

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-KSB**

---

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 1998

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-12694

**SOLIGEN TECHNOLOGIES, INC.**

(Name of small business issuer in its charter)

**WYOMING**  
(State of  
incorporation)

**95-4440838**  
(I.R.S. Employer  
Identification No.)

**19408 Londelius St., Northridge, California 91324**  
(Address of principal executive offices) (Zip Code)  
Issuer's telephone number: (818) 718-1221

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

Name of each exchange on which registered

Common stock without par value

American Stock Exchange (Emerging Company Marketplace)

Securities registered under Section 12(g) of the Exchange Act: None

---

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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The issuer's revenues for the fiscal year ended March 31, 1998 were \$5,465,000.

The aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked price of such stock, as of June 15, 1998 was approximately \$16,319,000.

As of June 12, 1998, there were 32,682,338 shares of common stock, no par value, outstanding.

The index to exhibits appears on page 18 of this document.

---

**DOCUMENTS INCORPORATED BY REFERENCE**

The Registrant has incorporated into Part III of this Form 10-KSB by reference portions of its Proxy Statement for the 1998 Annual Meeting of Shareholders.

---

**SOLIGEN TECHNOLOGIES, INC.**  
**FORM 10-KSB**

**For the Year Ended March 31, 1998**

**Table of Contents**

	<u>Page</u>
<b><u>Part I</u></b>	
Item 1. Description of Business .....	1
Item 2. Description of Properties .....	10
Item 3. Legal Proceedings .....	10
Item 4. Submission of Matters to a Vote of Security Holders .....	10
<b><u>Part II</u></b>	
Item 5. Market for Common Equity and Related Stockholder Matters .....	11
Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations .....	11
Item 7. Financial Statements .....	17
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .....	17
<b><u>Part III</u></b>	
Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act .....	17
Item 10. Executive Compensation .....	17
Item 11. Security Ownership of Certain Beneficial Owners and Management .....	17
Item 12. Certain Relationships and Related Transactions .....	17
Item 13. Exhibits and Reports on Form 8-K .....	18
Signatures .....	38

## PART I

### Item 1. *Description of Business*

#### **Business Development**

*The following discussion contains certain forward-looking statements. See Item 6, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward Looking Statements and Associated Risks."*

The Company is a Wyoming corporation that was organized in 1993. The Company's wholly-owned subsidiary, Soligen, Inc. ("Soligen"), is a Delaware corporation that was organized in 1991 and commenced operations in 1992. The Company is the successor to an inactive British Columbia corporation organized in 1988 under the name Pars Resources, Ltd., which name was subsequently changed to WDF Capital Corp. In connection with its reincorporation in Wyoming in 1993, the Company changed its name to Soligen Technologies, Inc. The Company's principal executive office is located at 19408 Londelius Street, Northridge, California 91324, telephone (818) 718-1221. References to the Company include Soligen Technologies, Inc., and its subsidiaries and predecessors unless the context indicates otherwise.

The Company has now completed its transition from a development stage to that of a revenue generating company. Although fiscal 1998 revenues increased considerably over the prior year, the Company continues to need to raise additional capital in order to fund future expansion and operations. See Part II, Item 6, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Sources of Liquidity."

#### **Business of Company**

The Company has developed a proprietary technology known as Direct Shell Production Casting ("DSPC<sup>®</sup>"). This technology is embodied in the Company's DSPC 300 System (the "DSPC System"), which produces ceramic casting molds directly from Computer Aided Design ("CAD") files. These ceramic molds are used to cast metal parts which conform to the CAD design. This unique capability distinguishes the DSPC System from rapid prototyping technologies which are characterized by the ability to produce non-functional, three-dimensional representations of parts from CAD files. The Company's DSPC System is based upon proprietary technology developed by the Company and certain patent and other proprietary rights licensed to Soligen, a wholly-owned subsidiary of the Company, by the Massachusetts Institute of Technology ("MIT") pursuant to a license agreement (the "License") dated October 18, 1991, as amended. Pursuant to the License, MIT granted Soligen an exclusive, world-wide license until October 1, 2006 to develop, manufacture, market and sell products utilizing certain technology and processes for the production of ceramic casting molds for casting metal parts. The license continues on a non-exclusive basis thereafter until the expiration of the last patent relating to the licensed technology. The exclusive period may be extended by mutual agreement of both parties.

The Company believes that the rapid mold production capabilities of the DSPC System provide a substantial competitive advantage over existing producers of cast metal parts. Use of the DSPC System eliminates the need to produce tooling (patterns and core boxes) for limited runs of metal parts, thereby reducing both the time and the labor otherwise required to produce ceramic casting molds for casting the metal parts. It provides for a paradigm shift by enabling engineers to postpone the design or the fabrication of production casting tooling until after the designed part has been functionally tested. This ability, in addition to expediting the design verification and testing, enables manufacturers to save time and money by designing the production casting tools, which are required for large production runs, with very little chance for error, on the first attempt. The DSPC System can also be used to produce the production tooling (usually made of steel), required to cast the parts in larger production runs. To capitalize on this advantage, the Company plans to form a network of rapid response production facilities owned either by the Company or by licensed third parties. This network will operate under the trade name Parts Now<sup>®</sup> service. These facilities will include DSPC production facilities and foundries with in-house machine shops. The Company intends to establish itself as a leading manufacturer of cast metal parts by providing a seamless transition from CAD file to finished part.

The Company's first rapid response production facility consists of an aluminum foundry and machine shop located in Santa Ana, California and a DSPC production center located at the Company's headquarters in Northridge, California. At the DSPC production facility, the Company uses CAD files obtained from customers to produce ceramic molds. Metal is then cast into the ceramic molds at a foundry to yield metal parts identical to the customer's CAD files. The parts are cast either at the Company's aluminum foundry, or at other foundries. The customer is free to experiment with different designs or alloys. To better and more quickly service its customers, the Company has established a Parts Now on-line service on the Company's dedicated computerized bulletin board and an interactive Web site ([www.partsnow.com](http://www.partsnow.com)) on the Internet. The customer's CAD file can be transmitted by modem, Internet or delivery of a standard disk or tape.

### Core Technology

DSPC is based on Three Dimensional Printing ("3DP<sup>™</sup>"), a technology invented at the Massachusetts Institute of Technology in Cambridge, Massachusetts. 3DP automatically generates solid objects directly from CAD files by selectively bonding together particles of powdered material with a liquid binder.

By using ceramic materials similar to those traditionally used for high precision castings, 3DP technology can be applied to directly fabricate a ceramic casting mold, or "shell." This process is known as Direct Shell Production Casting.

### Direct Shell Production Casting System

Soligen's Direct Shell Production Casting system is a computer-controlled system that generates ceramic casting molds. The geometry of the ceramic casting mold is generated from the CAD file of the part.

To create a typical cast part, the part is first designed by the customer using commercially available CAD software. This CAD file is transferred to Soligen, and used to design a casting mold by adding a gating or “plumbing” system for distributing molten metal from a central pouring cup to the cavities of the casting mold. As with all metal casting processes, several parts may be cast at once by joining individual molds with gating into a “tree” or multi-cavity structure. With DSPC, the part or tree is constructed on the screen of Soligen’s CAD system, appearing as a graphical representation, and where the design may be adjusted as needed to ensure distribution of the molten metal.

Once a satisfactory mold has been designed, the computer file is used to automatically generate the mold. The DSPC system includes a bin which contains powder. The bin is fitted with a piston which can be moved vertically in precise increments under computer control. Above the piston is a hopper containing finely-divided ceramic powder. A roller located at the upper edge of the bin rotates while moving across the powder. Above the bin containing powder is a continuous-jet printhead. The printhead is supplied with a liquid binder and is moved across the powder surface under computer control, ejecting tiny drops of binder downward in a pattern which corresponds to the layer cross-section.

The binder bonds the powder particles together. Once a given layer is completed, the computerized model of the mold is sectioned again, and the cycle is repeated until all layers are formed. The unbound ceramic powder is removed, the ceramic mold fired, and the mold filled with molten metal. Once the metal has solidified, the mold is broken away, the gating system is removed, and the cast metal part is then finished (sanded, machined or sandblasted) and inspected.

A DSPC mold may contain integral ceramic cores, allowing a hollow metal part to be produced. Virtually any molten metal can be cast in DSPC molds. Parts have already been manufactured in such materials as aluminum, iron (including ductile iron), steel, stainless steel, magnesium, brass, bronze, copper, zinc, cobalt-chrome, and inconel (a high-performance nickel alloy).

### Markets

The total annual market size for production of raw metal cast parts is approximately \$120 billion worldwide, according to the American Foundrymen’s Society. The Company concentrates on producing cast metal parts with complex geometry and core cavities, thin walls and high dollar value per part. Some of the Company’s primary customers include companies in industries such as automotive, construction equipment, aerospace, and other Original Equipment Manufacturers (“OEMs”). Customers who could maximize the employment of Soligen’s technological competitive advantage typically consist of companies which experience rapid rates of technological innovation, frequent design changes, and requirements to dramatically reduce “time to market.” Their products consist of metal parts which frequently contain complex geometric configurations, especially in the interior of the part. The Company has focused on five market segments:

- The primary and aftermarket automotive with focus on engine blocks, cylinder heads, transmission cases, axles, manifolds and other cast metal parts with complex core cavities and or geometry. The Company has established repeat business with Ford

Motor Company, General Motors Corporation, Chrysler Corporation and some of their tier 1 and tier 2 suppliers such as Allied Signal, Inc., Navistar International Transportation Corporation, as well as major OEMs in Europe and Japan.

- The marine, off-road, motorcycle and construction equipment manufacturers. In this market segment the Company has established repeat business with Caterpillar, Inc., Deere & Company, Harley-Davidson Motor Company, Mercury Marine, Inc. and other engine manufacturers.
- The aerospace industry with focus on parts with complex geometry and core cavities. Presently the Company does not produce parts which are used for actual flight tests, or for critical parts for airplanes, since the DSPC is not a flight certified manufacturing process. The Company has not yet undertaken an effort to certify its facilities to comply with military and aerospace specifications.
- The pump, valve and turbine industries with focus on hydraulic, pneumatic and ground base compressors, turbochargers, turbines and power generators. The Company has established repeat business with such companies as Goulds Pump, Inc., Reda, Sulzer Turbo GmbH., Capstone Turbine Corporation and others.
- In the fifth market segment the Company includes all other casting customers with various applications.

### Distribution

Sales and distribution activities for the Company are currently handled by management and staff at the Company's facilities in California and in regional sales offices in Tama, Iowa and Detroit, Michigan. The Iowa office directs the Company's sales and technical support requirements in the Midwest while the Michigan office concentrates principally in the Detroit area. The Company plans to open additional regional sales offices, initially in the USA and later, internationally. In certain territories which currently are not covered by the Company's sales staff, the Company employs independent manufacturer's representatives.

The Company launched its Parts Now on-line service during fiscal 1996. Parts Now on-line is available on the Internet as well as through the Company's dedicated bulletin board. With this service, the Company entered the electronic commerce environment and enables customers to receive price quotations and order parts electronically. The Company plans to increase the capabilities of Parts Now on-line to enable customers to monitor the progress of their orders via the Parts Now on-line service.

### Current Status

In the first three years ending fiscal 1995, the Company focused its efforts on the commercialization of the DSPC equipment; this effort is now complete. During this development program, the Company sold and installed developmental DSPC machines as well as several commercial DSPC 300 machines. The Company continues to enhance the performance of the

DSPC machines. In January 1995, the Company established the first DSPC center at the Company's headquarters in Northridge, California. At present it operates one DSPC 300 machine and six DSPC 300G machines (a new version of the DSPC 300, on which development was completed during fiscal 1996). The Company plans to assemble an additional three DSPC 300G machines during fiscal 1999.

### International

During fiscal 1997, Soligen entered the European market through the license of a DSPC machine with Centre De Transfert De Technologie Du Mans ("CTTM"). CTTM formed a consortium with several French companies including Renault, Peugeot, Snecma, Aerospatiale, Dassault and Thomson Electricite to launch the use of DSPC within the consortium. CTTM, which has a long and positive history of commercializing new manufacturing technologies in France, started marketing the unique capabilities of DSPC technologies in France. The parties plan to upgrade the DSPC center to a Parts Now center i.e., a full manufacturing center. The planned upgrade would include additional DSPC machines as well as other additional investments.

### Industry/Competition

For most metal parts, the two major fabrication alternatives are machining and casting. Machining involves the removal of metal from the surface of a part or a metal block (billet) using high-speed cutting tools, whereas casting involves pouring molten metal into a specially-shaped mold and letting it cool and solidify. Machining wastes materials, transforming a large percentage of the initial metal into useless chips. Casting is usually used to form parts with complex geometries and complex internal cavities (which could not be machined due to the lack of access for the cutting tool). Most of the cast parts are further machined to make them "ready for assembly."

Except for die casting which is limited to low melting temperature alloys, casting involves creating a pattern (and sometimes core boxes, collectively called "tooling" or "casting tools") which is used to create sand or ceramic molds. Molten metal is poured into these molds, and the molds are destroyed after the metal solidifies. Casting provides geometrical flexibility and allows for the production of parts from virtually any metal with relatively little material waste. Consequently, as production quantities increase, machining costs become prohibitive, and casting becomes the fabrication process of choice.

Metal part designers are heavily constrained by conventional casting methods, due to long lead times and high costs of production tools (patterns and core boxes). The main constraint is the need to first produce patterns, or production tooling, prior to creating a first article part. Any design change is a multi-step process that requires modifying or often redoing the tooling, an expensive and time consuming process that increases the probability of making mistakes; therefore, the key to competitiveness in the parts production market is the ability to create the production tooling (patterns, molds or dies) quickly and cost effectively. One way to accomplish quick and cost effective tooling is to utilize methods that will make the production tooling once and correctly on the first attempt. However, since casting requires tooling even for making a single mold (and therefore casting a single part), several design cycles, including patterns and core

box fabrication cycles, need to take place prior to the stage when production tooling can be completed.

To shorten the time to market, and remain competitive in an environment of constant change and innovation, end users of metal parts such as the automotive, marine, and construction equipment industries and other mass producers, have started to implement concurrent engineering. In concurrent engineering, the mass producer is selected at the beginning of the program of designing a new product. At the same time as the design engineers are designing a new product and building and testing a prototype, manufacturing engineers, who are working closely with the selected vendor, are designing the prototype production tools (sometimes referred to as “soft tools”) which are less expensive than production tools. The experience gained by using "soft tools" to manufacture prototype castings is also used to assist the design team in their efforts to lower the production cost of the part.

The customer expects the part vendor to take responsibility for tool making, and also demands short run production, thus forcing the mass producer to produce parts on an alternate casting line since costs associated with setting up a volume production line for short runs are prohibitive.

DSPC, being an automated, patternless casting process that permits the production of parts without tooling, makes the conventional casting techniques obsolete for creating a first article part. The combination of DSPC technology with traditional casting and machining perfectly positions the Company through its Parts Now service to competitively address the growing need for carrying a new design smoothly from an idea to production, thereby significantly reducing time to market. By employing the Company’s Parts Now service program, the customer can realize the following advantages:

- ***Multiple design iterations at the same time and within budget constraints:*** Designer can rapidly incorporate design changes and concurrently produce and test several versions of any design.
- ***The ability to test different alloys to optimize the part’s performance:*** Designer can request the same part to be made from different alloys (which otherwise require a different tool for each alloy).
- ***CAD - Casting:*** Designer can now elect to use the casting process even for short runs.
- ***Casting tool optimization:*** Design and fabrication of production tools can be delayed until after the final design is verified.
- ***Tooling iterations:*** The number of tooling design iterations can be reduced and even eliminated and the goal of designing production tooling directly from the CAD file of the approved part can be attained.

Since DSPC creates a usable part directly and automatically from the designer’s CAD file, it is the only existing fabrication method in which “what you see (on the computer screen) is what you get (as a cast part).” Management believes that by eliminating tooling, this unique ability reduces the



possibility of errors introduced during the course of normal production, thereby improving process quality.

DSPC is loosely related but significantly different from another technology called rapid prototyping, pioneered several years ago by 3D Systems, Inc. of Valencia, California. Rapid prototyping allows the production of three-dimensional models or prototypes directly from CAD files. DSPC is similar to rapid prototyping in the sense that a solid object is produced directly from a computer-generated model. Such models could be used as patterns. However, with DSPC, ceramic casting molds with integral cores of virtually any shape are directly generated from CAD designs by a fast, automated process. These molds are then used to cast metal (such as aluminum or steel) functional parts. In the case of rapid prototyping, the end product is not a usable part, but a plastic, wax or paper model or pattern. For metal casting, DSPC provides direct linkage from CAD to casting while rapid prototyping, at best, assists pattern making.

It is management's opinion that the Company's competitive environment involves foundries, differentiated in accordance with the size of the required production runs.

Mass production is defined as annual production quantities in excess of a few thousand identical parts. Industries which require mass production runs include automotive, construction equipment and OEM suppliers. Mass production contracts are generally awarded during the design phase of a part, and include services ranging from first article parts through toolmaking, short pilot runs and, ultimately, mass production runs. The Company competes with either captive or independent short run foundries servicing the mass production foundries as well as their tool makers.

Certain industries, such as aerospace and capital equipment manufacturing, typically utilize medium scale production vendors. For certain customers in this category, especially for aerospace companies, certification of compliance with military and federal aerospace standards are required as a pre-requisite to become a vendor; this requirement represents a temporary barrier for competing with foundries who are already certified and approved as vendors to such companies. Currently the Company is limiting itself to producing non flight certified parts

For relatively small quantities (up to few thousand parts per year) the Company competes with CNC (computer numerical control) job shops, model makers and very small job shop foundries providing custom made parts and short production runs. These competitors must still create tools and patterns for small quantities of parts.

The Company believes it offers distinct advantages in all three market segments due to its ability to provide customers with a higher quality product in less time, at a lower cost.

#### Raw Material Availability and Suppliers

The Company generally attempts to procure materials and components for the DSPC machine from multiple sources. However, the DSPC printhead, used in the DSPC machine, is commercially available from a single U.S. ink-jet manufacturer. The Company believes that if the supplier were to discontinue this line of printheads, it could develop a printhead using available

components from alternative sources without having a material effect on the DSPC machine cost or performance.

Raw materials used in the DSPC process are generally available from several suppliers in the quantities needed. Multiple vendor sources for critical raw materials and supplies have been established. Additional potential vendor sources are being identified and qualified on an on-going basis.

The Parts Now service center generally obtains services and supplies for metal castings from foundries and machine shops in southern California. Multiple alternative vendor sources have been established over the last year. Multiple vendor sources have also been established over the prior years for post-processing of and nondestructive testing of parts. Raw materials for castings used by Altop are generally available from numerous suppliers in the quantities needed. Major suppliers for aluminum include Alcoa Aluminum and Kaiser Aluminum.

### Major Customers

During fiscal 1998, the Company established repeat business with companies of different sizes, in different industries and geographical areas. Among companies with whom the Company has established repeat business are Ford Motor Company, General Motors Corporation, Honda, Toyota, Harley Davidson Motor Company, Allied Signal, Inc., Navistar International Transportation Corporation, Caterpillar, Inc., Deere & Company, Mercury Marine, Inc., Allison Engine Turbine, Goulds Pump, Inc., Reda, Sulzer Turbo GmbH., Capstone Turbine Corporation, Qualcomm, Inc., JBL Professional, ITT Industries and Motorola, Inc. For the year ended March 31, 1998, the two largest customers represented 9% and 7% of revenues. See Note 1 to the Financial Statements.

### Patents, Trademarks, Licenses and Royalties

Soligen's DSPC process is based on Three Dimensional Printing (3DP™), which is patented by MIT. Pursuant to the terms of a License Agreement dated October 18, 1991, and amendments thereto (collectively referred to herein as the "License"), MIT granted to Soligen the exclusive worldwide license to exploit its proprietary 3DP technology for the metal casting field of use. Soligen enjoys the exclusive benefits of the License until October 1, 2006. The License continues on a non-exclusive basis after October 1, 2006, unless extended by mutual agreement.

Under the terms of the License, MIT has the responsibility to apply for, seek prompt issuance of, and maintain during the term of the License the patent rights covered by the License in the United States, Canada, Japan and countries covered by a patent filing in the European Patent Office. MIT has fulfilled its responsibilities in this regard. The License provides that all costs associated with these matters will be borne by licensees. Currently there are four other licensees which apply MIT's 3DP technology in different fields of use, none of which is related to metal casting. The License also provides that, with respect to any improvements to the technology developed by Soligen, such improvements will be the property of Soligen provided that Soligen will license such improvements to MIT on a royalty-free non-exclusive basis. This license was renegotiated and amended on August 8, 1996.

Under the terms of the amended License, Soligen is required to generate cumulative sales according to the following schedule:

<u>Period</u>	<u>Cumulative Sales</u>
March 1996 - March 1997	\$ 3,000,000
March 1997 - March 1998	\$ 3,500,000
March 1998 - March 1999	\$ 4,000,000
March 1999 - March 2000	\$ 4,500,000
March 2000 - March 2001	\$ 5,000,000
March 2001 - March 2002	\$ 6,000,000
March 2002 - March 2003	\$ 8,000,000
March 2003 - March 2004 and each year thereafter	\$10,000,000

Soligen has met all the conditions to maintain its license and the exclusivity. For the rights, privileges and license granted under the License, Soligen pays royalties and fees to MIT until the License is terminated. The fees and royalties are as follows:

- "License Maintenance fees" of \$50,000 per year payable on December 31, 1998, and on December 31 of each year thereafter; provided, however, "License Maintenance Fees" may be credited to "Running Royalties" subsequently due on "Net Sales" for each year, if any. "License Maintenance Fees" paid in excess of "Running Royalties" shall not be credited to "Running Royalties" for future years.
- "Running Royalties" in an amount equal to 4.5% of "Net Sales" of the "Licensed Products" and "Licensed Processes" used, leased or sold by and/or for Soligen; provided, however, that during the period commencing with the effective date of August 8, 1996, and terminating on December 15, 1998, MIT shall waive the first \$50,000 of "Running Royalties" due pursuant to this paragraph.
- After the payment of \$500,000 in "Running Royalties" for the sale of metal "End Products" made using "Licensed Products" and/or "License Processes," the royalty rate due for sale of metal "End Products" is reduced from 4.5% to 2.25%.

The term "3DP" is a trademark of MIT. The terms "DSPC" and "Parts Now" are trademarks of Soligen, registered in the U.S.

#### Research and Development Expenditures

During fiscal years ended March 31, 1996, 1997 and 1998, the Company expended \$941,000, \$1,108,000 and \$1,016,000 respectively on research and development to enhance the Company's proprietary technology. Through the license from MIT, Soligen has also obtained the benefit of extensive research and development expenditures at MIT relating to the technology in Soligen's fields of use during these three fiscal years.

Soligen continues to devote time and resources to research and development to enhance the original MIT based technology and the capabilities of, and develop new applications for, the DSPC system.

#### Cost and Effect of Environmental Regulations

The Company is in substantial compliance with all applicable federal, state and local environmental regulations. The Company generates, as do all casting manufacturers, certain waste materials it must dispose of, including materials for which disposal requires compliance with environmental protection laws. The Company complies with various environmental protection laws regarding disposal of certain waste materials. The Company's cost of waste disposal is not significant in comparison with the Company's revenues.

#### Employees

Soligen currently employs forty-four full time engineers, scientists, managers and staff. Soligen also employs eight temporary employees and three consultants. Soligen has agreements with three independent sales representatives. Soligen's employees are not covered by any collective bargaining agreement. The Company believes that relations with Soligen's employees are good.

Altop currently employs thirty full time employees. Altop's employees are not covered by any collective bargaining agreement. The Company believes that relations with Altop's employees are good.

#### **Item 2. *Description of Properties***

All of Soligen's manufacturing and administration activities are based in a 17,000 square foot facility in Northridge, California. Soligen leases this facility from an unrelated third party.

All of Altop's manufacturing and administration activities are based in a 20,000 square foot facility in Santa Ana, California. Altop leases this facility from an unrelated third party.

#### **Item 3. *Legal Proceedings***

As of the date of this report, the Company and its subsidiaries are not subject to any material legal proceedings. From time to time the Company becomes involved in routine legal proceedings incidental to its business.

#### **Item 4. *Submission of Matters to a Vote of Securities Holders***

None.

## PART II

### Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

The Company's Common Stock is listed for trading on the Vancouver Stock Exchange under the symbol SGT, where trading resumed on April 19, 1993, after completion of the acquisition of Soligen. On March 10, 1994, STI also became listed on the American Stock Exchange's Emerging Company Marketplace under the symbol SGT. Market price information for trading of STI's common stock is set forth in the following table:

<u>Fiscal quarter ended</u>	<u>High sales price (\$ U.S.)<sup>(1)</sup></u>	<u>Low sales price (\$ U.S.)<sup>(1)</sup></u>	<u>High sales price (\$ Canadian)<sup>(2)</sup></u>	<u>Low sales price (\$ Canadian)<sup>(2)</sup></u>
Jun 30, 1996	2.25	0.63	2.75	0.85
Sep 30, 1996	1.25	0.63	1.65	1.08
Dec 31, 1996	1.19	0.50	1.25	0.65
Mar 31, 1997	0.94	0.50	1.12	0.76
Jun 30, 1997	0.69	0.38	0.90	0.50
Sep 30, 1997	0.75	0.31	1.01	0.49
Dec 31, 1997	0.69	0.31	1.00	0.45
Mar 31, 1998	0.69	0.25	0.90	0.48

Sources for sales prices:

(1) American Stock Exchange.

(2) C. M. Oliver & Co. Ltd., Vancouver, British Columbia, Canada.

At June 18, 1998, the Company had 2,376 holders of record of its common stock and 32,682,338 shares outstanding.

No dividends have been declared or paid for the last two fiscal years. As a condition of concluding the acquisition of Soligen, STI gave an undertaking to the Vancouver Stock Exchange not to declare or pay any dividends on its common stock for the period of time expiring at the earlier of the date upon which the last of the escrow shares are earned out of escrow or canceled. (see Part III, Item 11).

### Item 6. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

#### **Forward Looking-Statements and Associated Risks**

*This Annual Report on Form 10-KSB contains certain forward-looking statements. These forward-looking statements are based largely on the Company's current expectations and are subject to a number of risks and uncertainties, including, among others (i) customer acceptance of the Company's "one stop shop" Parts Now program; (ii) the possible emergence of competing technologies; and (iii) the Company's ability to obtain additional financing required to support its projected revenue growth. Actual results could differ materially from these forward-looking*

*statements. In view of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Annual Report on Form 10-KSB will in fact transpire.*

The following discussion should be read in conjunction with the accompanying Financial Statements of Soligen Technologies, Inc. (“STI”) and its wholly-owned subsidiaries Soligen, Inc. (“Soligen”) and Altop, Inc. (“Altop”) (collectively referred to herein as the “Company”) including the notes thereto, included elsewhere in this Annual Report.

## **Overview**

As of March 31, 1998, the Company has completed its transition from a development stage company to its goal of being a manufacturing / service company with continuing revenues from operations. The Company operates four major revenue-generating profit centers:

1. **Parts Now Center (“Parts Now”):** Oversees the “one stop shop” production services from receipt of the customer’s CAD file through production. Parts Now is responsible for any contract which requires a combination of the DSPC production center and conventional casting and CNC machining expertise. It consists of program managers who oversee the transition from CAD to first article, to tooling, to conventional casting and later to mass production. It acquires services from the DSPC Production Center and the conventional casting center at cost.
2. **DSPC Production Center:** Revenues result from the production and sale of first article and short run quantities of cast metal parts made directly from the customer’s CAD file. This center also provides DSPC parts and tool making services to the Parts Now Center. These services are charged to Parts Now at cost. Revenues for this product line were initiated in the quarter ended March 31, 1995.
3. **Conventional Casting Center (“Production Parts”):** Revenues result from the production, and sale of production quantities of cast and machined aluminum parts for industrial customers. The Company began generating revenues in this area through Altop, its aluminum foundry and machine shop, in July 1994. This center is limited to conventional casting of aluminum parts that do not utilize DSPC made tooling.
4. **DSPC Technology Center:** Revenues result from the sale, lease, license or maintenance of DSPC machines and from participation in research and development projects wherein Soligen provides technological expertise.

## **Results of Operations**

The results of operations discussed below are comprised of two sections, the first section compares fiscal 1998 to fiscal 1997 for all items noted on the Consolidated Statements of Operations contained in a separate section of this Annual Report on Form 10-KSB commencing on page 20. The second section discusses the growth in revenues and presents quarterly statements of operations for fiscal 1998.

## Fiscal 1998 Compared to Fiscal 1997

### Revenues

Revenues for the fiscal year ended March 31, 1998, were \$5,465,000, an increase of 30% compared to \$4,203,000 in the fiscal year ended March 31, 1997. For fiscal 1998, the Company's core business, DSPC and Parts Now, increased 59% to \$4,019,000 from \$2,534,000 in fiscal 1997. Conventional castings at Altop decreased by 20% to \$925,000 in fiscal 1998 from \$1,160,000 in fiscal 1997. The Company continues to transition at Altop from conventional castings to support its Parts Now business. DSPC technology revenues remained relatively constant increasing 2% to \$521,000 in fiscal 1998 from \$509,000 in fiscal 1997.

The Company's revenues for fiscal 1998 and fiscal 1997, classified by product lines, are as follows:

	Fiscal <u>1998</u>	Fiscal <u>1997</u>
Parts Now <sup>®</sup>	\$ 1,700,000	\$ 1,848,000
DSPC <sup>®</sup> production	2,319,000	686,000
Production parts	925,000	1,160,000
DSPC <sup>®</sup> technology	<u>521,000</u>	<u>509,000</u>
Total revenues	<u>\$ 5,465,000</u>	<u>\$ 4,203,000</u>

### Cost of Revenues

Cost of revenues as a percentage of total revenues in fiscal 1998 was 68% compared to 57% in fiscal 1997. During fiscal 1998, the Company made and continues to make investments in programs leading to the manufacture of production tooling which is critical to the Company's growth strategy although in the short term these programs have a negative effect on margins.

### Research and Development Expenses

Research and development expenses decreased \$92,000 or 8% to \$1,016,000 in fiscal 1998 from \$1,108,000 in fiscal 1997. The Company continued its high research and development expenditures so as to broaden its market penetration by enhancing the DSPC technology licensed from MIT.

### Selling Expenses

Selling expenses decreased 22% to \$586,000 in fiscal 1998 from \$747,000 in fiscal 1997, resulting primarily from the consolidation of Altop's and Soligen's sales departments. Although direct selling expenses decreased, the Company continued to expand its marketing efforts through representatives and reselling organizations.

## General and Administrative Expenses

General and administrative expenses increased only \$67,000 to \$1,085,000 in fiscal 1998 from \$1,018,000 in fiscal 1997. The increase was due to small increases in several items despite the 30% increase in revenues.

## Non-Cash Compensation Expense

The Company issued stock options to non-employees in fiscal 1996 and, as a result expects to incur \$617,000 non-cash compensation expense during a four year period of which \$235,000 was recognized in fiscal 1997 and \$156,000 in fiscal 1998.

## Interest Expense

Interest expense decreased to \$78,000 in fiscal 1998 from \$325,000 in fiscal 1997. During fiscal 1998, the Company issued common stock purchase warrants in connection with a private placement loan to the Company and, according to SFAS 123, non-cash interest expense is to be recognized over the expected period of benefit. As a result of SFAS 123, the Company expects to incur \$70,000 non cash interest expense during a six month period of which \$35,000 is recognized in fiscal 1998. An additional \$43,000 of interest was for other notes and leases.

During fiscal 1997, \$250,000 non-cash interest expense and \$11,000 cash interest expense was associated with the \$750,000 convertible debenture financing completed in fiscal 1997. Also, in fiscal 1997, an additional \$25,000 non-cash interest expense resulted from amortizing the value of warrants that were issued in the convertible debenture financing.

## Other Income

During fiscal 1998, the Company recognized other income of \$178,000, the major part of which was settling its lawsuit and counterclaim with A-RPM and reversing notes payable, net of accrued interest and legal expenses, in the amount of \$152,000. During fiscal 1997, the Company amended its license agreement with MIT and recognized, in other income, \$90,000 over accrual of royalty fees.

## Net Loss

Net loss was reduced to \$969,000 in fiscal 1998 as compared to \$1,492,000 in fiscal 1997. Basic and diluted loss per share decreased to \$0.03 in fiscal 1998 from a basic and diluted loss per share of \$0.05 in fiscal 1997.

## **Fiscal 1998 Quarterly Statements of Operations**

Revenues for the first quarter of fiscal 1998 were \$1,233,000, remained essentially flat during the next two quarters and increased 44% to \$1,780,000 by the fourth quarter of fiscal 1998. During



the same period, the Parts Now and DSPC business segments increased 57% from \$918,000 to \$1,442,000. The growth was attributed to revenues resulting from repeat business with major customers which derived from their utilizing DSPC for prototypes and subsequent short production runs. The Parts Now strategy continues to position the Company as an out-sourcing vendor for cast metal parts supplied as cast, machined and ready for assembly.

The following table sets forth results of operations by quarter and pro forma results after elimination of non-cash adjustments:

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Fiscal 1998</u>
Parts Now <sup>®</sup>	\$ 498,000	\$ 126,000	\$ 457,000	\$ 619,000	\$ 1,700,000
DSPC <sup>®</sup> production	420,000	604,000	472,000	823,000	2,319,000
Production parts	218,000	229,000	188,000	290,000	925,000
DSPC <sup>®</sup> technology	<u>97,000</u>	<u>305,000</u>	<u>71,000</u>	<u>48,000</u>	<u>521,000</u>
Total revenues	<u>1,233,000</u>	<u>1,264,000</u>	<u>1,188,000</u>	<u>1,780,000</u>	<u>5,465,000</u>
Cost of revenues	<u>880,000</u>	<u>890,000</u>	<u>818,000</u>	<u>1,105,000</u>	<u>3,693,000</u>
Gross profit	<u>353,000</u>	<u>374,000</u>	<u>370,000</u>	<u>675,000</u>	<u>1,772,000</u>
Research & development	263,000	256,000	261,000	236,000	1,016,000
Selling	136,000	129,000	143,000	178,000	586,000
General and administrative	210,000	302,000	278,000	295,000	1,085,000
Non-cash compensation	<u>39,000</u>	<u>39,000</u>	<u>39,000</u>	<u>39,000</u>	<u>156,000</u>
Total expenses	<u>648,000</u>	<u>726,000</u>	<u>721,000</u>	<u>748,000</u>	<u>2,843,000</u>
Loss from operations	(295,000)	(352,000)	(351,000)	(73,000)	(1,071,000)
Interest income	1,000	1,000	--	1,000	3,000
Interest expense - cash	(4,000)	(11,000)	(8,000)	(20,000)	(43,000)
Interest expense - non-cash	--	--	--	(35,000)	(35,000)
Other income	<u>--</u>	<u>--</u>	<u>152,000</u>	<u>26,000</u>	<u>178,000</u>
Total other income (expense)	<u>(3,000)</u>	<u>(10,000)</u>	<u>144,000</u>	<u>(28,000)</u>	<u>103,000</u>
Provision for state taxes	<u>1,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,000</u>
Net loss	<u>\$ (299,000)</u>	<u>\$ (362,000)</u>	<u>\$ (207,000)</u>	<u>\$ (101,000)</u>	<u>\$ (969,000)</u>
Non-cash adjustments included above:					
Non-cash compensation	39,000	39,000	39,000	39,000	156,000
Non-cash interest	<u>--</u>	<u>--</u>	<u>--</u>	<u>35,000</u>	<u>35,000</u>
Pro forma loss	<u>\$ (260,000)</u>	<u>\$ (323,000)</u>	<u>\$ (168,000)</u>	<u>\$ (27,000)</u>	<u>\$ (778,000)</u>

## Sources of Liquidity

As of March 31, 1998, the Company had \$1,473,000 in cash and accounts receivable, representing a increase of \$244,000 as compared to \$1,229,000 at March 31, 1997. Working capital decreased to \$177,000 at March 31, 1998 from \$445,000 at the end of March 31, 1997.

During the fiscal year ended March 31, 1998, cash used in operating activities was \$581,000 compared to cash used in operating activities of \$1,022,000 for the fiscal year ended March 31, 1997. The improvement in cash used in operating activities in fiscal 1998 was the result of the reduction in net loss to \$969,000 as compared to \$1,492,000 for the prior fiscal year. The improvement in fiscal 1998 included \$35,000 non-cash interest and \$156,000 non-cash

compensation expenses compared to \$275,000 non-cash interest and \$235,000 non-cash compensation expenses in fiscal 1997. The decrease in cash used in operations for fiscal 1998 as compared to fiscal 1997 was also attributed to an increase in accounts payable and accrued expenses of \$353,000 offset by an increase in accounts receivable of \$592,000.

Net cash used in investing activities for capital expenditures was \$133,000 in the fiscal year ended March 31, 1998, as compared to cash used in investing activities of \$215,000 in the prior fiscal year.

Cash provided by the financing activities in fiscal year ended March 31, 1998, was \$423,000 compared to cash provided in the prior fiscal year of \$554,000. At June 30, 1997, the Company completed a tender offer to certain warrant holders to 1) exercise warrants at a reduced exercise price and/or 2) exchange warrants for common stock at prescribed ratios. The Company raised \$227,000 through the exercise of warrants for common stock in this tender offer. In addition, the Company received proceeds of \$45,000 from the sale of common stock to a director in August 1997 and issued \$20,000 of common stock in June 1997 in settlement of litigation.

In December 1997, the Company received proceeds of \$260,000 from the issuance of notes payable due and payable the earlier of the completion by the Company of an equity financing in an amount not less than \$1,500,000 or June 12, 1998. On June 12, 1998, the Company extended the \$260,000 notes payable under the same terms and conditions for an additional 45 days. On April 24, 1998, the Company entered into a Series A Convertible Preferred Stock Purchase Agreement providing for the private placement of up to 3,000 shares of a newly authorized series of preferred stock. The Company received gross proceeds thus far of \$800,000 from the sale of 1,600 shares of Preferred Stock to two private investors.

During fiscal year 1997, the Company raised net proceeds of \$635,000 through the issuance of 6% convertible debentures, all of which were converted to common stock. In August 1997, the Company entered into a revolving line of credit arrangement with a commercial lender permitting borrowings up to \$1,000,000, collateralized by accounts receivable, inventory and fixed assets. The credit facility provides for the advance rate of 75% of eligible accounts receivable. As of March 31, 1998, \$146,000 was being utilized under the revolving line of credit.

The Company requires significant working capital to fund its business, particularly to finance accounts receivable and for capital expenditures. The Company's future cash requirements will depend on many factors, including the extent of spending to support product development efforts, expansion of sales efforts, and market acceptance of the Company's technology. The Company believes that the current cash, asset based line of credit and internally generated cash flow will be sufficient to meet its working capital and capital expenditures requirements through the fiscal year ended March 31, 1999. To the extent that the Company's existing resources, together with future earnings are insufficient to fund the Company's future activities, the Company may need to raise additional funds through public or private financing.

## **Impact of Year 2000 Issue**

The software applications currently used by the Company for operations and financial management are Year 2000 compliant. The incremental costs to become compliant did not have a material effect on the Company's consolidated financial statements.

## **Item 7. *Financial Statements***

See "Financial Statements and Notes to Financial Statements" set forth on pages 20 through 37 of this Annual Report on Form 10-KSB.

## **Item 8. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosures***

None.

## **PART III**

## **Item 9. *Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act***

The Company will file a definitive proxy statement ("Proxy Statement") relating to its 1998 Annual Meeting of Shareholders pursuant to and in accordance with section 240.14a-101 within 120 days after the end of the fiscal year covered by this form. The information required by this item is incorporated by reference to the Proxy Statement under the headings "Management" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934."

## **Item 10. *Executive Compensation***

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Executive Compensation."

## **Item 11. *Security Ownership of Certain Beneficial Owners and Management***

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Voting Securities and Principal Holders Thereof."

## **Item 12. *Certain Relationships and Related Transactions***

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Related Party Transactions."

**Item 13. Exhibits and Reports on Form 8-K**

**(a) Exhibits:** The following exhibits are filed as part of this report:

<b><u>Exhibit</u></b>	<b><u>Description</u></b>
<b><u>Number</u></b>	
2.1	Share Exchange Agreement and Amendments (1)
2.2	MIT Share Acquisition Agreement (1)
2.3	Escrow Agreement (1)
2.4	First Amendment to Escrow Agreement (8)
3.1	Articles of Incorporation of Soligen Technologies, Inc. (1)
3.2	Articles of Amendment, amending Section 9 of Articles of Incorporation (8)
3.3	Statement of Rights and Preferences of Series A Preferred Stock (8)
3.4	Bylaws of Soligen Technologies, Inc. (1)
3.5	First Amendment to Bylaws (3)
3.6	Second Amendment to Bylaws
4.1	Subscription Agreement for Private Placement (5)
4.2	Subscription Agreement for Private Placement (2)
4.3	Series A Preferred Stock Purchase Agreement (8)
4.4	Investor Rights Agreement (8)
4.5	Common Stock Purchase Warrant (9)
10.1	License Agreement and Amendments (1)
10.2	Amendment to License Agreement (4)
10.3	Consulting Agreement between the Registrant and Kenneth T Friedman (7)
10.4	1993 Stock Option Plan (1)
10.5	Amendment to Stock Option Plan, increasing shares to 5,000,000
11.1	Computation of Net Loss Per Share
21.1	Subsidiaries of the Registrant (6)
23	Consent of Independent Public Accountants
24.1	Power of Attorney of Dr. Mark W. Dowley
24.2	Power of Attorney of Kenneth T. Friedman
24.3	Power of Attorney of Patrick J. Lavelle
24.4	Power of Attorney of Darryl J. Yea
27	Financial Data Schedule for the year ended March 31, 1998

(1) Incorporated by reference to the Registration Statement on Form 10-SB (Reg. No. 1-12694) filed by the Company on December 20, 1993.

- (2) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form 10-SB (Reg. No. 1-12694) filed by the Company on February 7, 1994.
- (3) Incorporated by reference to Amendment No. 2 to the Registration Statement on Form 10-SB (Reg. No. 1-12694) filed by the Company on February 22, 1994.
- (4) Incorporated by reference to Form 10-KSB filed by the Company on June 16, 1995.
- (5) Incorporated by reference to Form 10-QSB filed by the Company on November 14, 1995.
- (6) Incorporated by reference to Form 10-KSB filed by the Company on June 17, 1996.
- (7) Incorporated by reference to Form 10-KSB filed by the Company on July 11, 1997.
- (8) Incorporated by reference to Form 8-K, filed by the Company on May 4, 1998.
- (9) Incorporated by reference to Form 10-QSB, filed by the Company on February 13, 1998.
- (b) No reports on Form 8-K were filed during the quarter ended March 31, 1998.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Soligen Technologies, Inc.:

We have audited the accompanying consolidated balance sheet of Soligen Technologies, Inc. and subsidiaries (a Wyoming Corporation - collectively, the Company) as of March 31, 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Soligen Technologies, Inc. and subsidiaries as of March 31, 1998, and the results of their operations and their cash flows for the two years then ended, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Los Angeles, California  
May 26, 1998

SOLIGEN TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - MARCH 31, 1998

ASSETS

CURRENT ASSETS:

Cash	\$ 215,000
Accounts receivable, net of allowance for doubtful accounts of \$65,000	1,258,000
Inventories	118,000
Prepaid expenses	<u>104,000</u>
Total current assets	<u>1,695,000</u>

PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation and amortization	847,000
--	---------

OTHER ASSETS	<u>37,000</u>
--------------	---------------

Total assets	<u>\$ 2,579,000</u>
--------------	---------------------

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable and line of credit	\$ 566,000
Trade accounts payable	485,000
Payroll and related expenses	186,000
Accrued expenses	184,000
Deferred revenue	<u>97,000</u>
Total current liabilities	<u>1,518,000</u>

NOTES PAYABLE, net of current portion	25,000
---------------------------------------	--------

COMMITMENTS AND CONTINGENCIES (Notes 5 and 7)

STOCKHOLDERS' EQUITY:

Common stock, no par value	
Authorized—90,000,000 shares	
Issued and outstanding—32,682,338	10,294,000
Accumulated deficit	<u>(9,258,000)</u>
Total stockholders' equity	<u>1,036,000</u>
Total liabilities and stockholders' equity	<u>\$ 2,579,000</u>

The accompanying notes are an integral part of this balance sheet.

SOLIGEN TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
REVENUES	\$ 5,465,000	\$ 4,203,000
COST OF REVENUES	<u>3,693,000</u>	<u>2,380,000</u>
Gross profit	<u>1,772,000</u>	<u>1,823,000</u>
 EXPENSES:		
Research and development	1,016,000	1,108,000
Selling	586,000	747,000
General and administrative	1,085,000	1,018,000
Non-cash compensation (Note 8)	<u>156,000</u>	<u>235,000</u>
Total expenses	<u>2,843,000</u>	<u>3,108,000</u>
Loss from operations	<u>(1,071,000)</u>	<u>(1,285,000)</u>
 OTHER INCOME (EXPENSE):		
Interest income	3,000	18,000
Interest expense	(78,000)	(325,000)
Other	<u>178,000</u>	<u>103,000</u>
Loss before provision for income taxes	(968,000)	(1,489,000)
PROVISION FOR STATE INCOME TAXES	<u>1,000</u>	<u>3,000</u>
Net loss	<u>\$ (969,000)</u>	<u>\$ (1,492,000)</u>
Net loss per share (basic and diluted)	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>

The accompanying notes are an integral part of these financial statements.



SOLIGEN TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	<u>Common Stock</u>		Accumulated	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	
BALANCE, March 31, 1996	29,738,330	\$ 8,631,000	\$(6,797,000)	\$ 1,834,000
Shares issued pursuant to convertible debt (October 1996)	162,549	85,000	--	85,000
Shares issued pursuant to convertible debt (November 1996)	320,001	127,000	--	127,000
Shares issued pursuant to convertible debt (December 1996)	197,530	85,000	--	85,000
Shares issued pursuant to convertible debt (January 1997)	1,015,873	338,000	--	338,000
Interest expense on convertible debt	--	275,000	--	275,000
Non-employee stock options	--	235,000	--	235,000
Net loss	--	--	<u>(1,492,000)</u>	<u>(1,492,000)</u>
BALANCE, March 31, 1997	31,434,283	9,776,000	(8,289,000)	1,487,000
Warrant conversion and exchange	1,098,055	227,000	--	227,000
Shares issued pursuant to DTM settlement	50,000	20,000	--	20,000
Stock purchase by related party	100,000	45,000	--	45,000
Non-employee stock options	--	156,000	--	156,000
Warrants issued for bridge note financing	--	70,000	--	70,000
Net loss	--	--	<u>(969,000)</u>	<u>(969,000)</u>
BALANCE, March 31, 1998	<u>32,682,338</u>	<u>\$10,294,000</u>	<u>\$(9,258,000)</u>	<u>\$ 1,036,000</u>

The accompanying notes are an integral part of these financial statements.

SOLIGEN TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (969,000)	\$(1,492,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	394,000	379,000
Provision for doubtful accounts	57,000	12,000
Non-cash interest expense on convertible debt	35,000	275,000
Non-cash compensation expense	156,000	235,000
Changes in assets and liabilities:		
Increase in accounts receivable	(592,000)	(348,000)
Decrease in inventories	42,000	7,000
Decrease (increase) in prepaid expenses and other assets	(23,000)	35,000
Increase (decrease) in accounts payable and accrued expenses	353,000	(218,000)
Increase (decrease) in deferred revenue	<u>(34,000)</u>	<u>93,000</u>
Net cash used in operating activities	<u>(581,000)</u>	<u>(1,022,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>(133,000)</u>	<u>(215,000)</u>
Net cash used in investing activities	(133,000)	(215,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments under capital lease obligations	(57,000)	(66,000)
Payments on notes payable	(37,000)	(15,000)
Convertible debentures, net of issuance costs	--	635,000
Cancellation of notes payable to former owners of A-RPM	(205,000)	--
Exercise of warrants and sale of common stock	291,000	--
Net borrowings under revolving line of credit	146,000	--
Proceeds from the issuance of notes payable	<u>285,000</u>	<u>--</u>
Net cash provided by financing activities	423,000	554,000
Net decrease in cash	(291,000)	(683,000)
Cash at beginning of period	<u>506,000</u>	<u>1,189,000</u>
Cash at end of period	<u>\$ 215,000</u>	<u>\$ 506,000</u>

The accompanying notes are an integral part of these financial statements.

SOLIGEN TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

1. Summary of Significant Accounting Policies

The Company and Nature of the Business

Soligen Technologies, Inc. (STI) is a Wyoming corporation which operates through its wholly owned subsidiaries Soligen, Inc. (Soligen) and Altop, Inc. (Altop) (collectively referred to as the Company).

Soligen is located in Northridge, California. It was founded to develop and commercialize a new technology for creating metal parts and tooling from computer designs. This technology, Direct Shell Production Casting (DSPC<sup>®</sup>), is based on Three Dimensional Printing (3DP<sup>™</sup>) a patented process licensed to Soligen by the Massachusetts Institute of Technology (MIT).

Altop is incorporated in California. Altop's operations consist of an aluminum foundry and machine shop located in Santa Ana, California.

The Company faces risks normally associated with early stage enterprises and certain risks, including the need to raise additional capital to fund future operations and other risks described in Note 7. Subsequent to year end, the Company generated additional capital of \$800,000 through a preferred stock sale (See Note 11).

Principles of Consolidation

The consolidated financial statements include the accounts of STI, Soligen and Altop. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Credit Risk

The Company's accounts receivable are unsecured and the Company is at risk to the extent such amounts become uncollectable. As of March 31, 1998, three customers represented 24 percent, 17, percent and 10 percent of accounts receivable. As of March 31, 1997, two customers represented 13 percent and 11 percent of accounts receivable. There were no customers representing at least 10 percent of revenues for the year ended March 31, 1998. For the year ended March 31, 1997, there were two customers representing 13 percent and 10 percent, of revenues.

### Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis. Inventories include raw materials, work in process and finished goods.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the expected lives of the assets, as follows:

<u>Description</u>	<u>Depreciation Life</u>
Office furniture and fixtures	3 to 5 years
Plant machinery and equipment	5 years
DSPC <sup>®</sup> machines	2 to 3 years
Leasehold improvements	Lesser of asset life or term of lease
Computer equipment	3 to 5 years
Printheads	3 years

Property, plant and equipment consist of the following at March 31, 1998:

Office furniture and fixtures	\$ 53,000
Plant machinery and equipment	876,000
DSPC <sup>®</sup> machines	810,000
Leasehold improvements	45,000
Construction in progress - DSPC <sup>®</sup> machines	114,000
Computer equipment	148,000
Printheads	<u>151,000</u>
Total	2,197,000
Less--Accumulated depreciation and amortization	<u>(1,350,000)</u>
	<u>\$ 847,000</u>

## Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Under SFAS No. 109, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances have been established to reduce deferred tax assets to the amount that could be anticipated to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities. The income tax expense for 1998 and 1997 is limited to minimum payments due for each year due to the Company's pre-tax loss and large operating loss carryforward. The Company's deferred tax asset and valuation reserve are as follows:

	<u>March 31, 1998</u>
Deferred tax assets:	
Net operating loss carryforward	\$ 3,520,000
Vacation accrual	20,000
Unicap	2,000
Allowance for bad debts	26,000
Inventory reserves	2,000
Deferred tax liabilities:	
Depreciation	<u>(136,000)</u>
Total net deferred tax assets	3,434,000
Valuation allowance	<u>(3,434,000)</u>
Total	<u>\$ --</u>

There is no assurance that the Company will be profitable in future periods, therefore, a valuation allowance has been recognized for the full amount of the deferred tax asset for 1998. As of March 31, 1998, the Company has a federal and state income tax operating loss carryforward of approximately \$9,200,000 and \$4,200,000 respectively, which expires through 2013. Under Section 382 of the Internal Revenue Code, the availability of net operating loss and credit carryforwards may be reduced in the event of a greater than 50 percent change in ownership over a three-year period. In the event that such a change is deemed to have occurred, the Company's use of net operating losses and credits may be limited.

### Revenue Recognition

Revenue from the sale of products is generally recognized upon shipment. Maintenance and license revenues are recognized on a straight-line basis over the term of the agreement, generally 12 months.

### Research and Development

Research and development expenditures are charged to operations as incurred.

### Net Loss Per Share

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share". The statement replaces primary earnings per share with basic earnings per share, which is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding. The provision also requires the calculation of diluted earnings per share, which increases the weighted average shares outstanding for the dilutive effect of stock options and warrants. The Company adopted this statement in fiscal year 1998, and 1997 earnings per share amounts have been recalculated based on the provisions of SFAS No. 128.

The following schedule summarizes the information used to compute earnings per common share (in thousands, except per share data):

	<u>Years Ended March 31,</u>	
	<u>1998</u>	<u>1997</u>
Net loss	\$ (969)	\$(1,492)
Weighted average number of common shares used to compute basic net income per common share	32,351	30,233
Dilutive effect of common share equivalents	—	—
Weighted average number of common shares used to compute diluted net income per common share	<u>32,351</u>	<u>30,233</u>
Basic net loss per common share	\$ (0.03)	\$ (0.05)
Diluted net loss per common share	\$ (0.03)	\$ (0.05)

### Fair Value of Financial Instruments

The carrying value of the Company's cash, receivables, trade payables and accrued liabilities approximate their fair values because of the short maturities of those instruments. The carrying value of the Company's debt and capital leases approximate their fair values because of the short maturities and/or interest rates which are comparable to those available to the Company on similar terms.

### Accounting for Stock Options and Warrants

In October 1995, FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS 123 encourages, but does not require, a fair value based method of accounting for employee stock options or similar equity instruments. It also allows an entity to elect to continue to measure compensation cost under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," (APB 25) but requires pro forma disclosure of net income and earnings per share as if the fair value based method had been applied. The Company has determined to elect this disclosure method and to continue to measure compensation under APB 25. The Company has applied the fair value based method of accounting for options and warrants granted to non-employees (see Notes 8 and 10).

### Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Company paid \$34,000 and \$35,000 for interest in fiscal 1998 and 1997, respectively. The Company paid \$1,000 and \$3,000 for income taxes in fiscal 1998 and 1997, respectively. During fiscal 1998 and 1997, the Company issued 50,000 shares pursuant to the DTM settlement (Note 7). The exchange of warrants for common stock during fiscal 1998 (see Note 9) was excluded from the statement of cash flows as a non-cash transaction.

In addition, during fiscal 1998, the Company recorded a prepaid interest expense in connection with the bridge note financing. As of March 31, 1998, \$35,000 was excluded from the statement of cash flows as a non-cash transaction. In fiscal 1997, the Company acquired certain property under a capital lease for \$15,000, which was excluded from the statement of cash flows as a non-cash transaction.

2. Inventories

Inventories consist of the following as of March 31, 1998:

Raw materials and parts	\$ 69,000
Work in process	38,000
Finished goods	<u>11,000</u>
Total inventories	<u>\$ 118,000</u>

3. Deferred Revenue

Deferred revenue relates to both machine and customer parts revenues. The deferred revenue related to machine revenues resulting mainly from the Company's issuance of licenses to use the machines.

4. Debt

Debt consists of the following at March 31, 1998:

Notes to former owners of A-RPM, bearing no interest, due in November 1998 (Notes 6 and 7)	\$ 63,000
Notes to various investors and related parties, bearing interest at 12 percent, due in June 1998 (Note 9)	260,000
Note to insurance company, bearing interest at 5.4 percent, due in November 1998	25,000
Revolving line of credit, secured by certain assets, bearing interest at the bank's prime rate (8.5 percent at March 31, 1998) plus 3 percent	146,000
Capital leases (Note 5)	<u>97,000</u>
	591,000
Less--Current portion	<u>(566,000)</u>
	<u>\$ 25,000</u>

The debt matures as follows:

1999	\$ 566,000
2000	<u>25,000</u>
	<u>\$ 591,000</u>



On July 8, 1997, the Company obtained a \$1,000,000 Revolving line of credit from a commercial lender. The credit facility provides for the advance rate of 75 percent of eligible accounts receivable. The Company incurred approximately \$65,000 in financing costs, of which \$25,000 was paid to a member of the board of directors for a financing finder's fee. As of March 31, 1998, the Company had an outstanding balance of approximately \$146,000.

#### 5. Commitments

The Company leases certain property and equipment under capital and operating lease agreements. The leases expire at various dates through 2002. Future minimum lease payments under capital lease obligations and noncancelable operating leases at March 31, 1998 are summarized as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
1999	\$ 74,000	\$ 185,000
2000	31,000	185,000
2001	--	117,000
2002	<u>    --</u>	<u>112,000</u>
Total minimum lease payments	105,000	<u>\$ 599,000</u>
Less--Amount representing interest	<u>(8,000)</u>	
Present value of future minimum lease payments	97,000	
Less--Current portion	<u>(72,000)</u>	
	<u>\$ 25,000</u>	

Total rent expense was approximately \$200,000 and \$116,000 in 1998 and 1997, respectively.

#### 6. Acquisition of A-RPM

On June 30, 1994, STI's wholly owned subsidiary, Altop, Inc., acquired substantially all of the assets of A-RPM Corporation, a foundry and machine shop located in Santa Ana, California. The acquisition price was \$420,000, with \$100,000 paid in cash and \$320,000 in notes (\$100,000 of which was contingent upon determination of certain net asset values according to a formula set forth in the Asset Purchase Agreement), plus assumption of stated liabilities (see Note 7).

#### 7. Contingent Liabilities

MIT License - Soligen and MIT entered into an agreement under which MIT granted Soligen an exclusive license to develop, manufacture, market and sell products utilizing technology and processes patented by MIT in the metal casting field of use. Terms of said

agreement state that Soligen, with other licensees of the MIT and 3DP technology, must share the cost of any fees incurred by MIT for the prosecution, filing and maintenance of all patent rights.

Under the terms of the agreement, as amended, Soligen is required to generate the following minimum cumulative net sales levels:

March 1996 - March 1997	\$ 3,000,000
March 1997 - March 1998	\$ 3,500,000
March 1998 - March 1999	\$ 4,000,000
March 1999 - March 2000	\$ 4,500,000
March 2000 - March 2001	\$ 5,000,000
March 2001 - March 2002	\$ 6,000,000
March 2002 - March 2003	\$ 8,000,000
March 2003 - March 2004 and each year thereafter	\$10,000,000

In addition, after payment of \$500,000 in royalties at 4.5 percent of net sales, Soligen has an obligation to pay to MIT a royalty in the amount of 2.25 percent of "Net Sales" on a quarterly basis. Because Soligen incurred significant expense defending itself in a patent infringement suit which threatened MIT's licensing effort with respect to the patent rights, MIT agreed that during the period commencing December 15, 1993 and ending December 15, 1998, it would waive the first \$300,000 of royalties. MIT has also agreed to extend the exclusive period until October 1, 2006.

The license provides that if Soligen fails to reach the sales minimums or pay the obligations delineated above, such failure will be grounds for MIT to terminate the license on 90 days' notice to Soligen. As of March 31, 1998, the Company has met the requirement for minimum net sales.

Legal Activity - DTM - DTM Corporation (DTM) of Austin, Texas, has filed a lawsuit against Soligen in the Western District of Texas, alleging infringement of a United States patent (Housholder patent) of which DTM is the assignee. Soligen was originally served on February 17, 1994 with notice of this action.

In April 1995, Soligen signed a Memorandum of Understanding with DTM and MIT to settle the patent infringement lawsuit and to resolve, without further litigation by DTM, related patent disputes between DTM and MIT that impacted both Soligen and other MIT licensees of 3DP™ technology. The settlement provides for the issuance of 50,000 shares of the Company's common stock to DTM, and an additional 50,000 shares contingent upon the final outcome of the pending petition for re-examination of the Housholder patent. In fiscal year 1997, the Company issued 50,000 shares and provided \$39,000 for the contingent issuance, which was included in accounts payable and accrued liabilities. In June 1997, the Company issued the final 50,000 shares of common stock pursuant to the settlement. The Company believes that there is no additional liability that exists as of March 31, 1998.

Legal Activity - A-RPM - On March 22, 1995, Altop filed an action against A-RPM and its shareholders for breach of contract and misrepresentations related to its June 30, 1994 Asset Purchase Agreement of A-RPM. In May 1995, A-RPM filed a response and counter-complaint, however, effective December 15, 1997, the Company and A-RPM and its shareholders executed a settlement agreement in which Soligen will pay the former A-RPM owners the sum of \$100,000, without interest, in monthly installments beginning January 1998 and continuing until November 1998. Therefore, the original note payable was adjusted by \$205,000 and is included in Other Income (Expense) in the accompanying consolidated statements of operations.

Legal Activity - Other - The Company is involved in the normal course of its business in various other litigation matters. Although the Company's counsel is unable to determine at the present time whether the Company will have any liability in any of the pending matters, the Company believes that none of the pending matters will have an outcome material to the financial condition or business of the Company.

#### 8. Stock Option Plan

The Company has a stock option plan that provides for incentive and non-incentive stock options to employees, officers, directors and consultants responsible for the success of the Company. The total options available under the plan for granting are 5,000,000 shares.

Under the Plan, incentive stock options can be granted at prices not less than 100 percent of the fair market value at the date of grant while nonqualified options can be granted at not less than 85 percent of the fair market value at the date of grant. Options are generally exercisable in fourths, commencing one year after the grant date and on the second, third and fourth anniversaries of the grant date, respectively.

Information regarding the Company's Option Plan for the years ended March 31, 1998 and 1997 is summarized as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
March 31, 1996	3,362,000	\$ 0.79
Granted	200,000	0.75
Canceled	<u>(265,000)</u>	<u>(0.82)</u>
March 31, 1997	3,297,000	0.78
Granted	--	--
Canceled	<u>(130,000)</u>	<u>(1.03)</u>
March 31, 1998	<u>3,167,000</u>	<u>\$ 0.76</u>

The weighted average fair value of options granted during fiscal 1997 was \$0.42.

Information about stock options outstanding at March 31, 1998 is summarized as follows:

<u>Exercise Price</u>	<u>Options Outstanding</u>		<u>Weighted Average Exercise Price</u>
	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	
\$0.71	1,105,000	5.0 years	\$ 0.71
\$1.55	110,000	4.5 years	\$ 1.55
\$0.75	1,952,000	7.9 years	\$ 0.75

The Company accounts for stock options granted to non-employees in accordance with SFAS 123 which requires non-cash compensation expense be recognized over the expected period of benefit. As a result the company recorded compensation expense of \$156,000 and \$235,000 in fiscal years 1998 and 1997, respectively, which is included in the accompanying statement of operations. The Company accounts for its stock options granted to employees and directors under APB 25, under which no compensation cost has been recognized. Had compensation cost for the Company's stock option plans been determined consistent with SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

		<u>March 31, 1998</u>	<u>March 31, 1997</u>
Net Loss	As Reported	\$ (969,000)	\$ (1,492,000)
	Pro Forma	\$ (1,055,000)	\$ (1,567,000)
Net Loss Per Share (basic and diluted)	As Reported	\$ (0.03)	\$ (0.05)
	Pro Forma	\$ (0.03)	\$ (0.05)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants: risk-free interest rate of 5.00 to 6.00 percent; expected lives of six to eight years; expected volatility of 45 percent and no dividends would be issued during the option terms.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. Option value models also require the input of highly subjective assumptions, such as expected option life and expected stock price volatility. Because the Company's stock-based compensation plans have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes that the existing option valuation models do not necessarily provide a reliable single measure of the fair value of awards from those plans.

Options granted prior to March 31, 1995 were issued in Canadian dollars at \$1.00 Canadian (\$.71 U.S. at March 31, 1998) and \$2.20 Canadian (\$1.55 U.S. at March 31, 1998) per share. All

options granted subsequent to March 31, 1995 are issued in U.S. dollars. Of the options issued, 2,292,685 were exercisable at March 31, 1998.

#### 9. Private Placements

In fiscal 1995, STI initiated a private placement of 2,390,000 units at a price of \$.50 per unit. The private placement grossed \$1,195,000, net of \$55,000 in issuance costs. Each unit consisted of one common share, one-half Class "A" and one-half Class "B" warrant.

During the year ended March 31, 1996, STI initiated three private placements grossing \$3,528,000, net of \$376,000 in issuance costs. The June 1995 private placement of 1,090,000 units was at a price of \$0.55 per unit. Each unit issued in connection with the June 1995 private placement consisted of one common share, one Class "C" warrant and one-fifth Class "D" warrant. The September 1995 and February 1996 private placements of 53.25 units was at a price of \$55,000 per unit. Each unit consisted of 100,000 common shares and 100,000 Class "E" warrants. Any investor who purchased in aggregate at least 20 units, the holder received Class "G" warrants. The Class "G" warrants shall be redeemable if the closing price of the common stock is at least \$1.75 for ten consecutive trading days. In the event of such redemption, the exercise price for the Class "G" warrant shall be reduced to \$0.95 per share. In connection with the September 1995 and February 1996 private placements, the Company issued 533,000 Class "F" warrants to the placement agent.

During fiscal 1997, the Company entered into an agreement with a member of the board of directors whereby Soligen issued 500,000 warrants at an exercise price of \$0.75 per warrant. The warrants expire on December 31, 2006 and vest over four years.

At June 30, 1997, the Company completed a tender offer to certain warrant holders to (1) exercise warrants at a reduced exercise price of \$0.45 and/or (2) exchange warrants for common stock at prescribed ratios. The Company raised approximately \$227,000 through the exercise of warrants for common stock and an additional \$45,000 through the private placement sale of common stock to a member of the board of directors.

Information regarding the Company's warrants outstanding for the years ended March 31, 1998 and 1997 is summarized as follows:

	<u>Shares</u>	<u>Weighted Average Price</u>
March 31, 1997	10,777,755	\$ 1.37
Granted	520,000	.50
Exercised	(503,223)	(.45)
Expired	(582,500)	(1.38)
Exchanged	<u>(3,991,000)</u>	--
March 31, 1998	<u>6,221,032</u>	<u>\$ 1.32</u>

A summary of the common stock purchase warrants as of March 31, 1998 is summarized as follows:

<u>Class</u>	<u>Exercise Price</u>	<u>Expiration Date</u>	<u>Number of Warrants</u>
A	\$1.25	April 14, 1998	690,277
B	\$2.50	April 14, 1998	692,500
E	\$1.50	January 14, 2000	2,575,000
F	\$0.55	January 26, 2001	521,500
Convertible	\$1.16	September 13, 1999	215,085
Convertible	\$1.29	September 13, 1999	386,384
Convertible	\$0.78	September 13, 1999	43,010
Convertible	\$0.86	September 13, 1999	77,276
Convertible	\$0.75	December 12, 2006	500,000
Bridge	\$0.50	December 11, 2002	520,000

In December 1997, the Company entered into a bridge note financing with two members of the board of directors and other investors whereby the Company borrowed approximately \$260,000 due in June 1998, bearing interest of 12 percent. In connection with the financing, the Company issued warrants to purchase 520,000 shares of common stock. The warrants vested upon grant and have a term of five years at an exercise price of \$0.50 per share.

The fair value of each warrant granted in connection with the financing arrangement is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 6 percent, expected life of 3 years; expected volatility between 30 percent and 50 percent and no dividends would be issued during the warrant term.

The Company determined the value of the warrants to equal approximately \$70,000 as prepaid interest to be amortized over the term of the debt. As of March 31, 1997, the unamortized portion of non-cash interest expense of \$35,000 is included in prepaid expenses in the accompanying consolidated balance sheet.

#### 10. Convertible Debentures

On September 13, 1996, the Company completed a \$750,000 convertible debenture financing in accordance with SEC Regulation S. The debentures bear interest at the rate of 6 percent per annum. If not earlier converted, principal and interest is payable in cash or common stock on August 31, 1999.

The debentures are convertible by the holder into shares of the Company's common stock at a conversion price equal to 75 percent of the average price of the Company's common stock on the American Stock Exchange (Emerging Company Market) for the five trading days preceding the date of conversion. The Company had the right to force the conversion of debentures on these terms at the rate of \$50,000 per week beginning October 15, 1996.

The Company recorded \$250,000 in common stock related to the debentures for the conversion feature and \$250,000 as non-cash interest expense in September 1996. During fiscal 1997 all the debt holders converted the debentures for approximately 1,696,000 shares.

In connection with the above transaction, investors received warrants exercisable for a total of 601,469 shares of the Company's common stock at exercise prices of \$1.16 (as to 215,085 shares) and \$1.29 (as to 386,384 shares). The warrants are exercisable for three years.

The placement agent for the financing received a commission equal to 10 percent of the gross proceeds and warrants exercisable for 120,286 shares at exercise prices of \$0.775 (as to 43,010 shares) and \$0.86 (as to 77,276 shares). The warrants are exercisable for three years.

The Company determined the value of the warrants using the Black-Scholes pricing model to be approximately \$296,000. Accordingly the Company recorded \$296,000 as prepaid interest to be amortized over the term of the debt. However, upon conversion, the unamortized portion of the prepaid is transferred to common stock. During fiscal 1997 all the debt was converted. Prior to conversion, the Company amortized \$25,000 of interest which was included in the accompanying statement of operations.

#### 11. Subsequent Events

On April 20, 1998, the Company approved a change in the aggregate number of common and preferred shares the Company has the authority to issue. The Company increased the number of authorized common shares and preferred stock to 90,000,000 and 10,000,000, respectively, 5,000 of the preferred shares of which have been designated as Series A Preferred Stock.

On April 24, 1998, the Company sold 1,600 shares of Series A Preferred Stock at a price of \$500 per share for gross proceeds of \$800,000. Holders of the Series A Preferred Stock have the following rights and preferences: Liquidation preference of \$500 per share, conversion rights, and each holder shall be entitled to the number of votes equal to the number of shares of Common Stock into which such outstanding Series A Preferred Stock is then convertible. In addition, each holder of the Series A Preferred Stock does not have dividend preferences.

Effective June 12, 1998, the Company extended its terms with the bridge noteholders (see Note 9) for a period of 45 days to July 27, 1998, bearing interest of 12 percent. In connection with the extension, the Company issued warrants to purchase an additional 130,000 shares of common stock. The warrants vested upon grant and have a term of five years at an exercise price of \$0.50 per share. The Company determined the fair value of the warrants to be approximately \$22,000. The Company will record this as prepaid interest and will be amortized over the term of the debt.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOLIGEN TECHNOLOGIES, INC.  
(Registrant)

By:           /s/ Yehoram Uziel          

Yehoram Uziel, President, CEO,  
Director and Chairman of the Board

Date: June 19, 1998

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>          /s/ Yehoram Uziel          </u> Yehoram Uziel	President, CEO, Director and Chairman of the Board (principal executive officer)	June 19, 1998
By: <u>          /s/ Robert Kassel          </u> Robert Kassel	Chief Financial Officer	June 19, 1998
By: <u>          */s/ Dr. Mark W. Dowley          </u> Dr. Mark W. Dowley	Director	June 19, 1998
By: <u>          */s/ Kenneth T. Friedman          </u> Kenneth T. Friedman	Director	June 19, 1998
By: <u>          */s/ Patrick J. Lavelle          </u> Patrick J. Lavelle	Director	June 19, 1998
By: <u>          */s/ Darryl J. Yea          </u> Darryl J. Yea	Director	June 19, 1998
By: <u>          */s/ Yehoram Uziel          </u> Yehoram Uziel	Attorney-In-Fact	June 19, 1998