

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the accompanying Consolidated 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.

On June 30, 1994 the Company, through its wholly owned subsidiary Altop, Inc., acquired substantially all of the assets of A-RPM Corporation ("A-RPM"), an aluminum foundry and machine shop located in Santa Ana, California.

Overview

During the fiscal year ended March 31, 1995 ("fiscal 1995"), the Company initiated the transition from a development stage company engaged primarily in research and development, into a manufacturing/service company with continuing revenues from operations. The Company defined its revenue-generating operations into four product lines in fiscal 1995:

1. **Machine Revenues**, which result from the production, distribution and support of DSPC[®] machines to the marketplace. Through March 31, 1995, the Company has sold four machines and leased three machines. Machine Revenues represent the ongoing product line for Soligen.
2. **Parts Now[™]** revenues result from the production and sale of first article cast metal parts for industrial customers. Parts Now[™] operations were initiated, as a pilot project, in the quarter ended September 30, 1994, and became a product line with sales and production capabilities in the quarter ended March 31, 1995. At this point, the Parts Now[™] product line and operations are growing but are still in the development phase; revenues are not sufficient to meet the development expenses.
3. **Customer Parts** revenues, which result from the production and sale of production quantities of cast metal machined parts for industrial customers. These revenues are generated by Altop, and as such the Company began developing revenues in this product line in July 1994.
4. **Engineering Contracts** are generated by outside entities engaging Soligen resources to provide technological expertise. Revenues in this product line were initiated in the quarter ended December 31, 1994.

Results of Operations

The Company had a net loss during fiscal 1995 of \$1,992,000 as compared to a net loss of \$1,973,000 in fiscal 1994. Revenues increased in fiscal 1995 over fiscal 1994 from \$184,000 to \$1,672,000 while Gross Margin increased from \$173,000 to \$437,000. Operating Expenses increased from \$2,144,000 to \$2,427,000.

The Company's revenues for the year, and the increase from the previous year, broken down into the product lines, are as follows (in 000's):

	1995	1994
Machine Revenues	\$ 383	\$ 135
Parts Now [™]	94	—
Customer Parts	1,046	—
Engineering Contracts	129	—
Interest Income & Other	20	49
Total Revenues	\$ 1,672	\$ 184

Consolidated Financial Statements and Report of Independent Public Accountants

Soligen Technologies, Inc. (A Development Stage Enterprise) and Subsidiaries

March 31, 1995 and 1994

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Research and Development expenses decreased by \$154,000, from \$1,267,000 to \$1,113,000, from fiscal 1994 to fiscal 1995. The efforts expended in 1995 were largely spent on launching and supporting operations of the Parts Now™ product line and enhancing the capabilities of the DSPC® machines, which also benefitted the Parts Now™ product line. Selling Expenses increased by \$33,000, largely in the Customer Parts arena.

General & Administrative Expenses increased by \$404,000, from \$653,000 to \$1,057,000, from 1994 to 1995. The major causes of this increase are as follows:

1. Costs associated with being a reporting issuer in the U.S. traded on the American Stock Exchange. These costs relate to resources required for regulatory and financial reporting, including legal counsel, outside auditors and internal resources.
2. Expenses incurred to acquire the assets of A-RPM.
3. Expenses incurred in defense of the DTM patent infringement suit.
4. General & Administrative costs at the new subsidiary (Altop).

MIT License: Soligen and the Massachusetts Institute of Technology ("MIT") are parties to an agreement whereby MIT granted Soligen an exclusive license to develop, manufacture, market and sell products utilizing technology and processes patented by MIT in the metal casting and sanitary products fields of use.

Under the terms of the license, Soligen is required to generate the following minimum Sales levels:

Period	Amount of Net Sales
October, 1991 to October, 1994	\$ 1,000,000
November, 1994 to October, 1996	\$ 2,500,000
November, 1996 to October, 1997	\$ 7,250,000
November to October thereafter	\$15,000,000

Terms of the agreement state that Soligen must reimburse MIT for any fees incurred by MIT for the prosecution, filing and maintenance of all patent rights. The Company incurred \$23,000 as their share of this cost in fiscal 1995. In addition, Soligen has an obligation to pay to MIT a royalty in the amount of 4.5% of "Net Sales" on a quarterly basis, subject to a minimum annual royalty of \$50,000 due on December 31, 1994 and December 31 in each year thereafter.

The license provides that failure on Soligen's part to reach the sales minimums, or pay the obligations delineated above will be grounds for MIT to terminate the License on 90 days' notice to Soligen. The Company has met the requirement for minimum net sales of \$1 million for the period between November 1991 to October 1994. Management anticipates meeting the minimum for the period through October 1996.

MIT has notified the Company that any royalties payable under the License agreement may be applied by the Company to the payment of the costs of defending the DTM lawsuit (please see below) until May 31, 1995. MIT has also verbally committed to extend this until the DTM lawsuit is concluded.

Legal Activity - DTM: In February 1994 DTM Corporation ("DTM") of Austin, Texas filed a lawsuit against Soligen, Inc, in the Western District of Texas alleging infringement of a United States patent ("Housholder patent") of which DTM is the assignee. Soligen

answered with a motion to dismiss for lack of jurisdiction, and on September 9, 1994 was notified that DTM had voluntarily dismissed the complaint in Texas, and filed a similar action in the U.S. District Court in Delaware.

In October 1994 Soligen filed a counterclaim alleging that the DTM patent is invalid due to "prior art." In December 1994 Soligen filed a motion in Delaware to transfer the action to California, and an additional motion to recoup court costs and attorney's fees arising from the Texas action. In January 1995 Soligen filed a petition with the United States Patent Office for re-examination of the Housholder patent. In March 1995 the United States Patent Office granted Soligen's petition for re-examination of the Housholder patent.

In May 1995 the Company signed a Memorandum of Understanding with DTM and MIT intended to settle the lawsuit and resolve, without further litigation by DTM, the related patent disputes between DTM and MIT. The Memorandum of Understanding does not provide for any cash payments from the Company to DTM, but does provide 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. The Company has provided for the terms of the Memorandum of Understanding in the March 31, 1995 Consolidated Financial Statements.

Legal Activity - A-RPM: On June 30, 1994 Altop, Inc., a wholly-owned subsidiary of the Company, acquired substantially all of the assets of A-RPM Corporation, an aluminum foundry and machine shop located in Santa Ana, California. The assets were acquired pursuant to an Asset Purchase Agreement between Altop, the Company, A-RPM and its shareholders. (A-RPM and its shareholders are collectively known as "A-RPM"). As payment for the assets, Altop delivered an initial cash payment in the amount of \$100,000 and three promissory notes in the total principal amount of \$220,000. These notes are secured by certain of Altop's equipment and furnishings. Altop also assumed certain liabilities of A-RPM and agreed to deliver an additional payment of up to \$100,000, contingent upon determination of certain net asset values according to a formula set forth in the Asset Purchase Agreement.

On March 22, 1995 the Company and Altop commenced an action against A-RPM for breach of the Asset Purchase Agreement, fraud and negligent misrepresentation. In its action the Company seeks declaratory relief confirming that the Company and Altop have no further obligation to A-RPM under the Asset Purchase Agreement or the Promissory notes and related transactions. The Company also seeks damages and an award of attorneys' fees and costs in its action.

A-RPM has filed an answer to the complaint generally denying the allegations of the complaint and has filed a cross-complaint for recovery of the entire principal amount, accrued interest on the three promissory notes, recovery of \$85,000 alleged to be due and payable pursuant to the contingent payment provisions of the Asset Purchase Agreement, foreclosure on the assets of Altop securing the promissory notes, and court costs.

The Company intends to vigorously defend against the allegations of the cross-complaint and vigorously pursue recovery against A-RPM. Although the Company believes it has meritorious support for its position, \$305,000 of liability has been provided for in the March 31, 1995 consolidated financial statements.

Legal Activity - Other: The Company is involved in the normal course of its business in various other litigation matters. The Company believes that none of the pending matters will have an outcome material to the financial condition or business of the Company.

Sources of Liquidity

On April 15, 1993 the reverse takeover of STI by Soligen was completed, resulting in net proceeds of \$1,299,000. In September 1993 shareholders exercised warrants which netted an additional \$2,017,000, and, in December 1993, the Company completed a private placement of common stock which resulted in additional capital totaling \$366,000. Please see the "Acquisition" and "Private Placements" footnotes to the Financial Statements.

In December 1994 the Company initiated an additional placement of common stock of 2,390,000 units at a price of \$.50 per unit; each unit included one share of stock plus two one-half warrants to be exercised within twelve months and twenty-four months, respectively. The placement netted \$1,140,000 in additional capital.

The Company's revenues are growing, but still are not at a level sufficient to exceed costs. During fiscal 1995 its Net Working Capital fell by \$1,817,000. Its current liabilities grew by \$369,000, from \$958,000 to \$1,327,000 and its current assets fell by \$1,448,000. This came largely as a result of increased operations, including the start up of the Parts Now™ line and manufacturing of the related DSPC® machines, and the acquisition and start-up of Altop operations. Accounts Receivable and Inventory increased by \$57,000 and \$118,000, respectively, also mainly as a result of Altop activities and the initiation of the Parts Now™ product line.

At March 31, 1995 the Company maintained a cash level of \$331,000, and will need to raise additional capital in the first quarter of fiscal 1996. Management has initiated a Private Placement offering in this regard. (Please see Subsequent Events).

Subsequent Events

On May 17, 1995 the Company entered into an agreement to engage Gerard, Klauer, Mattison & Co. to act as a placement agent for an equity private placement intended to raise between \$2.5 million and \$4.5 million. On June 9, 1995 the Company raised an additional \$600,000 in an equity private placement managed by the Company.

CONSOLIDATED BALANCE SHEET

SOLIGEN TECHNOLOGIES, INC. (A Development Stage Enterprise)

March 31, 1995

(in thousands, except share data)

ASSETS

Current Assets:

Cash	\$	331
Accounts receivable, net of allowance for doubtful accounts of \$18		107
Inventories		232
Prepaid expenses		<u>52</u>
Total current assets		722

Property, Plant and Equipment,

net of accumulated depreciation and amortization 1,210

Goodwill, net of accumulated amortization of \$59 619

Other Assets 46

Total Assets \$ 2,597

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued expenses	\$	891
Deferred revenue		226
Notes payable		<u>210</u>
Total current liabilities		1,327

Notes payable, net of current portion 445

Total Liabilities 1,772

Commitments and Contingencies (Notes E & G)

Stockholders' Equity:

Common stock, no par value; authorized, 50,000,000 shares;
issued and outstanding, 23,273,330 shares 5,450

Deficit accumulated during the development stage (4,625)

Total Stockholders' Equity (See Note K) 825

Total Liabilities and Stockholders' Equity \$ 2,597

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

CONSOLIDATED STATEMENTS OF OPERATIONS

SOLIGEN TECHNOLOGIES, INC. (A Development Stage Enterprise)

For the years ended March 31, 1995 and 1994, and for the period from inception of April 1, 1992 to March 31, 1995

(in thousands, except net loss per share)

	Year Ended		From
	March 31, 1995	March 31, 1994	Inception of April 1, 1992
Revenues:			
Machine revenues	\$ 383	\$ 135	\$ 1,118
Parts Now™	94	—	94
Customer parts	1,046	—	1,046
Engineering contracts	129	—	129
Interest income & other	20	49	70
	1,672	184	2,457
Costs of Revenues:			
	1,235	11	1,398
Gross Margin	437	173	1,059
Expenses:			
Research and development	1,113	1,267	3,182
Selling	257	224	637
General and administrative	1,057	653	1,861
	2,427	2,144	5,680
Loss before Provision for Income Taxes	(1,990)	(1,971)	(4,621)
Provision for Income Taxes	2	2	4
Net Loss	\$ (1,992)	\$ (1,973)	\$ (4,625)
Net Loss Per Share	\$ (0.09)	\$ (0.11)	

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SOLIGEN TECHNOLOGIES, INC. (A Development Stage Enterprise)

For the years ended March 31, 1995 and 1994

(in thousands, except the number of shares)

	Common stock		Accumulated	Total
	Shares	Amount	Deficit	
Balance at March 31, 1993 (representing the 10,000 original shares and the 1993 net loss)	10,000	\$ —	\$ (660)	\$ (660)
Acquisition (Note I)	17,666,540	1,924	—	1,924
Shares issued pursuant to finders fee agreement (April 1993)	150,000	—	—	—
Warrants exercised (September 1993)	2,667,790	2,017	—	2,017
Shares issued pursuant to fiscal agency agreement (September 1993)	150,000	—	—	—
Shares issued pursuant to a private placement (November 1993)	220,000	366	—	366
Shares issued as a finders fee related to a private placement (December 1993)	9,000	—	—	—
Net loss for the year	<u>—</u>	<u>—</u>	<u>(1,973)</u>	<u>(1,973)</u>
Balance at March 31, 1994	20,873,330	4,307	(2,633)	1,674
Shares issued pursuant to a private placement (December 1994)	1,390,000	663	—	663
Shares issued pursuant to a private placement (January 1995)	570,000	272	—	272
Shares issued pursuant to a private placement (March 1995)	430,000	205	—	205
Shares issued pursuant to options exercised (March 1995)	10,000	3	—	3
Net loss for the year	<u>—</u>	<u>—</u>	<u>(1,992)</u>	<u>(1,992)</u>
Balance at March 31, 1995	<u>23,273,330</u>	<u>\$ 5,450</u>	<u>\$ (4,625)</u>	<u>\$ 825</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

SOLIGEN TECHNOLOGIES, INC. (A Development Stage Enterprise)

For the years ended March 31, 1995 and 1994, and for the period from inception of April 1, 1992 to March 31, 1995

(in thousands)

	Year Ended		From
	March 31, 1995	March 31, 1994	Inception of April 1, 1992
Cash flows from operating activities:			
Net loss	\$ (1,992)	\$ (1,973)	\$ (4,625)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	274	44	326
Changes in assets and liabilities, net of effects from purchase of A-RPM:			
Decrease (increase) in accounts receivable	15	49	(32)
Decrease (increase) in inventories	(55)	(85)	(169)
Decrease (increase) in prepaid expenses and other assets	(36)	(3)	(56)
Increase (decrease) in accounts payable and accrued expenses	35	141	418
Increase (decrease) in deferred revenues	71	91	162
Net cash used in operating activities	(1,688)	(1,736)	(3,976)
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(478)	(338)	(972)
Payment for purchase of A-RPM	(100)	—	(100)
Sale (purchase) of investments	1,470	(1,470)	—
Net cash provided by (used in) investing activities	892	(1,808)	(1,072)
Cash flows from financing activities:			
Borrowings (payments) on line of credit	(450)	450	—
Bank overdraft	—	(23)	—
Principal payments under capital lease obligations	(51)	—	(51)
Repayments of notes from officers and shareholders	(35)	(29)	—
Payments on notes payable	(31)	—	(31)
Proceeds from issuance of debt	15	—	15
Advances from WDF Capital Corporation	—	—	620
Cash received from reverse acquisition	—	1,299	1,299
Cash received from private placements, net of issuance costs	1,140	366	1,507
Cash received from options/warrants exercised	3	2,017	2,020
Net cash provided by financing activities	591	4,080	5,379
Net increase (decrease) in cash	(205)	536	331
Cash at beginning of period	536	—	—
Cash at end of period	\$ 331	\$ 536	\$ 331
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 39	\$ 7	
Income taxes	2	2	

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SOLIGEN TECHNOLOGIES, INC. (A Development Stage Enterprise)

March 31, 1995

Note A - 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").

STI was incorporated in the Province of British Columbia, Canada, on April 7, 1988 under the name of Pars Resources, Ltd. to engage in mineral exploration. On May 28, 1992, Pars Resources, Ltd. changed its name to WDF Capital Corporation. On March 29, 1993, WDF Capital Corporation, no longer involved in any way in mineral exploration, changed its name to Soligen Technologies, Inc., and continued its incorporating jurisdiction to the State of Wyoming.

Soligen, a wholly owned subsidiary of STI, is located in Northridge, California. It was incorporated on October 17, 1991 in the state of Delaware. Soligen 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[®]), is based on Three Dimensional Printing (3DP[™]), a patented process licensed to Soligen by the Massachusetts Institute of Technology.

In June 1994, Altop, a wholly owned subsidiary of STI, was incorporated in Delaware. On June 30, 1994, Altop acquired substantially all of the assets of A-RPM Corporation, an aluminum foundry and machine shop. Altop immediately commenced operations as an aluminum foundry and machine shop in the same location as A-RPM had operated, in Santa Ana, California.

The Company is transitioning from the development stage to that of a revenue generating company, but has not yet generated sufficient revenues to cover expenses, and has no assurance of the timing and amount of future market opportunities. Despite sales to date related to the MIT technology, planned primary operations related to the intended business uses of the technology continue in development.

The Company will need to raise additional capital to fund future operations (see Note K). In addition, the Company faces certain other risks, including those described in Note G.

DSPC[®] is used to fabricate complex ceramic molds (shells) of virtually any shape directly from a computer-aided design ("CAD") data file, for casting functional metal parts. Activities during the development stage include, but are not limited to, the design, development

and testing of the following:

1. The machinery used in the DSPC[®] process for reproduction and industry usage.
2. The process of producing first article metal parts consistent with industry specifications and requirements.
3. The process of translating these first article metal parts into tools, dies and molds for eventual mass production of the metal parts.
4. Expansion of the process into metals and materials not yet produced by the DSPC[®] process.

In its current stage the Company has four product lines:

1. "Machine revenues": The production and distribution of DSPC[®] machines to select customers. At this time the customers are partners in the technology, who lease or purchase the machines and commit to assist in development of the technology.
2. "Parts Now[™]": The production and distribution of "first article" metal parts and tooling for quantity production.
3. "Customer Parts": The quantity production of metal parts for commercial users.
4. "Engineering Contracts": Studies exploring new uses of related technology.

Principles of Consolidation: The consolidated financial statements include the accounts of STI, Soligen and Altop (collectively, "the Company"). All material intercompany balances and transactions have been eliminated in consolidation.

Cash: Cash includes interest-bearing bank deposits that can be withdrawn without penalty.

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:

Classification	Depreciation Life
Office furniture and fixtures	3 years
Plant machinery and equipment	5 years
DSPC [®] machines	2-3 years
Leasehold improvements	Lesser of asset life or term of lease

Property, plant and equipment consists of the following at March 31, 1995 (in 000's):

Office furniture and fixtures	\$ 16
Plant machinery and equipment	611
DSPC® machines	534
Leasehold improvements	13
Construction in progress - DSPC® machines	<u>300</u>
	1,474
Less accumulated depreciation and amortization	<u>(264)</u>
	\$1,210

Goodwill: Goodwill represents the unamortized difference between the acquisition cost of A-RPM and the fair value of net assets acquired. The goodwill is amortized on a straight line basis over 8 years.

Income Taxes: Effective April 1, 1992, the Company adopted 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 in the following year. 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 1995 and 1994 is limited to minimum payments due for each year due to the Company's large income tax operating loss carryforward. The Company's deferred tax asset and valuation reserve are as follows (in 000's):

March 31, 1995	
Deferred tax assets:	
Net operating loss carryforward	\$ 1,709
Vacation accrual	14
Unicap	4
Allowance for bad debts	8
Other	59
Amortization of goodwill	<u>7</u>
Total deferred tax assets	1,801
Deferred tax liabilities:	
Depreciation	<u>(5)</u>
Total net deferred tax assets	1,796
Valuation allowance	<u>(1,796)</u>
Total	\$ -

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 1995. As of March 31, 1995, the Company has a federal income tax operating loss carryforward of approximately \$4,400,000 which expires through 2010. 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.

Research and Development: Research and development expenditures are charged to operations as incurred. Such expenditures include the design, development and testing of the elements defined as "activities during the development stage" defined earlier in Note A.

Loss per Share: Loss per share is based on the weighted average number of shares outstanding during each year. The weighted average number of shares used in the computation of loss per share for 1995 and 1994 were 21,352,000 and 18,785,000, respectively.

Reclassifications: Certain reclassifications have been made to the 1994 financial statements to conform to the 1995 presentation.

Note B - Inventories

Inventories consist of the following as of March 31, 1995 (in 000's):

Raw materials and parts	\$ 98
Work in process	91
Finished goods	<u>43</u>
Total Inventories	\$ 232

Note C - Deferred Revenues

Deferred revenues relate to both the Machine and Customer Parts revenues. The deferred revenues related to Machine revenues result mainly from the Company's issuance of licenses to use the machines, or to support the machines in form of maintenance, rather than the outright sales of machines. Deferred revenues consist of the following as of March 31, 1995 (in 000's):

Deferred Machine Revenues:	
License fees	\$ 155
Usage fees	22
Maintenance fees	32
Customer Parts - Customer Deposits	<u>17</u>
Total Deferred Revenues	\$ 226

Note D - Debt

Debt consists of the following at March 31, 1995 (in 000's):

Notes to former owners of A-RPM, collateralized by equipment and furnishings, bearing interest at 8%, interest payable quarterly, \$85 due August 1994 and \$220 due in 2000 (Note G)	\$ 305
Capital leases (Note E)	303
Other notes to non-related parties, bearing interest from 8.125% to 9.7%, due at various dates through 1997	<u>47</u>
	655
Less current portion	<u>210</u>
	\$ 445

The debt matures as follows (in 000's):

1996	\$ 210
1997	75
1998	56
1999	66
2000	<u>248</u>
	\$ 655

Note E - Commitments and Contingencies

The Company leases certain property and equipment under capital and operating lease agreements. The leases expire at various dates through 2000. A capital lease obligation of \$137,000 was incurred when the Company entered into a lease for new equipment during 1995. Future minimum lease payments under capital lease obligations and noncancelable operating leases at March 31, 1995 are summarized as follows (in 000's):

	Capital Leases	Operating Leases
1996	\$ 125	\$ 110
1997	82	95
1998	65	13
1999	69	-
2000	<u>29</u>	<u>-</u>
Total minimum lease payments	370	\$ 218
Less amount representing interest	<u>(67)</u>	
Present value of future minimum lease payments	303	
Less current portion	<u>(97)</u>	
	\$ 206	

Total rent expense was approximately \$102,000 and \$60,000 in 1995 and 1994, respectively.

Note F - Acquisition of A-RPM

On June 30, 1994, STI's wholly-owned subsidiary, Alttop, 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 is 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 G).

The following unaudited pro forma results of operations were prepared under the assumption that the acquisition had occurred at the beginning of each period shown. The historical results of operations for the companies were combined and pro forma adjustments made to allow for goodwill and interest on debt related to the acquisition.

Soligen Technologies, Inc. Unaudited Pro Forma Consolidated Statement of Operations (in thousands, except net loss per share)

	Twelve Months Ended March 31,	
	1995	1994
Revenues	\$ 2,328	\$ 1,115
Net Loss	(2,015)	(2,003)
Net Loss Per Share	(0.09)	(0.11)

Note G - Contingent Liabilities

MIT License: Soligen and the Massachusetts Institute of Technology ("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 and sanitary products fields of use. Terms of said agreement state that Soligen must reimburse MIT for any fees incurred by MIT for the prosecution, filing and maintenance of all patent rights.

Under the terms of the license, Soligen is required to generate the following minimum net sales levels:

Period	Amount of Net Sales
November 1991 to October 1994	\$ 1,000,000
November 1994 to October 1996	\$ 2,500,000
November 1996 to October 1997	\$ 7,250,000
November to October thereafter	\$15,000,000

In addition, Soligen has an obligation to pay to MIT a royalty in the amount of 4.5% of "Net Sales" on a

quarterly basis, subject to a minimum annual royalty of \$50,000 due on December 31, 1994 and December 31 in each year thereafter. 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.

The Company has met the requirement for minimum net sales of \$1 million for the period between November 1991 to October 1994. MIT has notified the Company that any royalties payable under the License agreement may be applied by the Company to the payment of the costs of defending the DTM lawsuit (see below), through May 31, 1995.

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 served on February 17, 1994 with notice of this action. Soligen answered with a motion to dismiss for lack of jurisdiction, and on September 9, 1994 was notified that DTM had voluntarily dismissed the complaint in Texas, and filed a similar action in Delaware.

In October 1994, Soligen filed a counterclaim alleging that the DTM patent is invalid due to "prior art." In December 1994, Soligen filed a motion in Delaware to transfer the action to California and an additional motion to recoup court costs and attorney's fees arising from the Texas action. In January 1995, Soligen filed a petition with the United States Patent Office for re-examination of the Housholder patent. In March 1995, the United States Patent Office granted Soligen's petition for re-examination of the Housholder patent.

Subsequent to fiscal year end, 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 Three Dimensional Printing (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. Soligen has provided \$70,000, included in accounts payable and accrued liabilities, that the Company believes will be sufficient to cover the costs related to this matter.

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. On May 19, 1995, A-RPM filed a response and

counter-complaint.

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.

Note H - Stock Option Plan

The Company has a stock option plan that provides for incentive and nonincentive stock options to employees, officers, directors and consultants responsible for the success of the Company. During fiscal 1995, the Board of Directors increased the options available under the plan to 3,500,000 shares.

In fiscal year 1994, the company granted options to purchase 1,682,500 common shares (including the 1,500,000 options discussed in Note I) at prices of \$1.00 Canadian (\$0.71 U.S. at March 31, 1995) and \$2.20 Canadian (\$1.57 U.S. at March 31, 1995) per share. During 1995, 425,000 options were cancelled. As of March 31, 1995, the Company had outstanding options to purchase a total of 1,247,500 common shares at prices of \$1.00 Canadian (\$0.71 U.S. at March 31, 1995) to \$2.20 Canadian (\$1.57 U.S. at March 31, 1995) per share. Such options were granted for a period of ten years and vest over a period of four years. Of the options issued, 559,175 were exercisable at March 31, 1995.

Note I - Acquisition

On April 15, 1993, Soligen acquired STI, a shell entity (formerly WDF Capital Corp.), by way of a reverse acquisition transaction (the "Acquisition"), which has been accounted for as a purchase. Pursuant to a "Share Exchange Agreement," STI acquired all of the issued and outstanding shares of Soligen, in consideration of the issuance of 13,000,000 common shares of STI, consisting of 3,250,000 shares subject to a pooling agreement (the "Pooled Shares") and 9,750,000 shares subject to an escrow agreement (the "Escrow Shares"). In addition, 375,000 common shares are held in escrow, the release of which is subject to the determination and direction of the regulatory authorities of Canada.

The Pooled Shares will be fully restricted for a period of one year from the date of issuance and will be released on the basis of 20% per year. The Escrow Shares will be restricted from trading indefinitely and will be released as STI meets certain net earnings and cash flow requirements over a five year period. Any shares not released from escrow at the end of the five year period will be cancelled.

Upon completion of the Acquisition, STI also issued 150,000 shares of common stock to a corporation, in which a Director of STI is also the President, for finding, negotiating and structuring the Acquisition.

As part of the Acquisition, STI granted options to directors and employees of STI to purchase an aggregate of 1,500,000 common shares at a price of \$1.00 Canadian (\$0.71 U.S. at March 31, 1995) per share. The options were granted for a term of ten years, expiring April 15, 2003, and vest over a period of four years (see Note H).

At the time of the Acquisition, WDF Capital Corp. had 2,667,790 nontransferable purchase warrants outstanding. All of the 2,667,790 warrants were exercised during the fiscal year ended March 31, 1994, from which the Company received approximately \$2,017,000.

Note J - Private Placements

In fiscal 1994, STI issued 150,000 common shares at a deemed value of approximately \$114,000 to the Agent for services rendered in connection with the exercise of warrants from a private placement. This deemed value has been netted against share capital.

On November 29, 1993, STI entered into another private placement of 220,000 units at a price of \$1.75 U.S. per unit. Each unit consisted of one common share and one nontransferable share purchase warrant. The warrants are exercisable for two years from the date of issuance at a per-share price of \$1.75 U.S. during the first year and \$2.01 U.S. during the second year.

During the year ended March 31, 1995, STI initiated another private placement of 2,390,000 units at a price of \$.50 (U.S.) 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 a Class "A" nontransferable share purchase warrant, and one half a Class "B" nontransferable share purchase warrant. The Class "A" and Class "B" warrants can be exercised for \$1.25 and \$2.50 for one additional share of stock, respectively, and expire 12 months and 24 months after the original unit issuance, respectively.

Note K - Subsequent Events

In April 1995, the Company loaned \$40,000 to a shareholder.

On May 17, 1995, an agreement was entered into wherein the Company engaged a fiscal agent ("Placement Agent") in an effort to issue an additional Private Placement. The private offering is contemplated to be priced at between \$2.5 million and \$4.5 million. The agency is exclusive for purposes of the private

placement funds until November 15, 1995. Upon completion of the minimum \$2.5 million, the exclusive agency agreement is renewable for an additional 18 months at the option of the Placement Agent. On June 9, 1995, the Company raised an additional \$600,000 in an equity private placement managed by the Company.