

FARO TECHNOLOGIES INC  
Form 424B5  
August 14, 2007  
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**Prospectus Supplement**

**Filed Pursuant to Rule 424(b)(5)**

**(To Prospectus dated July 31, 2007)**

**Registration No. 333-121919**

**FARO Technologies, Inc.**

**1,650,000 Shares of Common Stock**

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We are offering up to 1,650,000 shares of our common stock to certain institutional investors in this offering. Our common stock is listed on the NASDAQ Global Market under the symbol FARO. The last reported sale price of our common stock on August 8, 2007 on the NASDAQ Global Market was \$37.19 per share.

Robert W. Baird & Co. Incorporated is acting as lead placement agent and A.G. Edwards & Sons, Inc. is acting as co-placement agent in connection with this offering. The placement agents are not required to purchase or sell any shares of the common stock offered hereby nor are they required to sell any specific number of shares, but the placement agents will use their best efforts to arrange for the sale of all of the shares offered hereby.

**Investing in our common stock involves risks. See Risk Factors incorporated by reference in this prospectus supplement and the accompanying prospectus.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 34.00	\$ 56,100,000
Placement agents' fees	\$ 1.70	\$ 2,805,000
Proceeds to us, before expenses	\$ 32.30	\$ 53,295,000

Because there is no minimum offering amount required as a condition to the closing of this offering, the actual offering amount, placement agents' fees, and proceeds to us are not presently determinable and may be substantially less than the maximum amounts set forth above.

The shares offered hereby will be ready for delivery on or about August 14, 2007.

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

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**Robert W. Baird & Co.**

**A.G. Edwards & Sons, Inc.**

**The date of this prospectus supplement is August 10, 2007**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus, dated July 31, 2007, are part of a registration statement on Form S-3 (Registration No. 333-121919) that we filed with the Securities and Exchange Commission using a shelf registration process. Under the shelf registration process, we may sell any combination of the securities described in the accompanying prospectus up to a total dollar amount of \$125,000,000 of which this offering is a part.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus. In the prospectus, we provide you with a general description of the shares of our common stock that we are offering and specific information about the terms of this offering. Both this prospectus supplement and the accompanying prospectus include important information about us and about our common stock and other information you should know before investing. This prospectus supplement also adds, updates, and changes information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement.

You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under the heading *Incorporation By Reference* on pages 17 and 18 of the accompanying prospectus before investing in our common stock. In addition to the documents listed on pages 17 and 18 of the accompanying prospectus, we are incorporating by reference any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus that is also part of this document. We have not authorized anyone to provide information different from that contained or incorporated in this prospectus supplement and the accompanying prospectus. We are offering to sell shares of common stock only in jurisdictions where offers and sales are permitted. The information contained or incorporated in this prospectus supplement and the accompanying prospectus is accurate only as of the date of such information, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our common stock.

In this prospectus supplement, we, us, and our company refer to FARO Technologies, Inc., together with its subsidiaries, unless the context otherwise requires.

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**THE OFFERING**

Common stock offered by us in this offering	1,650,000 shares
Common stock to be outstanding after this offering	16,587,123 shares
Risk factors	See the Risk Factors contained in our reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for a discussion of factors that you should read and consider before investing in our common stock.
Use of proceeds	We intend to use the net proceeds from this offering for working capital and general corporate purposes. We also may use all or a portion of the net proceeds from this offering to acquire additional businesses or technologies, although we have no commitments or agreements in place with respect to any acquisition as of the date of this prospectus supplement. See Use of Proceeds in this prospectus supplement.
NASDAQ Global Market symbol	FARO

The number of shares of common stock that will be outstanding after this offering is based on 14,937,123 shares issued and outstanding as of August 1, 2007, assumes all 1,650,000 shares are sold in this offering, and excludes shares of common stock issuable upon the exercise of outstanding stock options under our equity incentive plans and shares of common stock available for future grants under our equity incentive plans.

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**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of all 1,650,000 shares of common stock in this offering will be approximately \$53.0 million, after deducting the placement agents' fees and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and general corporate purposes. We also may use all or a portion of the net proceeds from this offering to acquire additional businesses or technologies, although we have no commitments or agreements in place with respect to any acquisition as of the date of this prospectus supplement. Pending these uses, we intend to invest the net proceeds in investment-grade, interest-bearing securities.

As of the date of this prospectus supplement, we have not allocated specific amounts of the net proceeds from this offering for any specific purpose. Accordingly, we will have broad discretion over the use of the net proceeds from the sale of the common stock offered hereby.

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**PLAN OF DISTRIBUTION**

We are offering the shares of common stock through placement agents. Subject to the terms and conditions of the placement agency agreement dated August 8, 2007, Robert W. Baird & Co. Incorporated and A.G. Edwards & Sons, Inc. have agreed to act as the exclusive placement agents in connection with this offering. The placement agents are not purchasing any shares of common stock offered by this prospectus supplement or the accompanying prospectus, nor are they required to arrange for the purchase or sale of any specific number or dollar amount of the shares of common stock, but have agreed to use best efforts to arrange for the sale of all of the shares offered.

There is no requirement that any minimum number of shares or dollar amount of shares of common stock be sold in this offering and there can be no assurance that we will sell all or any of the shares being offered. The placement agents propose to arrange for the sale to one or more purchasers of the shares of common stock offered pursuant to this prospectus supplement, and the accompanying prospectus directly through purchase agreements between each of the purchasers and us.

The agreement with purchasers of shares of our common stock which are to be sold pursuant to this prospectus supplement and the accompany prospectus provides that the obligations of the purchasers are subject to certain conditions, including (i) the accuracy of the representations and warranties made by us in the purchase agreement and the fulfillment of those undertakings by us in the purchase agreement to be fulfilled prior to the closing, and (ii) the condition that the placement agents shall not have terminated the placement agency agreement pursuant to the terms thereof or determined that the conditions to the closing in the placement agency agreement have not been satisfied.

Confirmations and definitive prospectuses will be distributed to all investors who agree to purchase the shares of common stock informing them of the closing date of the offering. We currently anticipate that closing of this offering will take place on August 14, 2007. Investors will also be informed of the date on which they must transmit the purchase price into the designated account.

We have agreed to pay to the placement agents aggregate placement agents fees equal to 5.0% of the gross proceeds from the sale of the shares of common stock in this offering, with Robert W. Baird & Co. Incorporated receiving 4.0% of such gross proceeds and A.G. Edwards & Sons, Inc. receiving 1.0% of such gross proceeds. The per share and total placement agents fees that we will pay to the placement agents in connection with the sale of the shares offered hereby, assuming the purchase of all of the shares offered hereby, will be \$1.70 and \$2,805,000, respectively.

Because there is no minimum offering amount required as a condition to closing in this offering, the actual total offering commissions, if any, are not presently determinable and may be substantially less than the maximum amount set forth above. We will not provide any member of the National Association of Securities Dealers, Inc., or NASD, or any independent broker-dealer with underwriter compensation, as that term is understood by the NASD's conduct rules, in excess of 8% of the initial gross proceeds from the sale by such NASD member or independent broker-dealer of any common stock being offered hereby.

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We have agreed to indemnify the placement agents against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the Securities Act ), and liabilities arising from breaches of representations and warranties contained in the placement agency agreement. We have also agreed to contribute to payments the placement agents may be required to make in respect of such liabilities.

The placement agency agreement with the placement agents and the form of purchase agreement with the investors are included as exhibits to our Current Report on Form 8-K that was filed with the Securities and Exchange Commission on August 9, 2007 in connection with this offering.

The transfer agent for our common stock is American Stock Transfer & Trust Company.

## **Lock-Up Agreements**

Our directors and executive officers have agreed to certain lock-up provisions with regard to future sales of our common stock for a period of 90 days after the offering as set forth in the placement agency agreement, subject to limited extension in certain circumstances. The 90-day lock-up period will be extended to the extent either of the placement agents are providing research coverage of us and are subject to certain NASD rules if:

during the last 17 days of the 90-day lock-up period we issue an earnings release or material news or a material event relating to us occurs; or

prior to the expiration of the 90-day lock-up period we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period;

in which case the lock-up restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event, the announcement of the material news or the occurrence of a material event, unless such extension is waived in writing by Robert W. Baird & Co. Incorporated. Robert W. Baird & Co. Incorporated, in its sole discretion, may release the common stock subject to the lock-up agreements described above in whole or in part at any time with or without notice.

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**LEGAL MATTERS**

The validity of the securities offered hereby have been passed upon for us by Foley & Lardner LLP, Tampa, Florida. Holland & Knight, Tampa, Florida, is acting as counsel for the placement agents in this offering.

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934 (the Exchange Act ). In accordance with the Exchange Act, we file reports, proxy statements, and other information with the Securities and Exchange Commission. You can inspect and copy these reports, proxy statements, and other information at the Public Reference Room of the Securities and Exchange Commission, 100 F Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our Securities and Exchange Commission filings are also available on the Securities and Exchange Commission's web site. The address of this site is <http://www.sec.gov>.

We have filed with the Securities and Exchange Commission a registration statement (which term includes all amendments, exhibits, and schedules thereto) on Form S-3 under the Securities Act with respect to the shares offered by this prospectus. This prospectus does not contain all the information set forth in the registration statement because certain information has been incorporated into the registration statement by reference in accordance with the rules and regulations of the Securities and Exchange Commission. Please review the documents incorporated by reference for a more complete description of the matters to which such documents relate. The registration statement may be inspected at the public reference facilities maintained by the Securities and Exchange Commission at Room 1024, Judiciary Plaza, 100 F Street, N.W., Washington, D.C. 20549 and is available to you on the Securities and Exchange Commission's web site.



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PROSPECTUS

**\$125,000,000**

**FARO Technologies, Inc.**

**Debt Securities, Common Stock and Warrants**

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When we offer securities, we will provide you with a prospectus supplement describing the terms of the specific issue of securities, including the offering price of the securities. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

Our common stock is traded on the NASDAQ Global Market under the symbol FARO.

**Investing in these securities involves risks. Before investing in our securities, you should refer to the risk factors included in our periodic reports, in prospectus supplements relating to specific offerings and in other information that we file with the Securities and Exchange Commission.**

The securities may be offered in amounts, at prices and on terms determined at the time of offering. The securities may be sold directly to you through agents which we may select, or through underwriters and dealers which we may select. If we use agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is July 31, 2007.

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

The information in this prospectus or any supplement may not contain all the information that may be important to you. You should read the entire prospectus or any supplement, as well as the documents incorporated by reference in the prospectus or any supplement, before making an investment decision.

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FARO® and the FARO logo are registered trademarks of FARO Technologies, Inc. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission utilizing a shelf registration process. Under this shelf process, we may, from time to time, sell any combination of securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any applicable prospectus supplement together with additional information described below under the heading **Where You Can Find More Information**.

When used in this prospectus and any prospectus supplement, the terms **FARO**, **we**, **our**, **us** and the **Company** refer to FARO Technologies, and its subsidiaries. The following summary contains basic information about us. It likely does not contain all the information that is important to you. We encourage you to read this entire prospectus and the documents we have referred you to.

**ABOUT FARO**

**Our Business**

The Company designs, develops, manufactures, markets and supports portable, software-driven, 3-D measurement systems that are used in a broad range of manufacturing, industrial, building construction and forensic applications. The Company's Faro Arm, Faro Scan Arm and Faro Gage articulated measuring devices, the Faro Laser Scanner LS, the Faro Laser Tracker, and their companion CAM2 software provide for Computer-Aided Design (CAD)-based inspection and/or factory-level statistical process control and high-density surveying. Together, these products integrate the measurement, quality inspection and reverse engineering functions with CAD software to improve productivity, enhance product quality and decrease rework and scrap in the manufacturing process. The Company uses the acronym **CAM2** for this process, which stands for computer-aided manufacturing measurement. The Company's products bring precision measurement, quality inspection and specification conformance capabilities, integrated with leading CAD software, to the factory floor. The Company is a pioneer in the development, marketing and manufacturing of 3-D measurement technology in manufacturing and industrial applications and currently holds 65 issued or pending patents. As of May 2007, the Company's products have been purchased by approximately 6,500 customers worldwide, ranging from small machine shops to such large manufacturing and industrial companies as Audi, Bell Helicopter, Boeing, British Aerospace, Caterpillar, Daimler Chrysler, General Electric, General Motors, Honda, Johnson Controls, Komatsu Dresser, Lockheed Martin, Nissan, Siemens and Volkswagen, among many others.

Our principal executive offices are located at 125 Technology Park, Lake Mary, Florida 32746, and our telephone number at this address is (407) 333-9911. Our website address is [www.faro.com](http://www.faro.com). Information contained in our website is not a part of this document.



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Unless otherwise indicated in the prospectus supplement, the net proceeds from the sale of securities offered by this prospectus will be used by us for one or more of the following:

repayment or refinancing of debt;

acquisition of additional businesses or technologies; and

working capital and general corporate purposes.

We will have significant discretion in the use of any net proceeds. Investors will be relying on the judgment of our management regarding the application of the proceeds of any sale of the securities. Pending such uses, we anticipate that we will invest the net proceeds in interest-bearing securities.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

	<b>For the three months ended March 31,</b>		<b>For the year ended December 31,</b>				
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Ratio of earnings to fixed charges</b>	14.1	2.8	8.3	10.8	23.7	19.7	N/A

N/A = Our earnings were insufficient to cover our fixed charges for the year ended December 31, 2002 by \$1,804,831.

For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of pretax income from continuing operations and the portion of rent expense deemed to represent interest. Fixed charges consist of the sum of interest expense and the portion of rent expense deemed to represent interest. Our fixed charges do not include any dividend requirements with respect to preferred stock because, as of the date of this prospectus and for the five preceding fiscal years, we have had no preferred stock outstanding.

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**THE SECURITIES**

From time to time, we may offer under this prospectus, separately or together:

unsecured senior or subordinated debt securities;

shares of common stock;

warrants to purchase shares of common stock; and

warrants to purchase debt securities.

The aggregate initial offering price of the offered securities will not exceed \$125,000,000.

**DESCRIPTION OF DEBT SECURITIES**

The following description sets forth general terms and provisions of the debt securities to which any prospectus supplement may relate. We will describe the particular terms and provisions of the series of debt securities offered by a prospectus supplement, and the extent to which such general terms and provisions described below may apply thereto, in the prospectus supplement relating to such series of debt securities.

The senior debt securities are to be issued in one or more series under an indenture, as supplemented or amended from time to time between us and an institution that we will name in the related prospectus supplement, as trustee. For ease of reference, we will refer to the indenture relating to senior debt securities as the senior indenture and we will refer to the trustee under that indenture as the senior trustee. The subordinated debt securities are to be issued in one or more series under an indenture, as supplemented or amended from time to time, between us and an institution that we will name in the related prospectus supplement, as trustee. For ease of reference, we will refer to the indenture relating to subordinate debt securities as the subordinate indenture and we will refer to the trustee under that indenture as the subordinate trustee. This summary of certain terms and provisions of the debt securities and the indentures is not necessarily complete, and we refer you to the copy of the form of the indentures that are or will be filed as an exhibit to the registration statement of which this prospectus forms a part, and to the Trust Indenture Act of 1939, as amended. Whenever we refer to particular defined terms of the indentures in this section or in a prospectus supplement, we are incorporating these definitions into this prospectus or the prospectus supplement.

**General**

The debt securities will be issuable in one or more series pursuant to the applicable indenture, a supplemental indenture relating to such series of debt securities, or a resolution of our board of directors or a committee of the board. Unless otherwise specified in a prospectus supplement, each series of senior debt securities will rank equally in right of payment with all our other senior obligations. Each series of subordinated debt securities will be subordinated and junior in right of payment to the extent and in the manner set forth in the subordinated indenture and any supplemental indenture relating to that debt. In addition, such subordinated debt securities may rank equal or senior in right of payment to other subordinated indebtedness that may have been issued or will be issued in the future. Except as otherwise provided in a prospectus supplement, the indentures will not limit our incurrence or issuance of other secured or unsecured debt, whether under the indentures, any other indenture that we may enter into in the future or otherwise. For more information, you should read the prospectus supplement relating to a particular offering of securities.

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The applicable prospectus supplement or prospectus supplements will describe the following terms of each series of debt securities:

the title of the debt securities and whether such series constitutes senior debt securities or subordinated debt securities;

any limit upon the aggregate principal amount of the debt securities;

the percentage of principal amount at which the debt securities will be issued;

the date or dates on which the principal of the debt securities is payable or the method of that determination or the right, if any, of FARO to defer payment of principal;

the rate or rates, if any, at which the debt securities will bear interest (including reset rates, if any, and the method by which any such rate will be determined), the interest payment dates on which interest will be payable and the right, if any, of FARO to defer any interest payment;

the place or places where, subject to the terms of the indenture as described below under the caption "Payment and Paying Agents," the principal of and premium, if any, and interest, if any, on the debt securities will be payable and where, subject to the terms of the indenture as described below under the caption "Denominations, Registration and Transfer," we will maintain an office or agency where debt securities may be presented for registration of transfer or exchange and the place or places where notices and demands to or upon us in respect of the debt securities and the indenture may be made;

any period or periods within, or date or dates on which, the price or prices at which and the terms and conditions upon which debt securities may be redeemed, in whole or in part, at our option pursuant to any sinking fund or otherwise;

the obligation, if any, of FARO to redeem or purchase the debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder and the period or periods within which, the price or prices at which, the currency or currencies including currency unit or units, in which and the other terms and conditions upon which the debt securities will be redeemed or purchased, in whole or in part, pursuant to such obligation;

the denominations in which any debt securities will be issuable if other than denominations of \$1,000 and any integral multiple thereof;

if other than in U.S. dollars, the currency or currencies, including currency unit or units, in which the principal of, and premium, if any, and interest, if any, on the debt securities will be payable, or in which the debt securities shall be denominated;

any additions, modifications or deletions in the events of default or covenants of FARO specified in the indenture with respect to the debt securities;

if other than the principal amount, the portion of the principal amount of debt securities that will be payable upon declaration of acceleration of the maturity thereof;





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any additions or changes to the indenture with respect to a series of debt securities that will be necessary to permit or facilitate the issuance of the series in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

any index or indices used to determine the amount of payments of principal of and premium, if any, on the debt securities and the manner in which such amounts will be determined;

subject to the terms of the indenture as described below under the caption Global Debt Securities, whether the debt securities of the series will be issued in whole or in part in the form of one or more global securities and, in such case, the depository for the global securities;

the appointment of any trustee, registrar, paying agent or agents;

the terms and conditions of any obligation or right of FARO or a holder to convert or exchange debt securities into preferred securities or other securities;

whether the defeasance and covenant defeasance provisions described under the caption Satisfaction and Discharge; Defeasance will be inapplicable or modified;

any applicable subordination provisions in addition to those set forth herein with respect to subordinated debt securities; and

any other terms of the debt securities not inconsistent with the provisions of the applicable indenture.

We may sell debt securities at a substantial discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates. We will describe material U.S. federal income tax consequences and special considerations applicable to those debt securities in the applicable prospectus supplement.

If the purchase price of any of the debt securities is payable in one or more foreign currencies or currency units or if any debt securities are denominated in one or more foreign currencies or currency units or if the principal of, premium, if any, or interest, if any, on any debt securities is payable in one or more foreign currencies or currency units, we will set forth the restrictions, elections, material U.S. federal income tax considerations, specific terms and other information with respect to such issue of debt securities and such foreign currency or currency units in the applicable prospectus supplement.

If any index is used to determine the amount of payments of principal, premium, if any, or interest on any series of debt securities, we will describe the material U.S. federal income tax, accounting and other considerations applicable thereto in the applicable prospectus supplement.

**Denominations, registration and transfer**

Unless otherwise specified in the applicable prospectus supplement, the debt securities will be issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple thereof. Debt securities of any series will be exchangeable for other debt securities of the same issue and series, of any authorized denominations of a like aggregate principal amount, the same original issue date, stated maturity and bearing the same interest rate.

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Holders may present each series of debt securities for exchange as provided above, and for registration of transfer, with the form of transfer endorsed thereon, or with a satisfactory written instrument of transfer, duly executed, at the office of the appropriate securities registrar or at the office of any transfer agent designated by us for such purpose and referred to in the applicable prospectus supplement, without service charge and upon payment of any taxes and other governmental charges as described in the indenture. We will appoint the trustee of each series of debt securities as securities registrar for such series under the indenture. If the applicable prospectus supplement refers to any transfer agents, in addition to the securities registrar initially designated by us with respect to any series, we may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, provided that we maintain a transfer agent in each place of payment for the series. We may at any time designate additional transfer agents with respect to any series of debt securities. In the event of any redemption, neither we nor the trustee will be required to:

issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days before the day of mailing of a notice for redemption of debt securities of that series, and ending at the close of business on the day of mailing of the relevant notice of redemption; or

transfer or exchange any debt securities so selected for redemption, except, in the case of any debt securities being redeemed in part, any portion not being redeemed.

### **Global debt securities**

Unless otherwise specified in the applicable prospectus supplement, the debt securities of a series may be issued in whole or in part in the form of one or more global securities that we will deposit with, or on behalf of, a depository identified in the prospectus supplement relating to such series. Global debt securities may be issued only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual debt securities represented by it, a global debt security may not be transferred except as a whole by the depository for the global debt security to a nominee of the depository, or by a nominee of the depository to the depository or another nominee of the depository, or by the depository or any nominee to a successor depository or any nominee of the successor.

The specific terms of the depository arrangement with respect to a series of debt securities will be described in the prospectus supplement relating to the series. We anticipate that the following provisions will generally apply to depository arrangements.

Upon the issuance of a global debt security and the deposit of the global debt security with or on behalf of the applicable depository, the depository for the global debt security, or its nominee, will credit on its book-entry registration and transfer system the respective principal amounts of the individual debt securities represented by the global debt security to the accounts of persons, more commonly known as participants, that have accounts with the depository. These accounts will be designated by the dealers, underwriters or agents with respect to the debt securities or by us if the debt securities are offered and sold directly by us. Ownership of beneficial interests in a global debt security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in the global debt security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depository or its nominee with respect to interests of participants and the records of participants with respect to interests of persons who hold through participants. The laws of some states require that certain purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global debt security.

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So long as the depository for a global debt security, or its nominee, is the registered owner of the global debt security, the depository or its nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by the global debt security for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global debt security will not be entitled to have any of the individual debt securities of the series represented by the global debt security registered in their names, will not receive or be entitled to receive physical delivery of any debt securities of the series in definitive form, and will not be considered the owners or holders of them under the indenture.

Payments of principal of, and premium, if any, and interest on individual debt securities represented by a global debt security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global debt security representing the debt securities. None of FARO, the trustee, any paying agent, or the securities registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interest of the global debt security for the debt securities or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We expect that the depository for a series of debt securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent global debt security representing any of the debt securities, immediately will credit participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal amount of the global debt security for the debt securities as shown on the records of the depository or its nominee. We also expect that payments by participants to owners of beneficial interests in the global debt security held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in street name. These payments will be the responsibility of these participants.

Unless otherwise specified in the applicable prospectus supplement, if the depository for a series of debt securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by us within 90 days, we will issue individual debt securities of the series in exchange for the global debt security representing the series of debt securities. In addition, unless otherwise specified in the applicable prospectus supplement, we may at any time and in our sole discretion, subject to any limitations described in the prospectus supplement relating to the debt securities, determine not to have any debt securities of the series represented by one or more global debt securities and, in such event, will issue individual debt securities of the series in exchange for such global debt securities. Further, if we so specify with respect to the debt securities of a series, an owner of a beneficial interest in a global debt security representing debt securities of the series may, on terms acceptable to us, the trustee and the depository for the global debt security, receive individual debt securities of the series in exchange for such beneficial interests, subject to any limitations described in the prospectus supplement relating to the debt securities. In any such instance, an owner of a beneficial interest in a global debt security will be entitled to physical delivery of individual debt securities of the series represented by the global debt security equal in principal amount to its beneficial interest and to have the debt securities registered in its name. Individual debt securities of the series so issued will be issued in denominations, unless otherwise specified by us, of \$1,000 and integral multiples thereof. The applicable prospectus supplement may specify other circumstances under which individual debt securities may be issued in exchange for the global debt security representing any debt securities.

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### **Payment and paying agents**

Unless otherwise indicated in the applicable prospectus supplement, payment of principal of, and premium, if any, and any interest on debt securities will be made at the office of the trustee in New York or at the office of such paying agent or paying agents as we may designate from time to time in the applicable prospectus supplement, except that at our option, payment of any interest may be made:

except in the case of global debt securities, by check mailed to the address of the person or entity entitled thereto as such address shall appear in the securities register; or

by transfer to an account maintained by the person or entity entitled thereto as specified in the securities register, provided that proper transfer instructions have been received by the regular record date.

Unless otherwise indicated in the applicable prospectus supplement, we will make payment of any interest on debt securities to the person or entity in whose name the debt security is registered at the close of business on the regular record date for the interest payment, except in the case of defaulted interest. We may at any time designate additional paying agents or rescind the designation of any paying agent; however, we will at all times be required to maintain a paying agent in each place of payment for each series of debt securities.

Any monies deposited with the trustee or any paying agent, or held by us in trust, for the payment of the principal of, and premium, if any, or interest on any debt security and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable will, at our request, be repaid to us or released from such trust, as applicable, and the holder of the debt security will thereafter look, as a general unsecured creditor, only to us for payment.

### **Option to defer interest payments or to pay-in-kind**

If provided in the applicable prospectus supplement, we will have the right, at any time and from time to time during the term of any series of debt securities, to defer the payment of interest for such number of consecutive interest payment periods as may be specified in the applicable prospectus supplement, subject to the terms, conditions and covenants, if any, specified in such prospectus supplement, provided that an extension period may not extend beyond the stated maturity of the final installment of principal of the series of debt securities. If provided in the applicable prospectus supplement, we will have the right, at any time and from time to time during the term of any series of debt securities, to make payments of interest by delivering additional debt securities of the same series. Certain material U.S. federal income tax consequences and special considerations applicable to the debt securities will be described in the applicable prospectus supplement.

### **Subordination**

Except as set forth in the applicable prospectus supplement, the subordinated indenture will provide that the subordinated debt securities will be subordinated and junior in right of payment to all senior indebtedness of FARO. The term "senior indebtedness" will be defined in the applicable prospectus supplement. If:

We default in the payment of any principal, or premium, if any, or interest on any senior indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or declaration or otherwise; or

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an event of default occurs with respect to any senior indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default, requesting that payments on subordinated debt securities cease, is given to us by the holders of senior indebtedness, then unless and until the default in payment or event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment, in cash, property or securities, by set-off or otherwise, will be made or agreed to be made on account of the subordinated debt securities or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of subordinated debt securities.

Except as set forth in the applicable prospectus supplement, the subordinated indenture will provide that in the event of:

any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to us, our creditors or our property;

any proceeding for the liquidation, dissolution or other winding-up of FARO, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings;

any assignment by us for the benefit of creditors; or

any other marshaling of our assets; all present and future senior indebtedness, including, without limitation, interest accruing after the commencement of the proceeding, assignment or marshaling of assets, will first be paid in full before any payment or distribution, whether in cash, securities or other property, will be made by us on account of subordinated debt securities. In that event, any payment or distribution, whether in cash, securities or other property, other than securities of FARO or any other corporation provided for by a plan of reorganization or a readjustment, the payment of which is subordinate, at least to the extent provided in the subordination provisions of the indenture, to the payment of all senior indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustments and other than payments made from any trust described below under the caption Satisfaction and Discharge; Defeasance, which would otherwise, but for the subordination provisions, be payable or deliverable in respect of subordinated debt securities, including any such payment or distribution that may be payable or deliverable by reason of the payment of any other indebtedness of FARO being subordinated to the payment of subordinated debt securities, will be paid or delivered directly to the holders of senior indebtedness or to their representative or trustee, in accordance with the priorities then existing among such holders, until all senior indebtedness shall have been paid in full. No present or future holder of any senior indebtedness will be prejudiced in the right to enforce subordination of the indebtedness evidenced by subordinated debt securities by any act or failure to act on our part.

## **Modification of indentures**

From time to time, we and the trustees may modify the indentures without the consent of any holders of any series of debt securities with respect to some matters, including:

to cure any ambiguity, defect or inconsistency or to correct or supplement any provision that may be inconsistent with any other provision of the indenture;

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to qualify, or maintain the qualification of, the indentures under the Trust Indenture Act of 1939, as amended; and

to make any change that does not materially adversely affect the interests of any holder of such series of debt securities.

In addition, under the indentures, we and the trustees may modify some of our rights, covenants and obligations and the rights of holders of any series of debt securities with the written consent of the holders of at least a majority in aggregate principal amount of the series of outstanding debt securities; but no extension of the maturity of any series of debt securities, reduction in the interest rate or extension of the time for payment of interest, change in the optional redemption or repurchase provisions in a manner adverse to any holder of the series of debt securities, other modification in the terms of payment of the principal of, or interest on, the series of debt securities, or reduction of the percentage required for modification, will be effective against any holder of the series of outstanding debt securities without the holder's consent.

In addition, we and the trustees may execute, without the consent of any holder of the debt securities, any supplemental indenture for the purpose of creating any new series of debt securities.

## **Events of default**

The indentures will provide that any one or more of the following described events with respect to a series of debt securities that has occurred and is continuing constitutes an event of default with respect to that series of debt securities:

failure for 60 days to pay any interest or any sinking fund payment on the series of debt securities when due (subject to the deferral of any due date in the case of an extension period);

failure to pay any principal or premium, if any, on the series of the debt securities when due, whether at maturity, upon redemption, by declaration or otherwise;

failure to observe or perform in any material respect certain other covenants contained in the indenture for 90 days after written notice has been given to us from the trustee or the holders of at least 25% in principal amount of the series of outstanding debt securities;

default resulting in acceleration of other indebtedness of FARO for borrowed money, where the aggregate principal amount so accelerated exceeds \$50 million and the acceleration is not rescinded or annulled within 60 days after the written notice thereof to us by the trustee or to us and the trustee by the holders of 25% in aggregate principal amount of the debt securities of the series then outstanding, provided that the event of default will be remedied, cured or waived if the default that resulted in the acceleration of such other indebtedness is remedied, cured or waived; or

certain events in bankruptcy, insolvency or reorganization of FARO.

The holders of not less than a majority in outstanding principal amount of the series of debt securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee of the series. The trustee or the holders of not less than 25% in aggregate outstanding principal amount of the series may declare the principal due and payable immediately upon an event of default. The holders of a majority in aggregate outstanding principal amount of the series

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may annul the declaration and waive the default if the default (other than the non-payment of the principal of the series that has become due solely by the acceleration) has been cured and a sum sufficient to pay all matured installments or interest and principal due otherwise than by acceleration has been deposited with the trustee of the series.

The holders of a majority in outstanding principal amount of a series of debt securities affected thereby may, on behalf of all the holders of the series of debt securities, waive any past default, except a default in the payment of principal or interest, unless the default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the trustee of the series, or a default in respect of a covenant or provision that under the related indenture cannot be modified or amended without the consent of the holder of each outstanding debt security of the series. We are required to file annually with the trustees a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to it under the indentures.

In case an event of default shall occur and be continuing as to a series of debt securities, the trustee of the series will have the right to declare the principal of and the interest on the debt securities, and any other amounts payable under the indenture, to be forthwith due and payable and to enforce its other rights as a creditor with respect to the debt securities.

No holder of any debt securities will have any right to institute any proceeding with respect to the indenture or for any remedy thereunder, unless the holder shall have previously given to the trustee written notice of a continuing event of default, the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the series shall have made written request and offered reasonable indemnity to the trustee of the series to institute the proceeding as a trustee, and the trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding debt securities of the class a direction inconsistent with the request and shall have failed to institute the proceeding within 60 days. However, these limitations do not apply to a suit instituted by a holder of a debt security for enforcement of payment of the principal or interest on the debt security on or after the respective due dates expressed in the debt security.

## **Consolidation, merger, sale of assets and other transactions**

Unless otherwise indicated in the applicable prospectus supplement, the indentures will provide that we will not consolidate with or merge into any other person or entity or sell, assign, convey, transfer or lease its properties and assets substantially as an entirety to any person or entity unless:

either we are the continuing corporation, or any successor or purchaser is a corporation, partnership, or trust or other entity organized under the laws of the United States of America, any state thereof or the District of Columbia, and the successor or purchaser expressly assumes our obligations on the debt securities under a supplemental indenture; and

immediately before and after giving effect thereto, no event of default, and no event that, after notice or lapse of time or both, would become an event of default, shall have happened and be continuing.

Unless otherwise indicated in the applicable prospectus supplement, the general provisions of the indentures do not afford holders of the debt securities protection in the event of a highly leveraged or other transaction involving us that may adversely affect holders of the debt securities.

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### **Satisfaction and discharge; defeasance**

The indentures will provide that when, among other things, all debt securities not previously delivered to the trustee for cancellation:

have become due and payable; or

will become due and payable at their stated maturity within one year, and we deposit or cause to be deposited with the trustee, as trust funds in trust for the purpose, an amount in the currency or currencies in which the debt securities are payable sufficient to pay and discharge the entire indebtedness on the debt securities not previously delivered to the trustee for cancellation, for the principal, and premium, if any, and interest to the date of the deposit or to the stated maturity, as the case may be;

then the indenture will cease to be of further effect (except as to our obligations to pay all other sums due pursuant to the indenture and to provide the officers' certificates and opinions of counsel described therein), and we will be deemed to have satisfied and discharged the indenture.

The indentures will provide that we may elect either:

to terminate, and be deemed to have satisfied, all our obligations with respect to any series of debt securities, except for the obligations to register the transfer or exchange of such debt securities, to replace mutilated, destroyed, lost or stolen debt securities, to maintain an office or agency in respect of the debt securities, and to compensate and indemnify the trustee ( "defeasance" ); or

to be released from our obligations with respect to certain covenants ( "covenant defeasance" ) upon the deposit with the trustee, in trust for such purpose, of money and/or U.S. Government Obligations, as defined in the indenture, which through the payment of principal and interest in accordance with the term used will provide money, in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of, interest on, and any other amounts payable in respect of the outstanding debt securities of the series.

Such a trust may be established only if, among other things, we have delivered to the trustee an opinion of counsel (as specified in the indenture) with regard to certain matters, including an opinion to the effect that the holders of the debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the deposit and discharge, and will be subject to U.S. federal income tax on the same amounts, in the same manner, and at the same times as would have been the case if the deposit and defeasance or covenant defeasance, as the case may be, had not occurred.

### **Redemption**

Unless otherwise indicated in the applicable prospectus supplement, debt securities will not be subject to any sinking fund requirements.

Unless otherwise indicated in the applicable prospectus supplement, we may, at our option, redeem the debt securities of any series in whole at any time or in part from time to time, at the redemption price set forth in the applicable prospectus supplement plus accrued and unpaid interest to the date fixed for redemption, and debt securities in denominations larger than \$1,000 may be redeemed in part but only in integral multiples of \$1,000. If the debt securities of any series are so redeemable only on or after a specified date or upon the satisfaction of additional conditions, the applicable prospectus supplement will specify the date or describe the conditions.



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We will mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each holder of debt securities to be redeemed at the holder's registered address. Unless we default in the payment of the redemption price on and after the redemption date, interest shall cease to accrue on the debt securities or portions thereof called for redemption.

### **Conversion or exchange**

If and to the extent indicated in the applicable prospectus supplement, the debt securities of any series may be convertible or exchangeable into other securities. The specific terms on which debt securities of any series may be so converted or exchanged will be set forth in the applicable prospectus supplement. These terms may include provisions for conversion or exchange, either mandatory, at the option of the holder, or at our option, in which case the number of shares of other securities to be received by the holders of debt securities would be calculated as of a time and in the manner stated in the applicable prospectus supplement.

### **Certain covenants**

The indentures will contain certain covenants regarding, among other matters, corporate existence, payment of taxes and reports to holders of debt securities. If and to the extent indicated in the applicable prospectus supplement, these covenants may be removed or additional covenants added with respect to any series of debt securities.

### **Governing law**

The indentures and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

### **Information concerning the trustees**

Each trustee shall have and be subject to all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act of 1939, as amended. Subject to these provisions, each trustee is under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of the debt securities, unless offered reasonable indemnity by the holder against the costs, expenses and liabilities which might be incurred thereby. Each trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

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**DESCRIPTION OF CAPITAL STOCK**

We are a Florida corporation. Your rights as a shareholder are governed by the Florida Business Corporation Act, our Articles of Incorporation, as amended, and our bylaws, as amended. The following description of our common stock, together with the additional information included in any applicable prospectus supplements, summarizes the material terms and provisions of this kind of securities but is not complete. For the complete terms of our common stock, please refer to our Articles of Incorporation, as amended and bylaws, as amended that are incorporated by reference into the registration statement that includes this prospectus.

**Common stock**

We are authorized to issue 50,000,000 shares of common stock, \$.001 par value per share. Each holder of our common stock is entitled to one vote for each share held. Shareholders do not have the right to cumulate their votes in elections of directors. Accordingly, directors are elected by a plurality of the votes cast by the shares entitled to vote.

Our common stock is listed on the NASDAQ Global Market under the symbol FARO. Holders of our common stock will be entitled to dividends on a pro rata basis upon declaration of dividends by our board of directors. Dividends will be payable only out of funds legally available for the payment of dividends. Dividends that may be declared on our common stock will be paid in an equal amount to the holder of each share. Currently, we are not paying dividends. No pre-emptive rights are conferred upon the holders of such stock and there are no liquidation or conversion rights. There are no redemption or sinking fund provisions and there is no liability to further calls or to assessments by us. Any determination to declare or pay dividends in the future will be at the discretion of our board of directors and will depend on our results of operations, financial condition, contractual or legal restrictions and other factors deemed relevant by our board of directors. Upon our liquidation, holders of our common stock will be entitled to a pro rata distribution of our assets, after payment of all amounts owed to our creditors. The transfer agent for our common stock is American Stock Transfer & Trust Company.

**DESCRIPTION OF WARRANTS**

We may issue warrants for the purchase of debt securities or common stock. Warrants may be issued independently or together with any other securities offered by any prospectus supplement and may be attached to or separate from such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between FARO and a warrant agent specified in the applicable prospectus supplement. The warrant agent will act solely as an agent of FARO in connection with the warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders of the warrants. Further terms of the warrants and the applicable warrant agreements will be set forth in the applicable prospectus supplement. Copies of the form of warrant agreement and warrant will be filed as exhibits to or incorporated by reference in the registration statement of which this prospectus forms a part, and the following summary is qualified in its entirety by reference to such exhibits.

The applicable prospectus supplement will describe the terms of the warrants, including, where applicable, the following:

the title of the warrants;

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the aggregate number of warrants;

the price or prices at which warrants will be issued;

the designation, terms and number of securities purchasable upon exercise of warrants;

the designation and terms of the securities, if any, with which warrants are issued and the number of warrants issued with each security;

the date, if any, on and after which warrants and the related securities will be separately transferable;

the price at which each security purchasable upon exercise of warrants may be purchased;

the date on which the right to exercise the warrants shall commence and the date on which that right shall expire;

the minimum or maximum amount of warrants which may be exercised at any one time;

a discussion of any federal income tax considerations;

information with respect to book-entry procedures, if any; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

**PLAN OF DISTRIBUTION**

We may offer and sell the securities to or through underwriting syndicates represented by managing underwriters, to or through underwriters without a syndicate or through dealers or agents. The prospectus supplement with respect to the offered securities will set forth the terms of the offering, including the following:

the name or names of any underwriters, dealers or agents;

the purchase price and the proceeds we will receive from the sale;

any underwriting discounts, agency fees and other items constituting underwriters or agents' compensation; and

the initial public offering price and any discounts or concessions allowed, re-allowed or paid to dealers.

If any underwriters are involved in the offer and sale, the securities will be acquired by the underwriters and may be resold by them, either at a fixed public offering price established at the time of offering or from time to time in one or more negotiated transactions or otherwise, at prices

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related to prevailing market prices determined at the time of sale. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to

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certain conditions precedent and the underwriters will be obligated to purchase all the securities described in the prospectus supplement if any are purchased. Any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

We may offer and sell the securities directly or through an agent or agents designated by us from time to time. An agent may sell securities it has purchased from us as principal to other dealers for resale to investors and other purchasers, and may reallow all or any portion of the discount received in connection with the purchase from us to the dealers. After the initial offering of the securities, the offering price (in the case of securities to be resold at a fixed offering price), the concession and the discount may be changed. Any agent participating in the distribution of the securities may be deemed to be an underwriter, as that term is defined in the Securities Act of 1933, as amended, of the securities so offered and sold.

If any underwriters are involved in the offer and sale, they will be permitted to engage in transactions that maintain or otherwise affect the price of the securities. These transactions may include over-allotment transactions, purchases to cover short positions created by the underwriter in connection with the offering, and the imposition of penalty bids. If an underwriter creates a short position in the securities in connection with the offering, i.e., if it sells more securities than set forth on the cover page of the applicable prospectus supplement, the underwriter may reduce that short position by purchasing the securities in the open market. In general, purchases of a security to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. As noted above, underwriters may also choose to impose penalty bids on other underwriters and/or selling group members. This means that if underwriters purchase securities on the open market to reduce their short position or to stabilize the price of the securities, they may reclaim the amount of the selling concession from those underwriters and/or selling group members who sold such securities as part of the offering.

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

Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification by us against some liabilities, including liabilities under the Securities Act of 1933, as amended.

The place and time of delivery for the securities in respect of which this prospectus is delivered will be set forth in the applicable prospectus supplement if appropriate.

Unless otherwise indicated in the prospectus supplement, each series of offered securities will be a new issue of securities for which there currently is no market, other than the common stock, which is quoted on the NASDAQ Global Market. Any underwriters to whom securities are sold for public offering and sale may make a market in such series of securities as permitted by applicable laws and regulations, but such underwriters will not be obligated to do so, and any such market making may be discontinued at any time without notice. Accordingly, there can be no assurance as to the development or liquidity of any market for the securities.

Underwriters, agents and dealers may engage in transactions with or perform services, including various investment banking and other services, for us and/or any of our affiliates in the ordinary course of business.

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**LEGAL MATTERS**

Certain legal matters with respect to the validity of the securities offered hereby will be passed upon for FARO by Foley & Lardner LLP, Tampa, Florida, and for any underwriters, dealers or agents by counsel named in the applicable prospectus supplement. Attorneys with Foley & Lardner LLP representing FARO with respect to this offering beneficially owned approximately 7,500 shares of common stock of FARO as of the date of this prospectus.

**EXPERTS**

The financial statements, schedule and management's assessment of the effectiveness of internal control over financial reporting incorporated by reference in this prospectus and elsewhere in the registration statement have been audited by Grant Thornton LLP, independent registered public accountants, as indicated in their reports with respect thereto (which report on the financial statements expressed an unqualified opinion and contains an explanatory paragraph relating to the Company's adoption of Statement No. 123 (revised 2004), and management's assessment of the effectiveness of internal control over financial reporting, which report expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of the Company's internal control over financial reporting), and are included herein in reliance upon the authority of said firm as experts in giving said reports.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports, proxy statements, and other information with the Securities and Exchange Commission. You may read and copy any materials we file with the Commission at the Commission's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for more information on its public reference rooms. The Commission also maintains an Internet Website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

We have filed a registration statement on Form S-3 to register with the Commission the securities described herein. This prospectus is a part of that registration statement and constitutes a prospectus of FARO. As allowed by Commission rules, this prospectus does not contain all the information that can be found in the registration statement or the exhibits to the registration statement.

**INCORPORATION BY REFERENCE**

The Commission allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and later information that we file with the Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this registration statement and before the effectiveness of this registration statement, and any filings made from the date of this prospectus until we sell all of the securities under this prospectus as

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supplemented. We incorporate by reference the following documents (except to the extent superseded by information in this registration statement or any documents subsequently filed with the Commission):

Annual Report on Form 10-K for the year ended December 31, 2006, as amended by Form 10-K/A filed on March 20, 2007 (including information specifically incorporated by reference into our Form 10-K from our definitive Proxy Statement).

Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed with the Commission on May 8, 2007.

Current Reports on Form 8-K, filed with the Commission on March 26, 2007, January 16, 2007 and January 5, 2007.

The description of our common stock contained in our Registration Statement on Form 8-A12G, filed with the Commission on September 15, 1997, and any amendments or reports filed for the purpose of updating such description.

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On request we will provide at no cost to each person, including any beneficial owner who receives a copy of this prospectus, a copy of any or all of the documents incorporated in this prospectus by reference. We will not provide exhibits to any such documents, however, unless such exhibits are specifically incorporated by reference into those documents. Written or telephone requests for such copies should be addressed to FARO's executive offices located at 125 Technology Park, Lake Mary, Florida 32746, Attention: Jay W. Freeland, telephone number (407) 333-9911.



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**\$125,000,000**

**DEBT SECURITIES, COMMON STOCK AND WARRANTS**

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any authorized information or representations. This prospectus is an offer to sell only the securities it describes, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

\_\_\_\_\_, 2007

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**FARO Technologies, Inc.**

**1,650,000 Shares of Common Stock**

**Prospectus Supplement**

**August 10, 2007**

**Robert W. Baird & Co.**

**A.G. Edwards & Sons, Inc.**