SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1999

[ ] Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from _________ to __________

Commission File Number: 0-23081

FARO TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

FLORIDA	59-3157093
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
125 TECHNOLOGY PARK DRIVE, LAKE MARY, FLORIDA	32746
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including area code: 407-333-9911

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 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 [X] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Class: Voting Common Stock, $.001 Par Value   Outstanding at May 13, 1999: 11,346,975

FARO Technologies Inc.
Index to Form 10-Q

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 1998	MARCH 31, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,183,656	$ 1,048,555
Short term investments	17,011,831	15,588,580
Accounts receivable - net of allowance	8,963,343	8,831,775
Income taxes refundable	716,048	692,395
Inventories	6,443,618	7,618,778
Prepaid expenses and other assets	155,037	336,810
Deferred income taxes	121,543	121,543
Total current assets	34,595,076	34,238,436
PROPERTY AND EQUIPMENT - at cost:		
Machinery and equipment	1,873,146	2,090,396
Furniture and fixtures	899,616	902,305
Leasehold improvements	28,889	30,020
Total	2,801,651	3,022,721
Less accumulated depreciation	(1,276,459)	(1,503,898)
Property and equipment, net	1,525,192	1,518,823
INTANGIBLE ASSETS - net	12,821,191	12,297,269
NOTES RECEIVABLE	178,688	132,353
DEFERRED INCOME TAXES	--	51,977
TOTAL ASSETS	$ 49,120,147	$ 48,238,858

LIABILITIES AND SHAREHOLDERS' EQUITY

	DECEMBER 31, 1998	MARCH 31, 1999
CURRENT LIABILITIES:		
Short term notes payable to banks	$ 296,230	
Accounts payable and accrued liabilities	2,852,452	$ 2,909,482
Current portion of unearned service revenues	329,731	515,296
Current portion of long-term debt	4,156	--
Customer deposits	114,738	116,538
Total current liabilities	3,597,307	3,541,316
DEFERRED INCOME TAXES	78,220	--
UNEARNED SERVICE REVENUES - less current portion	31,905	36,127
LONG-TERM DEBT - less current portion	37,324	253,934
TOTAL LIABILITIES	3,744,756	3,831,377
SHAREHOLDERS' EQUITY:		
Class A preferred stock - par value $.001, 10,000,000 shares authorized, no shares issued and outstanding		
Common stock - par value $.001, 50,000,000 shares authorized, 11,048,137 and 9,919,000 issued and outstanding, respectively	11,048	11,050
Additional paid-in-capital	47,520,732	47,532,616
Unearned compensation	(292,316)	(250,088)
Retained earnings (deficit)	(1,912,829)	(3,053,620)
Accumulated other comprehensive income:		
Cumulative translation adjustments, net of	199,381	318,148
Treasury stock	(150,625)	(150,625)
Total shareholders' equity	45,375,391	44,407,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 49,120,147	$ 48,238,858

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1999
Sales	$ 6,682,201	$ 6,904,496
Cost of sales	2,681,762	2,738,729
Gross profit	4,000,439	4,165,767
Operating expenses:		
Selling	1,583,536	2,865,818
General and administrative	598,582	985,630
Depreciation and amortization .	110,362	864,469
Research and development	386,444	774,266
Employee stock options	43,041	42,246
Total operating expenses	2,721,965	5,532,429
Income (loss) from operations	1,278,474	(1,366,662)
Interest income	319,927	94,469
Other (expense) income	(2,654)	79,927
Interest expense	--	--
Income (loss) before income taxes	1,595,747	(1,192,266)
Income tax (expense) benefit	(572,356)	51,475
Net income (loss)	1,023,391	(1,140,791)
NET INCOME (LOSS) PER COMMON SHARE- BASIC	$ 0.10	$ (0.10)
NET INCOME (LOSS) PER COMMON SHARE-ASSUMING DILUTION	$ 0.10	$ (0.10)

See accompanying notes to consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON STOCK SHARES	COMMON STOCK AMOUNTS	ADDITONAL PAID-IN CAPITAL	UNEARNED COMPENSATION	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME
BALANCE DECEMBER 31, 1996	7,000,000	$ 7,000	$ 3,961,564	$ (6,500)	$ (188,365)	
Net income					3,206,630	
Currency translation adjustment, net of tax						$ (126,297)
Comprehensive income						
Granting of employee and director stock options			866,793	(501,834)		
Amortization of unearned compensation				43,854		
Issuance of common stock	2,919,000	2,919	31,673,647			
BALANCE DECEMBER 31, 1997	9,919,000	9,919	36,502,004	(464,480)	3,018,265	(126,297)
Net loss					(4,931,094)	
Currency translation adjustment, net of tax						325,678
Comprehensive loss						
Issuance of common stock	1,129,137	1,129	10,323,564			
Income tax benefit resulting from the exercise of stock options			695,164			
Amortization of unearned compensation				172,164		
Acquisition of treasury stock						
BALANCE, DECEMBER 31, 1998	11,048,137	11,048	47,520,732	(292,316)	(1,912,829)	199,381
Net loss					(1,140,791)	
Currency translation adjustment, net of tax						118,767
Comprehensive loss						
Issuance of common stock	1,991	2	11,884			
Amortization of unearned compensation				42,228		
BALANCE, MARCH 31, 1999	11,050,128	$ 11,050	$ 47,532,616	$ (250,088)	$(3,053,620)	$ 318,148

	Treasury Stock	Total
BALANCE DECEMBER 31, 1996		$ 3,773,699
Net income		3,206,630
Currency translation adjustment, net of tax		(126,297)
Comprehensive income		3,080,333
Granting of employee and director stock options		364,959
Amortization of unearned compensation		43,854
Issuance of common stock		31,676,566
BALANCE DECEMBER 31, 1997	0	38,939,411
Net loss		(4,931,094)
Currency translation adjustment, net of tax		325,678
Comprehensive loss		(4,605,416)
Issuance of common stock		10,324,693

Income tax benefit resulting from the exercise of stock options		695,164
Amortization of unearned compensation		172,164
Acquisition of treasury stock	(150,625)	(150,625)
BALANCE, DECEMBER 31, 1998	(150,625)	45,375,391
Net loss		(1,140,791)
Currency translation adjustment, net of tax		118,767
Comprehensive loss		$ (1,022,024)
Issuance of common stock		11,886
Amortization of unearned compensation		42,228
BALANCE, MARCH 31, 1999	$(150,625)	$44,407,481

See accompanying notes to consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31,	
	1998	1999
OPERATING ACTIVITIES:		
Net (loss) income	$ 1,023,391	$ (1,140,791)
Adjustments to reconcile net income (loss) to net cash		
(used in) provided by operating activities:	110,362	864,469
Depreciation, amortization and other		
Deferred income taxes		(130,197)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(1,579,264)	131,568
Income taxes refundable		23,653
Inventories	(330,632)	(1,175,160)
Notes receivable		46,335
Prepaid expenses and other assets	70,219	(181,773)
Increase (decrease) in:		
Accounts payable and accrued liabilities	705,175	57,030
Income taxes payable	221,359	
Unearned service revenues	(134,401)	189,787
Customer deposits	60,736	1,800
Net cash provided by (used in) operating activities	146,945	(1,313,279)
INVESTING ACTIVITIES:		
Short-term investments		1,423,251
Purchases of property and equipment	(410,121)	(169,481)
Payments of patent costs	(297)	(34,390)
Payments of product design costs	(152,358)	(109,459)
Payments for other intangibles		(20,848)
Net cash (used in) provided by investing activities	(562,776)	1,089,073
FINANCING ACTIVITIES:		
Repayment of related party loans		
Proceeds from debt		
Payments on debt		(83,776)
Proceeds from issuance of common stock, net	61,848	54,114
Net cash provided by (used in) financing activities	61,848	(29,662)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		118,767
DECREASE IN CASH AND CASH EQUIVALENTS	(353,983)	(135,101)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,815,069	1,183,656
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 28,461,086	$ 1,048,555
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$-	$-
Cash paid for income taxes	$ 350,997	$-

See accompanying notes to consolidated financial statements.

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999

NOTE A - DESCRIPTION OF ORGANIZATION AND BUSINESS

FARO Technologies Inc. and Subsidiaries (the "Company") develops, manufactures, markets and supports Computer Aided Design (CAD)-based quality assurance products and CAD-based inspection and statistical process control software.

On May 15, 1998 the Company acquired all the stock of privately held CATS Computer Aided Technologies, Computeranwendungen in der Fertigungssteurung, GmbH ("CATS") of Karlsruhe, Germany for $5 million in cash, 916,668 shares of common stock of the Company, plus the right to receive up to an additional 333,332 shares of Company common stock if CATS meets certain performance goals. In addition, the Company assumed certain of CATS outstanding liabilities. CATS develops, markets and supports 3-D measurement retrofit and statistical process control software used in both main frame and PC based CAD environments. The acquisition was treated as a purchase for accounting purposes.

The Company has three wholly-owned subsidiaries, FARO Worldwide, Inc., Faro Europe GmbH and Co. KG, a German company, and Antares LDA, a Portuguese company. In connection with a restructuring of legal entities in Europe, effective January 1, 1999 CATS was consolidated under the name of Faro Europe GmbH and Co. KG.

NOTE B - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnote disclosure required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the consolidated financial position and operating results for the interim periods have been included. The consolidated results of operations for the three months ended MARCH 31, 1999 are not necessarily indicative of results that may be expected for the year ending December 31, 1999. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of December 31, 1997 and 1998, and for each of the three years in the period ended December 31, 1998 included in the Company's Annual Report to Stockholders included by reference within the Company's Annual Report on Form 10-K and in conjunction with the Form S-1, as amended, dated August 7, 1998.

Effective January 1, 1998 the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Prior year financial statements have been restated for comparative purposes to conform with this new standard.

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE C - ACQUISITION OF CATS

The operating results of CATS have been included in the consolidated statements since May 15, 1998, the date of the acquisition. The following unaudited pro forma results of operations are presented for informational purposes assuming that the Company had acquired CATS as of January 1, 1998. The $3.2

million charge off for in process research and development has been excluded from the pro forma results as it represents a material non-recurring charge.

	THREE MONTHS ENDING MARCH 31, 1998	THREE MONTHS ENDING MARCH 31, 1999
Revenues	$ 7,215,000	$ 6,904,000
Net income (loss)	403,000	(1,140,791)
Income (loss) per share:		
Basic	$ .04	$ (.10)
Diluted	$ .04	$ (.10)

The pro forma results of operations have been provided for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

NOTE D - Earnings Per Share

A reconciliation of the number of common shares used in the calculation of basic and diluted earnings per share ("EPS") is presented below:

THREE MONTHS ENDED MARCH 31,	1998		1999	
	SHARES	PER-SHARE AMOUNT	SHARES	PER-SHARE AMOUNT
Basic EPS				
Weighted-Average Shares	9,944,855	$ .10	11,009,247	$ (.10)
Effect of Dilutive Securities				
Stock Options	286,301		77,821	
Diluted EPS				
Weighted-Average Shares and Assumed Conversions	10,231,156	$ .10	11,087,068	$ (.10)

NOTE E - Inventory

Inventories consist of the following:

	DECEMBER 31, 1998	MARCH 31, 1999
Raw materials	$ 2,778,081	$ 3,724,990
Finished goods	1,486,572	1,504,814
Sales demonstration	2,178,965	2,388,974
	$ 6,443,618	$ 7,618,778

NOTE F - INTANGIBLE ASSETS

Intangible assets include patents, product design costs, and the value assigned to the work force in place in connection with the acquisition of CATS (Note A). Patents are amortized on a straight-line basis over the lives of the patents (17 years). Costs incurred in the development of products after technological feasibility is attained are capitalized and amortized using the straight-line method over the estimated economic lives of the related products, not to exceed three years. The value assigned to the work force in place in connection with the acquisition of CATS is being amortized over five years. Management evaluates the recoverability of these assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Intangible assets consist of the following:

	MARCH 31, 1998	MARCH 31, 1999
Goodwill		$ 3,033,767
Existing product technology		9,446,839
Work force in place		581,181
Customer relationships		623,449
Product design costs	$ 238,664	885,858
Patents	855,251	990,829
Other	127,980	106,000
	1,221,895	$ 15,667,923
Accumulated amortization	(334,368)	(3,370,654)
Intangible assets - net	$ 887,527	$ 12,297,269

NOTE G - SEGMENT GEOGRAPHIC DATA

The Company develops, manufactures, markets and supports Computer Aided Design (CAD)-based quality assurance products and CAD-based inspection and statistical process control software. This one line of business represents more than 99% of consolidated sales. The Company operates through sales teams established by geographic area. Each team is equipped to deliver the entire line of Company products to customers within its geographic area. The Company has aggregated the sales teams into a single operating segment as a result of the similarities in the nature of products sold, the type of customers and the methods used to distribute the Company's products. The following table presents information about the Company by geographic area:

	THREE MONTHS ENDED MARCH 31. 1998		1999	
SALES:	SALES	LONG-LIVED ASSETS	SALES	LONG-LIVED ASSETS
United States	$ 3,799,653	$ 1,975,043	$ 3,619,540	$ 2,838,955
United Kingdom	793,327		580,653	
Germany	337,479		1,323,046	10,930,644
Canada	428,036			
Other foreign	1,323,706	53,130	1,381,257	46,493
Total	$ 6,682,201	$ 2,028,173	$ 6,904,496	$13,816,092

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY, INCLUDING THE NOTES THERETO, INCLUDED ELSEWHERE IN THIS FORM 10-Q, AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS INCLUDED IN THE COMPANY'S 1998 ANNUAL REPORT ON FORM 10-K.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1999 COMPARED TO THREE MONTHS ENDED MARCH 31, 1998

SALES. Sales increased $222,000, or 3.3% from $6.7 million for the three months ended March 31, 1998 to $6.9 million for three months ended March 31, 1999. The increase was due to increases in product sales in the USA ($142,000) and outside the USA ($80,000).

GROSS PROFIT. Gross profit increased $165,000, or 4.1% from $4.0 million for the three months ended March 31, 1998 to $4.2 million for the three months ended March 31, 1999. Gross margin increased to 60.3% for the three months ended March 31, 1999 compared to 59.9% for the three months ended March 31, 1999.

SELLING EXPENSES. Selling expenses increased $1.3 million, or 81.0%, from $1.6 million for the three months ended March 31, 1998 to $2.9 million for the three months ended March 31, 1999. This increase was a result of the Company's expansion of sales and marketing staff and activities, including those resulting from the Company's acquisition of CATS in May 1998. The number of sales and marketing employees grew 69.8% from 43 at March 31, 1998 to 73 at March 31, 1999.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased $387,000, or 64.7%, from $599,000 for the three months ended March 31, 1998 to $986,000 for the three months ended March 31, 1999. The increase was due to increases in numerous categories related to the Company's expanded operations, with the largest individual increase being in salaries and benefits to full and part-time employees ($181,000).

DEPRECIATION AND AMORTIZATION EXPENSES. Depreciation and amortization expenses increased $754,000, or 683.3%, from $110,000 for the first three months of 1998 to $864,000 for the first three months of 1999. This increase was primarily due to $667,000 in amortization expenses related to the intangible assets associated with the Company's acquisition of CATS.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased $388,000, or 100.4%, from $386,000 for the three months ended March 31, 1998 to $774,000 for the three months ended March 31, 1999. This increase was primarily a result of an increase in the number of research and development employees, including those of CATS. The number of research and development employees grew from 15 at March 31, 1998, to 41 at March 31, 1999.

INTEREST INCOME. Interest income decreased $225,000, or 70.5%, from $320,000 for the first three months of 1998, to $94,000 for the first 3 months of 1998. The decrease was primarily attributable to a decrease in the amount of interest-earning cash, cash equivalents, and short-term investments from $28.5 million at March 31, 1998 to $16.6 million at March 31, 1999.

INCOME TAX EXPENSE (BENEFIT). Income tax expense decreased $624,000 from $572,000 for the three months ended March 31, 1998, to a benefit of $51,475 for the first three months of 1999.

NET INCOME (LOSS). Net income decreased $2.2 million from $1.0 million for the three months ended March 31, 1998 to a loss of $1.1 million for the three months ended March 31, 1999. This decrease was primarily a result of a $2.6 million increase in operating expenses, including an increase of $754,000 in depreciation and amortization expenses primarily related to the Company's acquisition of CATS (see DEPRECIATION AND AMORTIZATION EXPENSES herein). The increase in operating expenses was offset by a $624,000 decrease in income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

In September 1997, the Company completed an initial public offering of stock which provided net cash after offering expenses, of $31.7 million.

For the three months ended March 31, 1999, net cash used by operating activities was $1.3 million compared to net cash provided by operating activities of $147,000 for the same period of 1998. Net cash decreased due to an increase in inventories. Net cash provided by investing activities was $1.1 million for the three months ended March 31, 1999, compared to net cash used by investing activities of $563,000 for the three months ended March 31, 1998. Net cash increased primarily as a result of an increase in short-term investments. Net cash used in financing activities for the three months ended March 31, 1999 was $30,000 compared to net cash provided by financing activities of $62,000 for the three months ended March 31, 1998. Net cash decreased due to payments on debt.

In April 1997, the Company obtained a one-year unsecured $1.0 million line of credit which bears interest at the 30-day commercial paper rate plus 2.65% per annum. There were no outstanding borrowings under this loan agreement at March 31, 1999.

The Company has available with two financial institutions short-term, revolving lines of credit aggregating $445,000. Under these lines, a subsidiary may borrow funds for operations. These lines of credit are personally guaranteed by certain shareholders. There were no outstanding borrowings under these lines of credit at March 31, 1999.

The Company's principal commitments at March 31, 1999 were leases on its headquarters and regional offices, and there were no material commitments for capital expenditures at that date. The Company believes that its cash, investments, cash flows from operations and funds available from its credit facilities will be sufficient to satisfy its working capital and capital expenditure needs at least through 1999.

FOREIGN EXCHANGE EXPOSURE

Sales outside the United States represent a significant portion of the Company's total revenues. Currently, the majority of the Company's revenues and expenses are invoiced and paid in U.S. dollars. In the future, the Company expects a greater portion of its revenues to be denominated in foreign currencies. Fluctuations in exchange rates between the U.S. dollar and such foreign currencies may have a material adverse effect on the Company's business, results of operation and financial condition, particularly its operating margins, and could also result in exchange losses. The impact of future exchange rate fluctuations on the results of the Company's operations cannot be accurately predicted. Historically, the Company has not managed the risks associated with fluctuations in exchange rates but may undertake transactions to manage such risks in the future. To the extent that the percentage of the Company's non-U.S. dollar revenues derived from international sales increases in the future, the risks associated with fluctuations in foreign exchange rates will increase. The Company may use forward foreign exchange contracts with foreign currency options to hedge these risks. .

YEAR 2000

The Company has invested significant resources in the latest information technologies over the past five years and therefore has minimized the effect of Year 2000 issues. Management initiated a program to evaluate all internal computer systems and applications, and products with computer systems and determined the adjustments necessary to become Year 2000 compliant. Management is confident that existing internal resources are sufficient to correct any internal systems deficiencies that have or may be determined. The Company has set a target date of September 30, 1999 for complete compliance of internal computer systems, applications, and products. The Company has also made inquiries of its major suppliers, customers and other third-party entities with which it has business relations to obtain assurances of their Year 2000 compliance. However, there can be no assurance that the systems of other companies on which the Company relies will be timely corrected, or that any failure by another company to correct such systems would not have a material adverse effect on the Company. Contingency plans are currently being developed to be implemented in the event any information technology system, non-information technology system, third party or supplier is not Year 2000 compliant in a timely manner.

The total cost to the Company of these Year 2000 Compliance activities has not been and is not anticipated to be material to its financial position or results of operations in a given year. The Company has a provision of $12,500 per quarter in 1999 to cover the cost of any unexpected corrections to any internal sysytems or product deficiencies. These costs are based on Management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans, and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ from those plans.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated by reference herein from the section of this report in Part I, Item 2, under the caption "Foreign Exchange Exposure."

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 2, 1998 the Company filed an action for declaratory judgement action against Kosaka Laboratory Ltd. of Tokyo, Japan (Civil Action No. 98-381-CIV-ORL-19A in the Federal Court for the Middle District of Florida). The Company seeks to have the Court declare its rights with regard to Kosaka's U.S. Patent number 4,430,796 regarding a method of measuring an object using, for example, a coordinate measuring machine (CMM), when an object is larger than the coordinate system physically measurable by the CMM. Over the past one to two years, the Company and Kosaka have sought to resolve this matter in an amicable manner. However, Kosaka has persisted in its erroneous claims that its patent is infringed by the Company, and has threatened to file suit if the Company did not pay a relatively large licensing fee. In order to make it clear to the market that the Company does not infringe the patent, the Company decided to file the above mentioned action. The Company strongly believes that the outcome to this declaratory judgement action will be favorable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The effective date of the Company's first registration statement filed under the Securities Act was September 17, 1997.

From the effective date of such registration statement to March 31, 1999 none of the net proceeds from the Company's initial public offering were used for construction of plant, building and facilities; purchase and installation of machinery and equipment or the purchase of real estate. The Company used $5 million of such proceeds to acquire CATS and $7.4 million as working capital.

ITEM 5. OTHER INFORMATION

The Company held an Annual Meeting of Stockholders on Wednesday, April 28, 1999. The Matters submitted for vote and the related election results are as follows:

1. To elect Philip R. Colley and Gregory A. Fraser as directors of the Company, each for a three-year term. The results of proxies voted for the election of directors are as follows:

	Philip R. Colley	%	Gregory A. Fraser	%
For	8,422,926	74.25	8,422,726	74.25
Withheld	6,500	0.06	6,700	0.06
Total	8,429,426	74.31	8,429,426	74.31
	==========	======	==========	======
Eligible	11,343,461	100.00	11,343,461	100.00

No other matters were submitted to vote by the stockholders.

Five additional persons who did not stand for election at the Annual Meeting continue to serve as members of the Board of Directors. These members include Simon Raab, Hubert d'Amours and Andre Julien, whose terms expire in 2000, and Alexander Raab and Norman Schipper, whose terms expire in 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a.) Exhibits

EXHIBIT NO.	DESCRIPTION
27.7	Financial Data Schedule (FOR SEC USE ONLY)

b.) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 14, 1999

FARO TECHNOLOGIES, INC.
(Registrant)

By: /s/ GREGORY A. FRASER

Gregory A. Fraser
Executive Vice President and Chief Financial Officer Duly Authorized Officer and Principal Financial Officer)

5

3-MOS
DEC-31-1998
MAR-31-1999
1,048,555
15,588,580
8,831,775
149,224
7,618,778
34,238,436
3,022,721
1,508,898
48,238,858
3,541,316
0
0
0
11,050
44,396,431
48,238,858
6,904,496
6,904,496
2,738,729
5,532,429
0
0
0
(1,192,266)
(51,475)
0
0
0
0
(1,140,791)
(.10)
(.10)