respective account balances are as follows:

Name	Liquidation Date	Form of Payment
G. Scott Faison	5/31/11	Lump
Thomas M. O'Brien	4/30/11	Lump
Steven W. Weidenmuller	8/31/11	Lump

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

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

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings (Loss) in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(3)
Clay H. Kiefaber	—	—	—	—	—
C. Scott Brannan	—	—	—	—	—
John A. Young	—	—	—	963,469 (4)	—
G. Scott Faison	—	895	46,034	—	452,662
William E. Roller	2,277	3,013	33,298	—	484,686
Joseph B. Niemann	—	—	22,553	—	168,347
Dr. Michael Matros	—	—	—	—	—
Thomas M. O'Brien	—	690	21,868	—	334,798
Steven W. Weidenmuller	—	883	31,671	—	372,470

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

(2) All amounts reported in this column for each applicable named executive officer are reported in the "All Other Compensation" column of the Summary Compensation Table above.

(3) With respect to each applicable named executive officer's aggregate balance, the following amounts are reported in the Summary Compensation Table above: $895, Mr. Faison; $5,290, Mr. Roller; $690, Mr. O'Brien; and $883, Mr. Weidenmuller. These amounts are the sum of executive and registrant contributions during 2010, which are disclosed in the Summary Compensation Table as described in footnotes one and two above.

(4) Mr. Young's fully vested account balance was distributed to him in August of 2010.

Potential Payments Upon Termination or Change in Control

Termination Payments During 2010

Each of Messrs. Young, Faison, O'Brien and Matros separated from the Company in 2010. Their actual payments received pursuant to the terms of their employment agreements, separation agreements, or consulting agreements, as applicable, are disclosed above in the Compensation Discussion and Analysis under "Severance Payments to Former Executives" and "Services Provided by Former Executives" and in footnote six to the Summary Compensation Table. For Messrs. Young, Faison and O'Brien, amounts paid to each under our Excess Benefit Plan are described under "Nonqualified Deferred Compensation" above.

Potential Payments For Executive Officers as of December 31, 2010

The information below describes relevant employment agreement and equity plan provisions for payments upon termination or change in control and sets forth the amount of compensation that could have been received by each of the named executive officers other than Messrs. Young, Faison, O'Brien and Matros in the event such executive's employment had terminated under the various applicable triggering events described below as of December 31, 2010.

Employment Agreements. Pursuant to the terms of the employment agreements with each of these named executive officers other than Mr. Kiefaber, whose employment agreement as of December 31, 2010 did not provide for payments upon termination or change of control, in the event their employment is terminated by us without "cause" or the executive resigns for "good reason" (each as described below), each executive is entitled to the following severance payments or benefits:

- a lump sum payment equal to one times the executive's base salary in effect and his target annual incentive compensation for the year of termination (or, if greater, the average of the two highest actual annual incentive payments made to the executive during the last three years);

- a lump sum payment equal to the executive's pro rata annual incentive compensation for the year of termination subject to the performance criteria having been met for that year under the Annual Incentive Plan; and

- continuation of health care coverage for the executive and his family for one year after termination, other than for Mr. Brannan, who would not receive this benefit as a result of the new form of executive employment agreement, as described in the Compensation Discussion and Analysis under "Setting of Executive Compensation—Employment Agreements—New Form of Employment Agreement."

In the event the executive terminates employment without "cause" or for "good reason" within three months prior to a "change in control event" (as described below), or two years after a "change in control", each executive is entitled to the following severance payments or benefits:

- a lump sum payment equal to two times the executive's base salary in effect and his target annual incentive compensation for the year of termination (or, if greater, the average of the two highest actual incentive payments made to the executive during the last three years);

- a lump sum payment equal to the executive's pro rata annual incentive compensation for the year of termination subject to the performance criteria having been met for that year under the Annual Incentive Plan; and

- continuation of health care coverage for the executive and his family for two years after termination, , other than for Mr. Brannan, who would not receive this benefit as a result of the new form of executive employment agreement, as described in the Compensation Discussion and Analysis under "Setting of Executive Compensation—Employment Agreements—New Form of Employment Agreement"; and

- all equity awards will immediately vest, with any performance objectives applicable to performance-based equity awards deemed to have been met at the greater of (i) the target level at the date of termination, and (ii) actual performance at the date of termination.

In each case described above, the executive's right to the severance payments and benefits is conditioned on the executive's execution of a waiver and release agreement in favor of Colfax. In addition, each employment agreement contains standard confidentiality covenants, non-disparagement covenants, non-competition covenants (for a period of one year following a termination of employment or, other than for Mr. Brannan pursuant to the terms of the new form of executive employment agreement, if the termination of employment occurs three months prior to a change in control event or two years after a change in control, two years) and non-solicitation covenants (for a period of two years following a termination of employment or, other than for Mr. Brannan pursuant to the terms of the new form of executive employment agreement, if the termination of employment occurs three months prior to a change in control event or two years after a change in control, three years).

In the event that any payment or benefit to the executives pursuant to the employment agreements or otherwise constitute excess parachute payments under Section 280G of the Internal Revenue Code such that they would trigger the excise tax provisions of the Internal Revenue Code, such payments are to be reduced so that the excise tax provisions are not triggered, but only upon determination by the executive that the after-tax value of the termination benefits calculated with the restriction described above exceed the value of those calculated without such restriction.

Each agreement further provides that, in the event it is determined that the willful actions of the executive have resulted in a material misstatement or omission in any report or statement filed by Colfax with the Securities and Exchange Commission, or material fraud against Colfax, Colfax is entitled to recover all or any portion of any award or payment made to the executive.

For purposes of the employment agreements, the following terms generally have the following meanings:

- "cause" means conviction of a felony or a crime involving moral turpitude, willful commission of any act of theft, fraud, embezzlement or misappropriation against Colfax or its subsidiaries or willful and continued failure of the executive to substantially perform his duties;

- "change in control" means:

- a transaction or series of transactions pursuant to which any person acquires beneficial ownership of more than 50% of the voting power of the common stock of Colfax then outstanding;

- during any two-year consecutive period, individuals who at the beginning of the period constitute the Board (together with any new directors approved by at least two-thirds of the directors at the beginning of the period or subsequently approved) cease to constitute a majority of the Board;

- a merger, sale of all or substantially all of the assets of Colfax or certain acquisitions of the assets or stock by Colfax of another entity in which there is a change in control of Colfax; and

- a liquidation or dissolution of Colfax; and

- "change in control event" means the earlier to occur of a "change in control" or the execution of an agreement by Colfax providing for a change in control.

For purposes of the prior form of employment agreements, "good reason" means:

- the assignment of duties to the executive which are materially inconsistent with his position with Colfax;

- a reduction in the executive's base salary, or the setting or payment of the executive's target annual incentive compensation, in each case in an amount materially less than as required under the employment agreement;

- the requirement for the executive to relocate his principal place of business at least 35 miles from his current place of business;

- Colfax's failure to obtain agreement from any successor to fully assume its obligations to the executive under the terms of the agreement; and

- any other failure by Colfax to perform its material obligations under, or breach of Colfax of any material provision of, the employment agreement.

For purposes of the new form of employment agreement entered into with Mr. Brannan, "good reason" means:

- upon or following a change in control, the assignment to the executive of duties materially inconsistent with his or her position or any alteration of an executive's duties, responsibilities and authorities, and then only if such adjustments or assignments are not the result of the conclusion by a significantly larger successor entity and its board of directors that such executive's role needs to be altered;

- the requirement for the executive to relocate his principal place of business at least 35 miles from his current place of business;

- Colfax's failure to obtain agreement from any successor to fully assume its obligations to the executive under the terms of the agreement; and

- any other failure by Colfax to perform its material obligations under, or breach of Colfax of any material provision of, the employment agreement.

Equity Awards. The vesting of outstanding equity awards, other than performance-based awards, accelerates in full upon the death or total and permanent disability of the grantee or upon a "corporate transaction" (as defined below). The vesting of the outstanding PRSUs accelerates in full upon the death or total and permanent disability of the grantee only if and when the performance criteria for such award are achieved as of the end of the performance period upon certification of the same by the Compensation Committee, or immediately if the performance period has already ended and the Compensation Committee has certified that the performance criteria have been achieved. The outstanding PRSUs will terminate and cease to vest upon a "corporate transaction," unless prior to the corporate transaction the achievement of the performance criteria is certified by the Compensation Committee, in which case the vesting for the award will accelerate in full. While these benefits are available to all of our equity plan participants equally, pursuant to SEC requirements, we have included these acceleration benefits in the table below. In addition, in the event of termination of service other than for death, disability or cause, any stock option awards will remain exercisable to the extent vested for ninety days after termination of service.

A "corporate transaction" under any outstanding equity awards is generally defined as:

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

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

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

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

Estimate of Payments. The tables that follow provide information related to compensation payable to each named executive officer assuming termination of such executive's employment on December 31, 2010, or assuming a change of control or corporate transaction with corresponding qualifying termination occurred on December 31, 2010. Amounts also assume the price of our common stock was $18.41, the closing price on December 31, 2010.

Executive	Clay H. Kiefaber	C. Scott Brannan	William E. Roller	Joseph Niemann	Steven W. Weidenmuller
Employment Agreement Benefits:					
Without "cause" or "good reason"					
Lump Sum Payment	—	$ 525,000	$ 370,015	$ 291,064	$ 357,305
Pro Rata Incentive Compensation	—	$ 175,000	$ 114,832	$ 83,161	$ 110,888
Health Care	—	$ 19,677	$ 19,677	$ 19,677	$ 19,677
Upon a "change of control"					
Lump Sum Payment	—	$ 1,050,000	$ 740,031	$ 582,128	$ 714,609
Pro Rata Incentive Compensation	—	$ 175,000	$ 114,832	$ 83,161	$ 110,888
Health Care	—	$ 39,354	$ 39,354	$ 39,354	$ 39,354
Equity Awards(1):					
Accelerated Stock Options	—	$ 161,822	$ 591,836	$ 512,716	$ 512,716
Accelerated PRSUs	—	$ 87,954	$ 376,797	$ 155,362	$ 155,362
Excess Benefit Plan(2)	—	—	$ 484,686	$ 168,347	$ 372,470
Disability Benefits(3)	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 150,000

(1) Upon death, total and permanent disability and, in certain circumstances, a "corporate transaction" as defined above. See "Equity Awards" above for more details on the vesting of our outstanding equity awards.

(2) Amounts represent the aggregate balance of the named executive officer's Excess Benefit Plan account as of December 31, 2010. For more details on our Excess Benefit Plan, see "Nonqualified Deferred Compensation" above.

(3) Amounts represent the aggregate estimated annual benefit that would be paid pursuant to our Group Long-Term Disability Plan (which is available to all of our employees) and our Supplemental Long-Term Disability Plan in the event a named executive officer becomes disabled and is terminated. The estimated annual benefit for each named executive officer under the General Disability Plan is $60,000 and the estimated annual benefit for each named executive officer under the Supplemental Long-Term Disability Plan is $90,000.

Events Occurring Subsequent to the End of 2010. On February 18, 2011, we entered into the Separation Agreement with Mr. Weidenmuller. Further, on March 24, 2011, we entered into a new employment agreement with Mr. Kiefaber that provides him with termination and change of control benefits commensurate with those of our other executive officers pursuant to the new form of employment described above. Please see "Events Occurring Subsequent to the End of 2010" in the Compensation Discussion and Analysis above.

PROPOSAL 3

AN ADVISORY VOTE APPROVING OUR EXECUTIVE COMPENSATION

We are required by the Dodd-Frank Act and the rules of the SEC to seek a non-binding and advisory vote to approve the compensation of our named executive officers as disclosed in this Proxy Statement. We encourage stockholders to read the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement for a detailed discussion of our executive compensation program, the compensation and governance actions undertaken during 2010 and the compensation awarded to our named executive officers.

We strive to structure and implement an executive compensation program that takes into account our competitive industry, the marketplace for executive talent and the ongoing developments in corporate governance and compensation best practices. As discussed in our Compensation Discussion and Analysis, we are focused on linking compensation to performance while aligning the interests of management with those of our stockholders. Our Board of Directors and its Compensation Committee believes that our executive compensation program achieves these standards and is worthy of stockholder support. In determining whether to approve this proposal, we believe that stockholders should consider the following:

- Independent Compensation Committee. Our executive compensation program is reviewed and overseen by the Compensation Committee, which consists solely of independent directors. The Compensation Committee considers and makes determinations regarding executive compensation without executive officers present and receives advice, reports and data from an independent compensation consultant that does not perform any additional services for the Company.

- Performance-Based Incentive Compensation and History of Linking Compensation to Performance. Elements of our executive compensation program, such as our annual cash bonus plan and awards of performance-based restricted stock units, are designed to align compensation metrics with operational goals established by the Board. We have demonstrated a commitment to linking pay to performance. In 2010, our executive team received cash bonuses for the achievement of targets set by the Compensation Committee and earned the performance-based restricted stock units granted as part of the annual equity award. These payments correlated with the positive performance of the Company in 2010 as contrasted to our compensation payments in 2009, which saw dramatically reduced or, in the case of the Chief Executive Officer, eliminated cash bonuses due to the failure to achieve the metrics necessary to earn the performance-base restricted stock units awarded that year.

- Equity Grant Provisions. Our equity awards include time-based vesting provisions to encourage long-term growth. Specifically, all options awarded vest over a three year period starting one year after their grant and all performance-based restricted stock units, if earned, vest only in the fourth and fifth years after their grant subject to continued service with the Company.

- Stock Ownership Guidelines. Our executive officers are subject to the stock ownership guidelines described in the Compensation Discussion and Analysis under “Executive Summary.”

- “Double Trigger” Change of Control Provisions. The employment agreements with our executive officers provide that after a change in control an actual or “good reason” termination must occur before any enhanced severance benefits are triggered.

- Commitment to Continued Improvement. Our Compensation Committee is committed to evaluating the performance of our executive team in light of our Company’s operational results and to implementing governance best practices, as demonstrated by our adoption of a stock ownership policy and implementation of a hedging ban in

2010.

For these reasons, the Board unanimously recommends that stockholders vote in favor of the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

PROPOSAL 4

AN ADVISORY VOTE APPROVING FREQUENCY OF FUTURE ADVISORY VOTES ON OUR EXECUTIVE COMPENSATION

We are required by the Dodd-Frank Act and the rules of the SEC to seek a non-binding and advisory vote for our stockholder's preference as to how frequently the Company should hold future advisory votes on the compensation of our named executive officers. We are required to hold this vote at least once every three years. Accordingly, stockholders may indicate their preference that this advisory vote be held "EVERY THREE YEARS", "EVERY TWO YEARS", or "EVERY YEAR". Stockholders may also abstain from voting on this proposal. Although this vote is advisory, the Board values the input of stockholders and intends to review the voting results for this proposal in making its determination on the frequency of future executive compensation votes.

SEC rules will permit our exclusion of a stockholder proposal on the frequency of future advisory votes on our executive compensation if, in the most recent advisory vote on the frequency of future advisory votes on our executive compensation, a single frequency received the support of a majority of the votes cast and we adopt a policy on the frequency of future advisory votes on our executive compensation that is consistent with that choice.

Our Board has determined that holding future advisory votes every three years is the best choice for the Company for the following reasons:

- Design of and Evaluation Period For Our Compensation Program. Our compensation program has not changed considerably from year-to-year and is designed to reward and incentivize long-term performance. An advisory vote every three years will ensure that stockholders have a sufficient performance period to evaluate how the compensation program has functioned in achieving our long and short-term goals. Further, we believe that determining whether executive compensation has been properly calibrated to Company performance is best viewed over a multi-year performance period given that shorter timeframes are more susceptible to effects from factors that may not be indicative of the long-term performance and targeted growth our compensation program is designed to achieve.

- Time Required for Changes. We believe that an annual or biennial vote would not allow for changes to our executive compensation program, including changes made in response to the outcome of a prior advisory vote on executive compensation, to be in place long enough for stockholders to significantly evaluate them. Should we receive an advisory vote on executive compensation that is not in favor of our current program, the Company and the Board would want to understand and fully consider the views of our stockholders that led to the hypothetical negative result and to review all appropriate alternatives to the compensation program disfavored by stockholders. An annual or biennial timeframe would be insufficient for us to undertake this assessment, implement any changes to our compensation program and allow for a proper evaluation of these changes to be undertaken by the Company and its stockholders before the next required vote. We do not view it to be in the best interest of our stockholders to establish a shorter advisory vote review period that could incentivize reactive changes that are not fully appraised as a part of our overall compensation program and strategy.

- Ability to Engage During Interim Periods. The Company provides stockholders with other meaningful avenues to share views about our executive compensation program, including via our Board Communications Policy as described above in the Proxy Statement under "Contacting the Board of Directors."

In light of the above reasons, we believe that an advisory vote on our executive compensation would be most effective every three years. Please note that while the Board is making a recommendation, you are being asked to consider the voting alternatives and are not being asked to approve or disapprove the Board's recommendation.

The Board unanimously recommends that stockholders vote “EVERY THREE YEARS” for the advisory vote approving the frequency of future advisory votes on our executive compensation.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes the Company's equity compensation plan information as of December 31, 2010. All equity compensation plans have been approved by Company stockholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by Company stockholders	1,540,656	$12.34	2,853,915
Equity compensation plans not approved by Company stockholders	—	—	—

BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

The following table sets forth certain information as of March 25, 2011 (unless otherwise specified), with respect to the beneficial ownership of our common stock by each person who is known to own beneficially more than 5% of the outstanding shares of common stock, each person currently serving as a director, each nominee for director, each named executive officer (as listed below), and all directors and executive officers as a group:

Beneficial Owner	Amount and Nature Of Beneficial Ownership		Percent of Class	
5% Holders				
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	3,319,980	(1)	7.6	%
Keeley Asset Management Corp. 401 South LaSalle Street Chicago, IL 60605	2,754,090	(2)	6.3	%
Keeley Small Cap Value Fund 401 South LaSalle Street Chicago, IL 60605	2,298,890	(2)	5.3	%
FMR LLC 82 Devonshire Street Boston, MA 02109	2,177,250	(3)	5.0	%
Steven M. Rales 2099 Pennsylvania Avenue N.W., 12th Floor Washington, D.C. 20006	9,145,610	(4)	21.0	%
5% Holder and Director				
Mitchell P. Rales 2099 Pennsylvania Avenue N.W., 12th Floor Washington, D.C. 20006	9,145,610	(5)	21.0	%
Directors				
Patrick W. Allender	219,200	(6)(7)	*	
Joseph O. Bunting III	201,286	(7)	*	
Thomas S. Gayner	17,086	(7)	*	
Rhonda L. Jordan	15,301	(7)	*	
A. Clayton Perfall	762	(7)	*	
Rajiv Vinnakota	10,482	(7)	*	
Named Executive Officer and Director				
Clay H. Kiefaber	94,920	(8)(9)	*	
Named Executive Officers				
C. Scott Brannan	12,090	(8)(9)	*	
John A. Young	41,667	(8)	*	
G. Scott Faison	104,203	(8)	*	
William E. Roller	97,664	(8)	*	
Joseph E. Niemann	38,337	(8)	*	
Dr. Michael Matros	0	(8)	*	
Thomas M. O’Brien	79,302	(8)	*	
Steven W. Weidenmuller	62,385	(8)	*	
	9,803,469	(5)(6)(7)(8)(9)(10)	22.4	%

All of our directors and executive officers as a group (12 persons)

* Represents beneficial ownership of less than 1%

(1) Beneficial ownership amount and nature of ownership as reported on Amendment No. 1 to Schedule 13G filed with the SEC on February 10, 2011 by T. Rowe Price Associates, Inc. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. ("Price Associates") serves as investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(2) Beneficial ownership amount and nature of ownership as reported on Amendment No. 2 to Schedule 13G filed with the SEC on February 7, 2011 on the behalf of Keeley Asset Management Corp. and Keeley Funds, Inc. Keeley Small Cap Value Fund is a series of Keeley Funds, Inc. Keeley Asset Management Corp. and Keeley Small Cap Value Fund share beneficial ownership over the 2,298,890 shares reported as beneficially owned by Keeley Small Cap Value Fund and these shares are included in the amounts shown as beneficially owned by both entities.

(3) Beneficial ownership amount and nature of ownership as reported on Schedule 13G filed with the SEC on February 11, 2011 on the behalf of FMR LLC and its direct and indirect subsidiaries.

(4) The total number of shares of common stock beneficially owned by Steven M. Rales is 9,145,610. 9,126,222 shares are held directly by Steven M. Rales and 19,388 are held by Capital Yield Corporation, of which Mitchell P. Rales and Steven M. Rales are the sole stockholders.

(5) The total number of shares of common stock beneficially owned by Mitchell P. Rales is 9,145,610. 9,126,222 shares are held directly by Mitchell P. Rales and 19,388 are held by Capital Yield Corporation, of which Mitchell P. Rales and Steven M. Rales are the sole stockholders.

(6) Includes 199,259 shares owned by the John W. Allender Trust, of which Patrick Allender is trustee. Mr. Allender disclaims beneficial ownership of all shares held by the John W. Allender Trust except to the extent of his pecuniary interest therein.

(7) Beneficial ownership by directors (other than Mitchell P. Rales) includes: (i) for all directors except for Ms. Jordan and Mr. Perfall, 10,482 restricted stock units or DSUs that have vested or will vest within 60 days of March 25, 2011, (ii) for Ms. Jordan, 8,630 restricted stock units or DSUs that have vested or will vest within 60 days of March 25, 2011, and (iii) DSUs received in lieu of annual cash retainers and committee chairperson retainers as follows: Mr. Allender— 8,492, Mr. Gayner— 6,604, Ms. Jordan— 6,671, Mr. Perfall— 762. For more information on thes awards, see Director Compensation above.

(8) Beneficial ownership by named executive officers and our executive officers as a group includes shares that such individuals have the right to acquire upon the exercise of options that have vested or will vest within 60 days of March 25, 2011. The number of shares included in the table as beneficially owned which are subject to such options is as follows: Mr. Kiefaber— 65,688 , Mr. Young— 41,667, Mr. Faison— 53,203, Mr. Roller— 48,748, M Niemann— 30,337, Mr. O'Brien— 31,662, and Mr. Weidenmuller— 20,435.

(9) Each of Mr. Kiefaber and Mr. Brannan's beneficial ownership includes restricted stock units or DSUs received for service on the Board prior to their appointment as executive officers of the Company in the following amounts: 10,482 director restricted stock units for Mr. Kiefaber and 12,090 DSUs for Mr. Brannan.

(10) Beneficial ownership for executive officers does not reflect PRSUs that have been earned but not yet vested due to additional service-based vesting conditions. However, these PRSUs, when earned via certification of the applicable performance criteria by the Compensation Committee, are reflected in Table 1 of Form 4s filed by each executive officer. This transaction is shown in the Form 4 as an acquisition of the Company's common stock

pursuant to SEC guidance regarding Section 16 reporting for grants of restricted stock awards.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and 10% stockholders to file reports of ownership and changes in ownership of our equity securities. To our knowledge, based upon the reports filed and written representations regarding reports required during the fiscal year ended December 31, 2010, all reports required by Section 16(a) were filed on a timely basis except for a Form 3 for the designation of Ms. Keli Morrison as an "officer" for purposes of Section 16 on July 14, 2010, which was reported in a late Form 3 filing made on July 29, 2010.

GENERAL MATTERS

Stockholder Proposals and Nominations

Requirements for Stockholder Proposals to be Considered for Inclusion in our Proxy Materials. To be considered for inclusion in next year's proxy statement, stockholder proposals must be received by our Corporate Secretary at our principal executive offices no later than the close of business on December 17, 2011.

Requirements for Stockholder Proposals to be Brought Before an Annual Meeting. Our Bylaws provide that, for stockholder nominations to the Board or other proposals to be considered at an annual meeting, the stockholder must have given timely notice thereof in writing to the Secretary of the Company at Colfax Corporation, 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759, Attn: Corporate Secretary. To be timely for the 2011 annual meeting, the stockholder's notice must be delivered to or mailed and received by not less than 90 days nor more than 120 days before the anniversary date of the preceding annual meeting, except that if the annual meeting is set for a date that is more than 30 days before or more than 70 days after such anniversary, the nomination must be received not earlier than the close of business on the 120th day prior to the annual meeting date and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day when the Company makes a public announcement of the annual meeting date. Such notice must provide the information required by our Section 2.2 of our Bylaws with respect to each matter other than stockholder nominations the stockholder proposes to bring before the 2012 annual meeting. Notice of stockholder nominations must provide the information required by Section 3.3 of our Bylaws.

Additional Information

A copy of the Company's Annual Report to Stockholders for the fiscal year ended December 31, 2010 has been mailed concurrently with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy-soliciting material.

The Company filed its Annual Report on Form 10-K with the SEC on February 25, 2011. The Company will mail without charge, upon written request, a copy of its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, excluding exhibits. Exhibits, if requested, will be furnished upon the payment of a fee determined by the Company, such fee to be limited to the Company's reasonable expenses in furnishing the requested exhibit or exhibits. Please send a written request to Investor Relations, Colfax Corporation, 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759, or access these materials on the Company's website at www.colfaxcorp.com on the Investors page.

Other Matters

As of the date of this Proxy Statement, the Board does not intend to present any matters other than those described herein at the Annual Meeting and is unaware of any matters to be presented by other parties. If other matters are properly brought before the meeting for action by the stockholders, proxies returned to us in the enclosed form will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

By Order of the Board of Directors

A. Lynne Puckett
Secretary

COLFAX CORPORATION
8170 Maple Lawn Boulevard
Suite 180
Fulton, MD 20759

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONL

The Board of Directors recommends you vote FOR the following proposal(s):

1. Election of Directors	For	Against	Abstain
1a Mitchell P. Rales	..	..	..
1b Clay H. Kiefaber	..	..	..
1c Patrick W. Allender	..	..	..
1d Joseph O. Bunting III	..	..	..
1e Thomas S. Gayner	..	..	..

3 To approve, by non-binding advisory vote, the compensation of our named executive officers, as disclosed in the Proxy Statement.

The Board of Directors recommends you

1f Rhonda L. Jordan	..	..	..
1g A. Clayton Perfall	..	..	..
1h Rajiv Vinnakota	..	..	..

The Board of Directors recommends you vote FOR proposals 2 and 3:

	For	Against	Abstain
2 To ratify the appointment of Ernst & Young LLP as Colfax Corporation's independent registered public accounting firm for the fiscal year 2011.	..	..	..

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

vote 3 YEARS on the following proposal: 3 years 2

4 To recommend, by non-binding advisory vote, the frequency of future advisory votes on our executive compensation. ..

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report on Form 10-K is/are available at www.proxyvote.com.

STOCKHOLDERS' PROXY SOLICITED BY THE
BOARD OF DIRECTORS OF
COLFAX CORPORATION

Mitchell P. Rales and Joseph O. Bunting III, or either of them, each with the power of substitution, are hereby authorized to represent and to vote all of the shares of COLFAX CORPORATION common stock at the Annual Meeting of Stockholders of COLFAX CORPORATION to be held at the corporate headquarters of Colfax Corporation, 8170 Maple Lawn Boulevard, Suite 180, Fulton, Maryland 20759 on Wednesday, May 18, 2011 at 3:00 p.m., Eastern Daylight Time, and at any adjournment or postponement of the meeting.

My proxies will vote the shares represented by this proxy as directed on the other side of this card, but in the absence of any instructions from me, my proxies will vote “FOR” the election of all the nominees listed under Item 1, “FOR” Item 2 and Item 3, and “3 YEARS” for Item 4. My proxies may vote according to their discretion on any other matter which may properly come before the meeting. I may revoke this proxy prior to its exercise.

(Please fill in the appropriate boxes and sign and date on the other side of this card.)

Please fill the appropriate boxes, sign and date on the other side of this card.
