SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of the earliest event reported) JANUARY 16, 2002

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)	(IRS Employer Identification No.)
125 TECHNOLOGY PARK, LAKE MARY, FLORIDA	32746
(Address of Principal Executive Offices)	(Zip Code)

(407) 333-9911
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On January 31, 2002, FARO Technologies, Inc. ("FARO" or the "Company") filed a Current Report on Form 8-K relating to the FARO's acquisition on January 16, 2002 of SpatialMetriX Corporation ("SMX") pursuant to an Agreement and Plan of Merger dated September 14, 2001, as amended (the "Agreement"), acquired . In connection with the SMX acquisition, FARO agreed to issue 500,000 shares of FARO common stock to SMX shareholders and certain SMX employees and satisfied certain obligations of SMX. Specifically, the Company issued an additional 350,000 shares of FARO common stock and paid approximately $2.0 million in cash to fully satisfy SMX's obligations to its two lenders. The Company also paid approximately $700,000 in cash to satisfy other obligations of SMX.The total consideration, given the $2.25 per share price of FARO common stock on January 16, 2002, was approximately $4.6 million. The transaction will be recorded utilizing the purchasing method of accounting. SMX Corp. is a leading manufacturer and supplier of laser trackers and targets, metrology software, and contract inspection services.

In April 2001, the Company provided $1.5 million in financing to SMX by entering into a Participation Agreement with SMX's bank pursuant to which the Company funded and simultaneously acquired a $1.5 million interest in SMX's then outstanding $3.8 million bank line of credit. In October 2001, the Company and SMX entered into an additional agreement pursuant to which the Company would provide to SMX up to an additional $1.5 million in financing. The Company and SMX's bank amended the Participation Agreement so that such additional financing to SMX also would be made through participation in SMX's bank line of credit. Consequently, SMX's bank line of credit could increase to a maximum of $5.3 million, of which FARO would own up to $3.0 million. Prior to closing, the Company had provided $2.9 million of aggregate financing to SMX pursuant to the Participation Agreement.

There were no other material relationships between FARO and SMX prior to the Agreement. None of the directors or the executive officers of SMX owned shares of FARO common stock prior to the Agreement. In addition, none of the directors or the executive officers of the Company owned shares of stock of SMX as of the date of the Agreement.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial statements of business acquired:

Included as Exhibit 99.2, are the audited financial statements of SpatialMetriX Corporation for each of the two years in the period ended December 31, 2001.

(b) Pro forma financial information:

The operating results of SMX will be included in the Registrant's consolidated financial statements effective at the date of acquisition. The following pro forma financial data is presented for informational purposes assuming that the Company had acquired SMX as of January 1, 2001. The pro forma selected financial data has been prepared for comparative purposes only and does not purport to be

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED BALANCE SHEETS

	December 31, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,238,564	$ 4,154,318
Short term investments	3,115,101	4,205,995
Accounts receivable, net	11,556,568	12,523,972
Income taxes refundable	545,118	-
Inventories, net	6,862,793	7,651,290
Prepaid expenses and other current assets	1,497,820	1,142,881
Deferred income taxes	76,418	203,816
Total current assets	29,892,382	29,882,272
PROPERTY AND EQUIPMENT - at cost:		
Machinery and equipment	4,238,582	3,780,892
Furniture and fixtures	1,413,809	1,353,248
Leasehold improvements	139,555	89,171
Total	5,791,946	5,223,311
Less accumulated depreciation and amortization	(3,945,247)	(3,121,029)
Property and equipment, net	1,846,699	2,102,282
INTANGIBLE ASSETS - net	7,844,586	10,942,305
INVESTMENTS	2,129,679	4,755,572
NOTES RECEIVABLE	1,052,932	1,128,846
DEFERRED INCOME TAXES	-	675,324
TOTAL ASSETS	$ 42,766,278	$ 49,486,601
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 25,120	$ 17,397
Accounts payable	5,381,271	5,409,417
Accrued liabilities	3,803,463	4,859,404
Income taxes payable	100,000	784,409
Current portion of unearned service revenues	2,207,120	2,039,566
Customer deposits	231,845	133,984
Total current liabilities	11,748,819	13,244,177
OTHER LONG-TERM LIABILITIES	203,844	134,644
Total liabilities	11,952,663	13,378,821
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, 11,925,252 and 11,915,225 issued; 11,885,252 and 11,875,225 outstanding, respectively	11,925	11,916
Additional paid-in capital	49,530,737	49,396,709
Unearned compensation	(109,000)	-
Accumulated deficit	(15,466,444)	(10,943,307)
Other comprehenvive loss	(3,002,978)	(2,206,913)
Common stock in treasury, at cost - 40,000 shares in 2001 and 2000	(150,625)	(150,625)
Total shareholders' equity	30,813,615	36,107,780
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 42,766,278	$ 49,486,601

FARO TECHNOLOGIES, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

	Years Ended December 31	
	2001	2000
SALES	$ 46,471,645	$ 54,397,344
COST OF SALES	22,800,608	22,440,189
Gross profit	23,671,037	31,957,155
OPERATING EXPENSES		
Selling	16,573,666	16,951,783
General and administrative	7,288,049	6,329,452
Depreciation and amortization	4,346,861	4,788,084
Research and development	5,682,301	5,112,995
Employee stock options	-	123,404
Total operating expenses	33,890,877	33,305,718
LOSS FROM OPERATIONS	(10,219,840)	(1,348,563)
OTHER INCOME (EXPENSES)		
Interest income	900,281	871,009
Other income, net	964,950	302,378
Interest expense	(19,899)	(1,334)
INCOME (LOSS) BEFORE INCOME TAXES	(8,374,508)	(176,510)
INCOME TAX EXPENSE (BENEFIT)	341,738	759,841
NET INCOME (LOSS)	$ (8,716,246)	$ (936,351)
NET LOSS PER SHARE - BASIC	($0.73)	($0.08)
NET LOSS PER SHARE - DILUTED	($0.73)	($0.08)

Note: The above pro forma data reflects the following pro forma adjustments:
A - Entry to record consideration given upon closing of the purchase of SMX ($7,931,958).
B - Entry to record additional acquisition costs incurred prior to closing ($383,183).
C - Adjustment to the purchase price for liabilities paid at closing but previously recorded by SMX ($1,643,000).
D - Entry to eliminate Investment in SMX in consolidation.
F - Entry to reverse interest expense recorded by SMX on bank loans paid upon closing ($866,062 and $843,008 in 2001 and 2000, respectively).
G - Entry to record amortization of intangible assets acquired (including $1,200,000 of amortization of goodwill).

(c) Exhibits:

Exhibit No.	Description
2.1	Agreement and Plan of Merger among SpatialMetriX Corporation, FARO Technologies, Inc., and FARO Acquisition LLC, dated as of September 14, 2001, as amended on December 26,2001, and as further amended on January 16, 2002 (incorporated by reference to exhibit 2.1 filed with Registrant's Current Report on Form 8-K dated January 16, 2002).
23.1	Consent of Arthur Andersen LLP.
99.1	Confirmation letter from Faro Technologies, Inc. pursuant to Securities and Exchange Commission Release Nos. 33-8070; 34-45590; 35-27503; 39-2395; IA-2018; IC-25464; FR-62; File No. S7-03-02 (filed herein).
99.2	Financial Statements of SpatialMetriX Corporation as of December 31, 2001 and 2000 and for each of the two years in the period ended December 31, 2001 (filed herein).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Se Exchange Act of 1934, the Registrant has duly caused this report to be on its behalf by the undersigned, thereunto duly authorized.

FARO TECHNOLOGIES, INC.

By: /s/ Gregory A. Fraser

Gregory A. Fraser
Executive Vice President,
Secretary, Treasurer, and
Director

Date: April 1, 2002

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 26, 2002 included in this Form 8-K into the Company's previously filed Registration Statements (Form S-8 no. 333-41115) pertaining to the 1997 Employee Stock Option Plan, (Form S-8 No. 333-41125) pertaining to the 1997 Non-Employee Director Stock Option Plan, (Form S-8 No. 333-41131) pertaining to the 1997 Non-Employee Directors' Fee Plan, and (Form S-8 No. 333-41135) pertaining to the 1993 Stock Option Plan.

/s/ Arthur Andersen LLP

Philadelphia, PA
March 28, 2002

EXHIBIT 99.1

March 28, 2002

Securities and Exchange Commission
450 5th Street, NW
Washington DC 20549

Ladies and Gentlemen:

Pursuant to Securities and Exchange Commission Release Nos. 33-8070; 34-45590; 35-27503; 39-2395; IA-2018; IC-25464; FR-62; File No. S7-03-02, this letter is to confirm that Arthur Andersen LLP (Andersen) has represented to FARO Technologies, Inc. that the audit of SpatialMetriX Corporation's consolidated financial statements as of December 31, 2001 and 2000 and for the years then ended was subject to Andersen's quality control system for the U. S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Andersen is not relevant to this audit.

Faro Technologies, Inc.

/s/ Gregory A. Fraser
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Gregory A. Fraser
Executive Vice President,
Secretary and Treasurer

EXHIBIT 99.2

SpatialMetriX Corporation

Financial statements
As of December 31, 2001 and 2000
Together with auditors' report

Report of independent public accountants

To the Stockholder of SpatialMetriX Corporation:

We have audited the accompanying balance sheets of SpatialMetriX Corporation (a Delaware corporation) as of December 31, 2001 and 2000, and the related statements of operations, stockholder's deficit and cash flows for the 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 auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the financial position of SpatialMetriX Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Philadelphia, Pennsylvania
March 26, 2002

SpatialMetriX Corporation

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SpatialMetriX Corporation

Balance sheets
As of December 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Cash	$ 120,472	$ 44,480
Accounts receivable, net of reserves of $246,397 and $78,930	2,171,327	4,147,392
Inventories	1,268,881	2,100,237
Prepaid expenses and other	18,600	62,723
Total current assets	3,579,280	6,354,832
Property and equipment, net	234,716	286,351
Other	14,213	75,341
	$ 3,828,209	$ 6,716,524
Liabilities and stockholder's deficit		
Current liabilities:		
Line of credit	$ 3,870,400	$ 2,250,000
Current portion of long-term debt	2,850,000	2,780,915
Accounts payable	2,467,750	2,481,654
Accrued expenses	2,167,736	2,190,347
Deferred revenues	1,337,795	763,841
Total current liabilities	12,693,681	10,466,757
Long-term deferred revenues	--	38,342
Long-term debt	--	17,726
Commitments and contingencies (Note 7)		
Redeemable preferred stock, $.01 par value		
Series A 4,000,000 shares authorized, issued and outstanding (liquidation value of $1,174,966 at December 31, 2001)	1,174,966	1,054,966
Series B Convertible 650,000 shares authorized, issued and outstanding (liquidation value of $2,296,358 at December 31, 2001)	2,296,358	2,176,355
Series C Convertible 1,009,144 shares authorized, issued and outstanding (liquidation value of $2,930,256 at December 31, 2001)	2,930,256	2,768,793
Series D Convertible 348,000 shares authorized, issued and outstanding (liquidation value of $2,158,934 at December 31, 2001)	2,158,934	2,033,654
Series E-1 Convertible, 550,000 shares authorized, 515,185 shares issued and outstanding (liquidation value of $1,875,273 at December 31, 2001)	1,875,273	1,751,629
	10,435,787	9,785,397
Stockholder's deficit:		
Common stock, $.01 par value, 10,000,000 shares authorized, 851,781 shares issued and outstanding.	8,518	8,518
Accumulated deficit	(19,309,777)	(13,600,216)
Total stockholder's deficit	(19,301,259)	(13,591,698)
	$ 3,828,209	$ 6,716,524

The accompanying notes are an integral part of these statements.

SpatialMetriX Corporation

Statements of operations
For the years ended December 31, 2001 and 2000

	2001	2000
Revenues:		
Product	$ 7,750,539	$ 10,261,302
Services	3,607,510	3,683,129
	11,358,049	13,944,431
Costs of revenues:		
Cost of product	6,391,420	5,288,962
Cost of services	2,105,105	2,402,600
	8,496,525	7,691,562
Gross profit	2,861,524	6,252,869
Operating expenses:		
Selling, general and administrative	4,688,124	3,606,563
Research and development	2,348,357	1,622,596
	7,036,481	5,229,159
Operating income (loss)	(4,174,957)	1,023,710
Interest expense, net	884,214	832,253
Income (loss) before income taxes	(5,059,171)	191,457
Income tax expense	--	335,160
Net loss	$ (5,059,171)	$ (143,703)

The accompanying notes are an integral part of these statements.

SpatialMetriX Corporation

Statements of stockholder's deficit
For the years ended December 31, 2001 and 2000

	Stockholder's deficit			
	Common stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance, January 1, 2000	851,781	$ 8,518	$ (12,806,128)	$ (12,797,610)
Accretion of preferred stock	--	--	(650,385)	(650,385)
Net loss	--	--	(143,703)	(143,703)
Balance, December 31, 2000	851,781	8,518	(13,600,216)	(13,591,698)
Accretion of preferred stock	--	--	(650,390)	(650,390)
Net loss	--	--	(5,059,171)	(5,059,171)
Balance, December 31, 2001	851,781	$ 8,518	$ (19,309,777)	$ (19,301,259)

The accompanying notes are an integral part of these statements.

SpatialMetriX Corporation

Statements of cash flows
For the years ended December 31, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Net loss	$ (5,059,171)	$ (143,703)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities-		
Depreciation and amortization	162,910	300,850
Non-cash interest expense	122,500	122,500
Deferred tax asset	--	314,259
Inventory write-off	598,285	--
Changes in assets and liabilities-		
Decrease (increase) in:		
Accounts receivable	1,976,065	(1,411,762)
Inventories	233,071	(167,465)
Prepaid expenses and other	95,251	(22,309)
Increase (decrease) in:		
Accounts payable	(13,904)	937,064
Accrued expenses	(22,611)	239,020
Deferred revenues	535,612	136,908
Net cash (used in) provided by operating activities	(1,371,992)	305,362
Cash flows from investing activities:		
Capital expenditures	(111,275)	(365,165)
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	1,620,400	(50,000)
Net repayments of long-term debt	(61,141)	(218,616)
Net cash provided by (used in) financing activities	1,559,259	(268,616)
Net increase (decrease) in cash	75,992	(328,419)
Cash, beginning of year	44,480	372,899
Cash, end of year	$ 120,472	$ 44,480

The accompanying notes are an integral part of these statements.

SpatialMetriX Corporation

Notes to financial statements
As of December 31, 2001 and 2000

1. Nature of business and significant accounting policies:

Nature of business

SpatialMetriX Corporation (the Company) manufactures, markets and services high-accuracy dynamic measurement devices for a variety of markets throughout the United States, Europe and Asia.

In May 1995, the Company received its first substantial outside investment. During subsequent years, the Company utilized these proceeds, as well as proceeds from additional outside sources, to fund its operations.

As part of a litigation agreement (see Note 7), the Company stopped selling their current product as of September 30, 2001. As a result, the Company did not generate product revenues during the fourth quarter of the year ended December 31, 2001. Throughout the past two years, the Company has been developing a substitute product, which is expected to be introduced during the second quarter of 2002. Management believes future revenues from this product will be sufficient to generate positive cash flows. In the event that the Company does not generate sufficient revenues, the Company will obtain the necessary funding from its parent company, Faro Technologies, Inc. (Faro). As of December 31, 2001, the Company had an accumulated deficit of $19,309,777.

On January 16, 2002, the Company was acquired by Faro (Note 14).

Use of estimates

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

Fair value of financial instruments

Financial instruments consist of cash, accounts receivable, accounts payable, debt instruments and certain current liabilities. These financial instruments are recorded at cost, which approximates fair value, due to the short-term nature of these instruments.

Revenue recognition

Product revenue is recognized when the product is shipped to the customer assuming no remaining obligations exist. A provision for estimated warranty costs is recorded at the time product revenue is recognized and periodically adjusted to reflect actual experience. Service revenue consists of maintenance and extended support, training and consulting. Service revenue is recognized over the contractual period or as services are performed. Maintenance and extended support revenue is recognized on a pro-rata basis over the one to three year coverage periods resulting in both current and long-term deferred revenues. As of December 31, 2001, all remaining extended support related to one-year coverage periods.

During the year ended December 31, 2001, the Company sold $644,512 of products to customers with a provision that the product may be exchanged at the buyers' option for the next model when available. The revenues associated with these sales have been deferred as of December 31, 2001. Cost of product revenues of $285,000 was recorded as the products will no longer be sellable once returned to the Company.

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). The bulletin draws on existing accounting rules and provides specific guidance on how those accounting rules should be applied. The Company adopted SAB 101 during the year ended December 31, 2000. SAB 101 had no impact on the Company's financial position or results of operations as the revenue recognition policy was consistent with SAB 101.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories include cost of material, labor and overhead.

Property and equipment

Property and equipment are stated at cost. Property and equipment acquired under capital leases are recorded at the lesser of the present value of the minimum lease payments or the fair market value of the asset. Depreciation and amortization are provided using the straight-line method over the shorter of the estimated useful lives of the assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred, while major renewals and improvements are capitalized.

Long-lived assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets, and for Long-lived Assets to be Disposed of," management continually evaluates whether events and circumstances have occurred that indicate that the remaining estimated useful lives of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, an estimate of the related undiscounted cash flows is used in measuring whether the long-lived assets should be written down to fair value. Measurement of the amount of the impairment is based on generally accepted valuation methodologies, as deemed appropriate. As of December 31, 2001, management believes that no revision to the remaining useful lives or write-down of long-lived assets is required.

Research and development expenses

Research and development includes costs related to the product design, including conceptual formulation, construction and testing of preproduction prototypes. Such costs are charged to expense as incurred.

Software development costs

In accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," the Company is eligible to capitalize certain costs incurred to internally develop software which is licensed to customers. Capitalization of such software development costs would begin upon the establishment of technological feasibility (typically determined to be upon completion of a working model) and conclude when the product is ready for general release. For the years ended December 31, 2001 and 2000, such costs were immaterial. Costs incurred prior to the establishment of technological feasibility are charged to research and development expense.

Supplemental cash flow information

For the years ended December 31, 2001 and 2000, the Company paid interest of approximately $383,600 and $361,000, respectively. The Company paid no income taxes during the years ended December 31, 2001 and 2000.

Income taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered.

2. Inventories:

	December 31	
	2001	2000
Finished product	$ --	$ 1,105,000
Purchased parts	1,268,881	995,237
	$ 1,268,881	$ 2,100,237

During 2000, the Company reclassified the net value of their used trackers out of property and equipment and into inventory. These used trackers were sold during 2001.

As of September 30, 2001, the Company was no longer able to sell their existing product (see Note 7), and therefore wrote-off $598,285 of inventory, which included both raw materials and finished goods. The write-off of inventory included $285,000 of products sold to customers with a right of return for the next model. This charge is included in cost of product revenues. (Note 1).

3. Property and equipment:

	Useful Life/ Lease Term	December 31 2001	2000
Equipment	5-7 years	$ 386,658	$ 382,734
Office furniture and fixtures	3-7 years	229,691	229,691
Leasehold improvements	2-5 years	507,403	411,413
Computers/software	3 years	611,054	599,693
Trackers/vehicles	3 years	29,968	29,968
		1,764,774	1,653,499
Less- Accumulated depreciation and amortization		(1,530,058)	(1,367,148)
		$ 234,716	$ 286,351

Depreciation and amortization for the years ended December 31, 2001 and 2000, was $162,910 and $300,850, respectively.

4. Line of credit:

In December 2000, the Company's $2,300,000 revolving line of credit was amended to expire in February 2001. In April 2001, Faro provided $1,500,000 in financing to the Company by entering into a Participation Agreement with the Company's bank pursuant to which Faro funded and simultaneously acquired a $1,500,000 interest in the Company's then outstanding $3,800,000 bank line of credit. In October 2001, Faro and the Company entered into an additional agreement pursuant to which Faro would provide to the Company up to an additional $1,500,000 in financing. Faro and the Company's bank amended the Participation Agreement so that such additional financing to the Company also would be made through participation in the Company's bank line of credit. Consequently, the Company's bank line of credit could increase to a maximum of $5,300,000, of which Faro would own up to $3,000,000. Interest is due monthly at the prime rate plus five percent. The line is collateralized by all personal property of the Company. The Company had $3,870,400 (including $2,875,000 due to Faro and $995,400 due to the bank) and $2,250,000 outstanding on this line as of December 31, 2001 and 2000, respectively.

The highest aggregate outstanding balance on the line of credit during the years ended December 31, 2001 and 2000, was $3,925,400 and $2,300,000, respectively. The weighted average interest rate for the years ended December 31, 2001 and 2000 was approximately 9.00 percent and 11.24 percent, respectively.

5. Long-term debt:

	December 31 2001	December 31 2000
Note payable to venture fund, payable in 16 quarterly principal installments of $187,500 beginning on April 30, 1999, presented net of unamortized discount of $150,000 and $262,500, respectively. No principal or interest has been paid; $2,062,500 (11 principal payments) is due in arrears as of December 31, 2001 and the note is in default. A waiver has been obtained through December 31, 2001 and the note was repaid in January 2002. (See Note 14). Interest of 12 percent is due quarterly in arrears.	$ 2,850,000	$ 2,737,500
Pennsylvania Capital Loan Fund Note, payable in 60 equal monthly installments of $2,359 through April 30, 2001, including interest at 5 percent. The note is guaranteed by the principal common stockholder and collateralized by machinery and equipment and furniture and fixtures.	--	9,339
Pennsylvania Capital Loan Fund Note, payable in 95 equal monthly installments of $1,277 through April 1, 2002, including interest at 5 percent. The note is collateralized by machinery and equipment, real estate owned by a stockholder, a $40,400 certificate of deposit, and a life insurance policy on the principal common stockholder. Amount was fully paid on April 15, 2001.	--	18,527
Equipment loans due to finance company at various rates from 10 percent to 18 percent with varying maturities through December 2001.	--	33,275
	2,850,000	2,798,641
Less- Current maturities	(2,850,000)	(2,780,915)
	$ --	$ 17,726

In April 1997, the Company borrowed $3,000,000 from a venture fund. In conjunction with this note, the venture fund received 300,000 warrants to purchase the Company's common stock at $.01 per share. The warrants are exercisable for ten years and have been valued at $675,000 using the Black-Scholes option-pricing model. The warrant valuation has been recorded as a discount on the note payable and is being amortized over the six-year term of the note. The valuation less offering expenses of $52,867 has been reflected as additional paid-in capital on the accompanying statement of stockholders' deficit. The Company also paid a 2 percent loan origination fee of $60,000. Included in prepaids on the accompanying December 31, 2001 and 2000 balance sheets is $10,000 of the unamortized fee. Included in other assets on the accompanying December 31, 2001 and 2000 balance sheets is $3,832 and $13,832, respectively, of the unamortized fee. Amortization expense of $112,500 and

$10,000 on the note discount and loan originator fee, respectively has been included in interest expense for the years ended December 31, 2001 and 2000.

6. Accrued expenses:

	December 31	
	2001	2000
Accrued interest	$ 990,000	$ 630,000
Accrued litigation settlement (Note 7)	648,000	1,230,000
Other	529,736	330,347
	$ 2,167,736	$ 2,190,347

7. Commitments and contingencies:

Operating leases

The Company leases office and warehouse space under two noncancellable operating lease agreements that expire in August and September 2003, respectively. Minimum future payments under the operating leases are $128,748 for 2002 and $85,832 in 2003.

Rent expense from operating leases was approximately $133,000 and $122,000 for the years ended December 31, 2001 and 2000, respectively.

Employee stay bonus plan

On January 2001, the Company's Board of Directors approved a stay bonus plan. If the Company was sold before December 31, 2002, 10.5 percent of the first $10 million and 17.5 percent of all amounts above $10 million in purchase price would be reserved for employees and paid as a bonus at the time of closing. The bonus would be paid only to employees with the Company at the inception of the plan (January 1, 2001) who were also with the Company at the time of sale. The bonus may be paid in cash or stock of the acquiring company at the Company's option.

As part of the acquisition by Faro in January 2002 (Note 14), the Stay Bonus obligation was satisfied by 65,000 shares of Faro common stock given to eight key employees and a cash payment of $46,000 to all other remaining employees.

Litigation settlement

In May 2000, the Company settled a patent infringement lawsuit with a competitor. The Company was required to pay an aggregate of $626,000 in three installments in 2000 and an aggregate of $624,000 in three installments in 2001. Actual payments were $748,765 and $20,000 in 2001 and 2000, respectively. The Company incurred additional legal and late payment fees of $166,765 in 2001 that were payable to the competitor, due to various disputes and delayed payments by the Company. The Company paid the remaining balance of $648,000 on January 15, 2002 immediately prior to the acquisition by Faro Technologies (Note 14).

Litigation

The Company is subject to various claims and legal proceedings that arise in the ordinary course of its business activities. Although the ultimate liability from these potential claims cannot be ascertained, management does not anticipate that any related settlement, after consideration of potential insurance recovery, would have a material adverse affect on the Company's financial position.

8. Redeemable preferred stock:

The holders of Series A preferred stock (Series A) are entitled to receive cumulative quarterly dividends at an annual rate of $.01 per share. Each holder of Series A shares is also entitled to 1/20th of a vote per share. Upon liquidation or redemption, the holders are entitled to $.10 per share plus $.03 per share for each year the shares were outstanding less the cumulative amount of paid dividends. The Company has the option to redeem the Series A shares beginning on or after January 1, 1996, with the consent of 66-2/3 percent of the holders of the Series B and the Series C. The Series A stockholders have the option to redeem the shares beginning on or after January 1, 2000.

The holders of Series B, Series C, Series D and Series E convertible preferred stock are entitled to receive cumulative annual dividends of $.18462, $.16, $.36 and $.24 per share, respectively, for each of the first four years subsequent to the date of issuance, payable upon liquidation or redemption. For each year thereafter, the holders of the Series B, Series C, Series D and Series E shares are entitled to cumulative annual dividends of $.18462, $.16, $.36 and $.24 per share, respectively, payable quarterly. Each holder of Series B, Series C, Series D and Series E shares is also entitled to one vote for each share of common stock into which a Series B, Series C, Series D and Series E share could currently be converted. The Series B, Series C, Series D and Series E shares are convertible at the stockholder's option, at any time, into shares of common stock equal to the number of Series B, Series C, Series D or Series E shares outstanding divided by the conversion ratio, as defined. At December 31, 2001, the conversion ratio is one share of common stock for each share of Series B, Series C, Series D or Series E. The Series B, Series C, Series D and Series E shares are redeemable upon written request of not less than 51 percent of the Series B, Series C, Series D or Series E stockholders any time on or after the sixth anniversary of the issuance of the first share of Series B, Series C, Series D or Series E. The initial redemption dates are as follows: Series B - May 12, 2001, Series C - March 31, 2002, Series D - March 5, 2003, Series E - - April 30, 2005. The Series B, Series C, Series D and Series E redemption price is the greater of the determined fair market value, as defined, or the liquidation price.

In the event of liquidation, Series A, Series B, Series C, Series D and Series E shares have senior preference equal to the aggregate original issue prices of $.10, $2.3077, $2, $4.50 and $3.00 respectively, per share plus accrued dividends not yet paid. Liquidation payment deficiencies will be allocated on a pro rata basis in proportion to the full preferential amount each class would be entitled to receive.

Common stock dividends require consent of 66-2/3 percent of the holders of the Series B, Series C, Series D and Series E shares outstanding. Series B, Series C, Series D and Series E shares participate in common stock dividends based on the aggregate number of shares of common stock, assuming conversion of the Series B, Series C, Series D and Series E shares.

9. Stock option plan

The 1993 Stock Option Plan (1993 Plan), as amended, was established for employees, directors and certain other individuals. In January 2000, the Board of Directors cancelled the 1993 Plan and implemented the 2000 Incentive Stock Option Plan (2000 Plan), which provides for the grant of stock options to employees, directors and certain other individuals. The Company cancelled all options issued under the 1993 Plan and issued employees new options under the 2000 Plan. This event was deemed a repricing for accounting purposes and therefore the new options are accounted for using variable plan accounting. As of December 31, 2001 and 2000, no charge was recorded due to the decrease in the fair market value of the Company's common stock from the repricing date.

Under the 2000 Plan, the Company may grant either nonqualified or incentive stock options. An aggregate of 1,043,000 shares of common stock have been reserved for the 2000 Plan as of December 31, 2001 and 2000. A committee of the Board of Directors (the Committee) administers the 2000 Plan and determines the terms of the grants. Under the terms of the 2000 Plan, the exercise price per share of each option granted will not be less than 110 percent of the fair market value of the stock for employees owning 10 percent or more of the voting power of the Company, as defined, and no less than 100 percent of the fair market value for all other individuals. Under the 2000 Plan, options vest over a four-year period; 25 percent at the end of each anniversary date of the grant. The exercise periods, which are determined by the Committee, are not more than four years from the date of grant for employees owning 10 percent or more of the voting power of the Company and not more than ten years for all other individuals. Each option entitles the holder to purchase one share of common stock at the indicated exercise price.

The Company accounts for its option plan under APB Opinion No. 25, which values options at their intrinsic value. No compensation cost has been recognized under the APB Opinion No. 25 methodology. Had compensation cost for the Option Plan been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," a fair value valuation method, the Company's net loss would have been $4,953,341 and $152,298 for the years ended December 31, 2001 and 2000, respectively. The fair value of options granted at market during the years ended December 31, 2001 and 2000, was estimated as $0.01 and $0.03, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for 2000 grants: risk-free interest rate of 6.67 percent, an expected life of six years; dividend yield of zero; and volatility of zero.

The following table summarizes the option activity under the Option Plan:

	Shares available for grant	Options Outstanding: Number of shares	Exercise price per share	Aggregate Price
Balance, January 1, 2000	594,500	534,750	$ .143-$3.150	$ 983,979
Cancelled	534,750	(534,750)	.143-$3.150	(983,979)
Plan termination	(1,129,250)	--	--	--
Authorized	1,043,000	--	--	--
Granted	(1,043,000)	1,043,000	.10	104,300
Balance, December 31, 2000	--	1,043,000	.10	104,300
Cancelled	30,000	(30,000)	.10	3,000
Balance, December 31, 2001	30,000	1,013,000	$ .10	$ 101,300

As of December 31, 2001, 253,250 options were exercisable at a price of $0.10 per share.

10. Income taxes:

	December 31 2001	2000
Current	$ --	$ 20,903
Deferred	(2,189,668)	29,559
	(2,189,668)	50,462
Increase in valuation allowance provision	2,189,668	284,698
	$ --	$ 335,160

The difference between the Company's federal statutory income tax rate and its effective income tax rate is primarily due to state income taxes and the valuation allowance.

As of December 31, 2001 and 2000, the Company had federal and state net operating loss carryforwards of approximately $27,967,000 and $15,592,000, respectively, which began to expire during 1997. The net operating loss carryforwards differ from the accumulated deficit principally due to the timing of the recognition of certain accrued expenses. In accordance with the Tax Reform Act of 1986, the net operating loss carryforwards could be subject to certain limitations. For the year ended December 31, 2000, the Company was subject to alternative minimum tax of approximately $21,000.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2001 and 2000 are as follows:

	December 31	
	2001	2000
Gross deferred tax assets:		
Net operating loss carryforwards	$ 6,673,960	$ 3,952,139
Accrued expenses not currently deductible	412,137	895,730
Research credits not currently deductible	514,146	514,146
Depreciation and amortization	43,544	43,544
Other	60,643	109,203
	7,704,430	5,514,762
Valuation allowance	(7,704,430)	(5,514,762)
Net deferred tax assets	$ --	$ --

A valuation allowance was established for 100 percent of the net deferred tax asset, as the Company does not believe the realization of the tax benefits is more likely than not.

11. Major customers and concentrations:

For the years ended December 31, 2001 and 2000, the Company did not have any customers that accounted for 10 percent or more of the Company's revenues.

12. Employee savings plan:

The Company provides a 401(k) savings plan that covers all qualified employees. Under the terms of the savings plan, the Company makes a matching contribution of 50 percent of pretax deferrals by eligible employees up to a maximum of 6 percent of the employees' annual compensation, subject to certain IRS limitations. The Company's matching contributions for the years ended December 31, 2001 and 2000, were approximately $111,300 and $90,000, respectively.

13. Related party transactions:

Effective September 30, 1999, the services of the Company's former president and majority stockholder were terminated though he remains on the Company's board of directors. The Company paid $14,313 in 2000, related to severance for the individual. In addition, 153,750 vested incentive stock options were converted to non-qualified stock options with a ten-year expiration period. No compensation expense was recorded in conjunction with this new measurement date as the fair market value of the stock was less than the exercise price as of September 30, 1999.

14. Subsequent event:

On January 16, 2002, Faro acquired 100 percent of the Company's outstanding preferred and common stock. The Company became a wholly owned subsidiary of Faro. The purchase price consisted of the following:

Use	Consideration
Preferred stockholders	400,000 shares of Faro common stock
Common stockholders	35,000 shares of Faro common stock
Key employees	65,000 shares of Faro common stock
Litigation settlement	$645,769
Line of credit with bank	$983,689
Line of credit with Faro	$2,875,000
Note Payable	$1,000,000 and 350,000 shares of Faro common stock

The total consideration, given a Faro common stock price of $2.15 per share on January 16, 2002, was $7,331,958. A gain of $3,972,500 was recognized by the Company on the forgiveness of the line of credit with Faro and a portion of the note payable.

FARO TECHNOLOGIES, INC. and Subsidiaries
CONSOLIDATED PRO-FORMA BALANCE SHEET
As of December 31, 2001

	FARO Technologies Inc.	SpatialMetrix Corporation	CONSOLIDATION AND PRO-FORMA ADJUSTMENTS	CONSOLIDATED PRO FORMA
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 7,238,564	$ 120,472	(1,000,000) A	$ 6,359,036
Short term investments	4,744,559		(1,629,458) A	3,115,101
Accounts receivable	9,385,568	2,171,327		11,556,895
Income taxes refundable	545,118			545,118
Inventories, net	5,575,793	1,268,881		6,844,674
Prepaid expenses and other current assets	1,851,003	18,600	(383,183) B	1,486,420
Deferred income taxes	76,418			76,418
Total current assets	29,417,023	3,579,280	(3,012,641)	29,983,662
PROPERTY AND EQUIPMENT - at cost:				
Machinery and equipment	4,038,582	200,000		4,238,582
Furniture and fixtures	1,313,809	34,716		1,348,525
Leasehold improvements	139,555			139,555
Total	5,491,946	234,716	-	5,726,662
Less accumulated depreciation and amortization	(3,945,247)			(3,945,247)
Property and equipment, net	1,546,699	234,716	-	1,781,415
INTANGIBLE ASSETS - net	2,632,791		7,095,025 D/F	9,727,816
INVESTMENTS	2,129,679		0	2,129,679
NOTES RECEIVABLE	3,927,932		(2,875,000) A	1,052,932
DEFERRED INCOME TAXES & OTHER ASSETS	-	14,213		14,213
TOTAL ASSETS	$ 39,654,124	$ 3,828,209	$ 1,207,384	$ 44,689,717
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current portion of long-term debt	$ 25,120	$ 6,720,400	$ (6,720,400) C/G	$ 25,120
Accounts payable	2,937,271	2,467,750		5,405,021
Accrued liabilities	3,064,463	2,167,736	(1,138,000) A/C/H	4,094,199
Income taxes payable	-		100,000 A	100,000
Current portion of unearned service revenues	855,120	1,337,795		2,192,915
Customer deposits	231,845			231,845
Total current liabilities	7,113,819	12,693,681	(7,758,400)	12,049,100
OTHER LONG-TERM LIABILITIES	203,844			203,844
Total liabilities	7,317,663	12,693,681	(7,758,400)	12,252,944
SHAREHOLDERS' EQUITY:				
Class A preferred stock - par value $.001, 10,000,000 shares authorized, no shares issued and outstanding		$10,435,787	$(10,435,787)	
Common stock - par value $.001, 50,000,000 shares authorized, 11,925,252 issued; 11,885,252 outstanding	11,075	8,518	$ (7,668) A	11,925
Additional paid-in capital	47,595,087		1,826,650 A	49,421,737
Accumulated deficit	(12,116,098)	(19,309,777)	17,582,589 D/F	(13,843,286)
Other comprehenvive loss	(3,002,978)			(3,002,978)
Common stock in treasury, at cost - 40,000 shares	(150,625)			(150,625)
Total shareholders' equity	32,336,461	(8,865,472)	8,965,784	32,436,773
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 39,654,124	$ 3,828,209	$ 1,207,384	$ 44,689,717

FARO TECHNOLOGIES, INC. and Subsidiaries
CONSOLIDATED PRO-FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001

	FARO Technologies Inc.	SpatialMetrix Corporation	CONSOLIDATION AND PRO-FORMA ADJUSTMENTS	CONSOLIDATED PRO FORMA
SALES	$ 35,113,596	$ 11,358,049		$ 46,471,645
COST OF SALES	14,304,083	8,496,525		22,800,608
Gross profit	20,809,513	2,861,524	-	23,671,037
OPERATING EXPENSES				
Selling	13,436,209	3,125,857		16,562,066
General and administrative	5,812,803	1,486,846		7,299,649
Depreciation and amortization	2,559,495	112,193	1,727,188 G	4,398,876
Research and development	3,370,716	2,311,585		5,682,301
Total operating expenses	25,179,223	7,036,481	1,727,188	33,942,892
LOSS FROM OPERATIONS	(4,369,710)	(4,174,957)	(1,727,188)	(10,271,855)
OTHER INCOME (EXPENSES)				
Interest income	900,281			900,281
Other income	964,950			964,950
Interest expense	(1,747)	(884,214)	866,062 F	(19,899)
INCOME (LOSS) BEFORE INCOME TAXES	(2,506,226)	(5,059,171)	(861,126)	(8,426,523)
INCOME TAX EXPENSE (BENEFIT)	341,738	-		341,738
NET INCOME (LOSS)	$ (2,847,964)	$ (5,059,171)	$ (861,126)	$ (8,768,261)
NET LOSS PER SHARE - BASIC	$ (0.26)			$ (0.74)
NET LOSS PER SHARE - DILUTED	$ (0.26)			$ (0.74)
Shares Outstanding - Basic	11,032,449		850,000	11,882,449
Shares Outstanding - Diluted	11,032,449		850,000	11,882,449

Note: The above pro-forma data reflects the following pro-forma adjustments:

A. Entry to record consideration given upon closing of the purchase of SMX ($ 7,931,958)
B. Entry to record additional acquisition costs incurred prior to closing ($ 383,183)
C. Adjustment to the purchase price for liabilities paid at closing but was recorded by SMX ($ 1,643,400)
D. Entry to eliminate Investment in SMX in consolidation
E. Entry to reverse interest expense recorded on SMX on bank loans paid upon closing ($866,062 in 2001).
F. Entry to record amortization of intangible assets acquired (including $1.25 million amortization of goodwill).
G. To eliminate amount owed by SMX to FARO.
H. To eliminate SMX liability to First Union not assumed by FARO.