

FARO Technologies, Inc. Logo

## **FARO Announces Agreement to Settle Securities Litigation**

February 27, 2008

LAKE MARY, Fla., Feb. 26 /PRNewswire-FirstCall/ -- FARO Technologies, Inc. (Nasdaq: FARO), the world market leader in portable computer-aided measurement arms and laser tracker sales, announced today that it has entered into a Memorandum of Understanding to settle the consolidated class action securities fraud lawsuit pending against FARO and certain of its current and former officers and directors in the United States District Court for the Middle District of Florida (the "Securities Litigation").

Pursuant to the Memorandum of Understanding, which is subject to certain conditions, the issuer of the Company's directors and officers insurance policy will pay \$6.875 million into a settlement fund that will be distributed to members of a class of all persons who purchased the Company's common stock from April 15, 2004 through March 15, 2006 and to the lead plaintiff's counsel and also will be used to pay various costs. The Memorandum of Understanding provides that the parties to the Securities Litigation will file with the court a Stipulation and Agreement of Settlement seeking the court's preliminary and final approval of the terms of the proposed settlement. If the Court approves the settlement, a judgment will be entered dismissing the Securities Litigation, with prejudice, as against each defendant.

The lead plaintiff had asserted claims under the Securities Exchange Act of 1934 alleging that the defendants made misrepresentations and omissions related to the value of the Company's inventory and consequently to the amount of the Company's gross margins and profits, the amount of the 2005 selling expenses that the Company had accrued and expected, payments made in connection with certain of the Company's Asian sales in possible violation of the Foreign Corrupt Practices Act, and the effectiveness of the Company's systems of internal controls in light of the above and other circumstances. The \$6.875 million is within the coverage limit of the directors and officers insurance policy, and thus the settlement requires no payment by either the Company or the individual defendants.

Announcing the settlement, Jay Freeland, FARO's President and CEO, stated, "We have always believed that the case was without merit and had planned to continue defending the litigation vigorously. However, given that we were able to reach an accommodation that will be fully covered by our directors and officers insurance and was acceptable to our insurance carrier, we are pleased to be able to avoid the distraction that further litigation could cause. As the settlement does not require any payment by either FARO or any of the individual defendants, our shareholders are best served with this matter behind us and our attention focused on our business."

FARO also announced today that a Verified Shareholder Derivative Complaint (the "Derivative Complaint") has been filed by an alleged shareholder of the Company in the United States District Court for the Middle District of Florida against five current and one former director of the Company, as defendants, and against the Company, as a nominal defendant. The Derivative Complaint alleges breach of fiduciary duty and other claims against the individual defendants principally in connection with the alleged acts and omissions asserted in the Securities Litigation. The plaintiff alleges that the individual defendants caused the Company's stock price to be falsely inflated, and subjected the Company to costs, fines and other damages, as well as a loss of good will. The plaintiff purports to seek an unspecified amount of damages, together with other relief, on behalf of the Company and against the individual defendants. Prior to filing the Derivative Complaint, the plaintiff had requested that the Company assert certain of such claims against some of the individual defendants. The Company has formed a committee of independent directors to review and investigate the shareholder's demand, and the allegations made in the Derivative Complaint. The committee has not yet made a recommendation with respect to those matters. To the Company's knowledge, no defendant has been served with the Derivative Complaint.

### About FARO

With approximately 16,000 installations and 7,400 customers globally, FARO Technologies, Inc. designs, develops, and markets portable, computerized measurement devices and software used to create digital models -- or to perform evaluations against an existing model -- for anything requiring highly detailed 3-D measurements, including part and assembly inspection, factory planning and asset documentation, as well as specialized applications ranging from surveying, recreating accident sites and crime scenes to digitally preserving historical sites.

FARO's technology increases productivity by dramatically reducing the amount of on-site measuring time, and the various industry-specific software packages enable users to process and present their results quickly and more effectively.

Principal products include the world's best-selling portable measurement arm - the FaroArm; the world's best-selling laser tracker - the FARO Laser Tracker X and Xi; the FARO Laser ScanArm; FARO Laser Scanner LS; the FARO Gage, Gage-PLUS and PowerGAGE; and the CAM2 family of advanced CAD-based measurement and reporting software. FARO Technologies is ISO-9001 certified and ISO-17025 laboratory registered.

SOURCE FARO Technologies, Inc.

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