3D SYSTEMS CORP
Form 10-K
February 24, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

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

Commission file number 001-34220

3D SYSTEMS CORPORATION
(Exact name of Registrant as specified in our charter)

Delaware	**95-4431352**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

333 Three D Systems Circle
Rock Hill, SC 29730
(Address of principal executive offices and zip code)

(803) 326-3900
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock, par value $0.001 per share	**The NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 Exchange 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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes o No þ

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant on June 30, 2009 was $128,911,764. For purposes of this computation, it has been assumed that the shares beneficially held by directors and officers of the registrant were held by affiliates. This assumption is not to be deemed an admission by these persons that they are affiliates of the registrant.

The number of outstanding shares of the registrant s common stock as of February 12, 2010 was 22,860,807.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant s definitive proxy statement for its 2010 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference into Part III of this Form 10-K.

3D SYSTEMS CORPORATION
Annual Report on Form 10-K for the
Year Ended December 31, 2009

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PART I

Item 1. *Business.*

General

3D Systems Corporation (3D Systems or the Company) is a holding company that operates through subsidiaries in the United States, Europe and the Asia-Pacific region. We design, develop, manufacture, market and service 3-D printing, rapid manufacturing, and prototyping systems and related products and materials that enable complex three-dimensional objects to be produced directly from computer data without tooling. We also operate 3Dproparts[tm], a comprehensive service that offers our customers rapid prototyping and direct rapid manufacturing services for the production of precision parts.

Customers who use our proprietary systems are able to produce physical objects from digital data using commonly available computer-aided design software, often referred to as CAD software, or other digital-media devices such as engineering scanners and MRI or CT medical scanners. Our systems ability to produce functional parts from digital art enables customers to create detailed prototypes or production-quality parts quickly and effectively without a significant investment in expensive tooling, greatly reducing the time and cost required to produce prototypes or to customize production parts.

Our systems use additive part-production processes for applications that require rapid design iterations, prototyping and manufacturing. We believe that our systems enable our customers to develop better quality, higher functionality new products faster and more economically than other more traditional methods.

Our product development efforts are focused on expanding our portfolio of 3-D printing and rapid manufacturing solutions, which we believe represents significant growth opportunities for our business. We also believe that our core rapid prototyping business and our parts production service provide us with significant growth opportunities. In recent years, we have worked to develop new systems and materials and have enhanced our overall technology to rejuvenate and reshape our core business while developing new products that address our 3-D printing and rapid manufacturing growth initiatives. With respect to the uses of our systems:

In rapid manufacturing applications, our systems are used to manufacture end-use parts that have the appearance and characteristics of high-quality injection-molded parts. Customers who adopt our rapid manufacturing solutions avoid the significant costs of complex set-ups and changeovers and eliminate the costs and lead-times associated with conventional tooling methods or hand labor. Rapid manufacturing enables our customers to produce optimized designs since they can design for function, unconstrained by normal design-for-manufacture considerations.

In 3-D printing applications, our systems are used to produce three-dimensional shapes, primarily for visualizing and communicating concepts, various design applications and other applications, including supply chain management, functional modeling, architecture, art, surgical modeling, medical end-use applications such as hearing aids and dental uses, and entertainment.

In rapid prototyping applications, our systems are used to quickly and efficiently generate product-concept models, functional prototypes to test form, fit and function, master patterns and expendable patterns for urethane and investment casting that are often used as a cost-effective means of evaluating product designs and short-run production.

Our products offer our customers an integrated systems solution consisting of equipment and embedded software, integrated consumable materials and customer service. Our extensive solutions portfolio is based on four distinct and proprietary technology platforms, discussed in greater detail below, that enable us to offer our customers a way to transform the manner in which they design, develop and manufacture their products.

Products and Services

Our principal technology platforms include our stereolithography or SLA® equipment, our selective laser sintering or SLS® equipment, our multi-jet 3-D printing equipment and our film transfer imaging (FTI)

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equipment. These systems use patented and proprietary stereolithography, selective laser sintering and various 3-D printing and film transfer imaging methods and processes that take digital data input from CAD software or three-dimensional scanning and sculpting devices to fabricate physical objects from our proprietary family of engineered plastic, metal and composite materials.

We blend, market and distribute a wide range of proprietary consumable, engineered plastics, composites and materials that we market to produce physical parts from digital art using our systems. We augment and complement our own portfolio of engineered materials with materials that we purchase from third parties under private-label and distribution arrangements.

We provide to our customers a comprehensive suite of proprietary software tools that are embedded within our systems and pre-sale as well as post-sale field services, ranging from applications development to installation, warranty and maintenance services.

In 2009, we introduced our 3Dproparts™ service, expanding our distribution channel for rapid prototyping and direct rapid manufacturing parts. 3Dproparts™ offers a broad range of precision plastic and metal parts and assembly capabilities produced from a wide range of materials using a variety of additive and traditional manufacturing processes.

Systems Solutions

SLA® systems and related equipment

Stereolithography, or SLA®, systems convert our engineered materials and composites into solid cross-sections, layer by layer, until the desired fully fused objects are completely produced. Our SLA® systems are capable of making multiple distinct objects at the same time and are designed to produce highly accurate objects in a wide range of sizes and shapes and material performance characteristics.

Stereolithography parts are known for their fine feature detail, resolution and surface quality. Product designers, engineers and marketers in many large manufacturing companies throughout the world use our SLA® systems for a wide variety of applications, ranging from short production runs of end-use products, to producing prototype parts for automotive, aerospace and various consumer and electronic applications.

Our SLA® systems are capable of rapidly producing tools, fixtures, jigs and end-use parts, including parts for dental, hearing aid, jewelry and motor-sport applications. They are also designed for uses such as building functional models that enable users to share ideas and evaluate concepts; performing form, fit and function testing on working assemblies and building expendable patterns for metal casting.

Our family of SLA® systems offers a wide range of capabilities, including size, speed, accuracy, throughput and surface finish in different formats and price points. We have devoted substantial efforts to introducing new systems with new capabilities. Our iPro™ family of SLA® systems includes our iPro™ 8000 and iPro™ 9000. The iPro™ 8000 system is a mid-range SLA® system. Our iPro™ 9000 SLA® Center is a professional stereolithography system for the production of ultra high-definition Pro-Parts from our integrated portfolio of proprietary Accura® Plastics. Our iPro™ SLA® Centers are designed to quickly and economically produce durable plastic parts with unprecedented surface smoothness, feature resolution, edge definition and tolerances that rival the accuracy of CNC-machined plastic parts. The iPro™ systems are our most advanced, flexible, high-capacity stereolithography systems that are designed to enable customers to mass customize and produce high-quality, end-use parts, patterns, wind tunnel models, fixtures and tools consistently and economically using our proprietary and other stereolithography materials. In 2009 we continued to offer the Viper™ SLA® system. The Viper™ SLA® system operates in a similar fashion as the iPro™

systems, but has a smaller build area and a lower build throughput rate and is capable of building smaller fine-featured parts.

SLS® systems and related equipment

Our selective laser sintering, or SLS®, additive manufacturing systems convert our proprietary engineered materials and composites by melting and fusing, or sintering, these materials into solid cross-sections, layer-

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by-layer, to produce finished parts. SLS® systems can create parts from a variety of proprietary engineered plastic and metal powders and are capable of processing multiple parts in a single build session.

Customer uses of our SLS® systems include functional test models and end-use parts, which enable our customers to create customized parts economically without tooling. The combination of materials flexibility, part functionality and high throughput of our SLS® technology makes it well suited for rapid manufacturing of durable parts for applications in various industries, including aerospace, automotive, packaging, machinery and motor-sports applications.

Our family of SLS® systems includes our line of sPro™ SLS® systems, automated selective laser sintering manufacturing systems that are designed to enable our customers to mass customize and produce high-quality end-use parts, patterns, fixtures and tools consistently and economically from our proprietary engineered plastics, on-site and on-demand. In 2009 we introduced our new sPro™ 60 family of SLS® production systems, which features enhanced productivity and part accuracy within an optimized build volume, new CleanSweep™ IR sensor technology, the ability to process multiple materials and the flexibility to change materials quickly.

We offer the Sinterstation® Pro™ SLM direct metal sintering system through a private label arrangement that we entered into with a third-party supplier. These systems are capable of producing fully-dense direct metal parts from a variety of metal powders, including stainless steel, chrome cobalt, titanium and tool steel.

3-D printing systems

Our expanding line of 3-D printers is ideal for use in engineering design environments for product development, marketing communication groups, rapid manufacturing such as jewelry and dental laboratory direct casting applications and within engineering schools and other educational institutions. Our range of 3-D printers includes our multi-jet equipment as well as our new film transfer imaging-based equipment.

All our 3-D printers accept digital input from either a three-dimensional CAD station or a scanned 3-D image, converting this input data one slice thickness at a time, to create a solid part one layer at a time. These printers offer superior finished surfaces, no geometry limitations, plug-and-play installation, point-and-print functionality and best-in-class part resolution in a variety of price points and materials.

Our family of multi-jet printers consists of several models, including our ProJet™ systems which have replaced our family of InVision® systems. All our printers are designed to produce high-definition, functional and durable models for form, fit and function analysis, including certain models that are capable of ultra-fine resolution for precision dental and jewelry applications. We began shipping our new large format 3-D printer, the ProJet™ 5000, during the fourth quarter of 2009.

During the second quarter of 2009, we commenced commercial shipment of our V-Flash® Desktop Printer, our first sub-ten thousand dollar desktop printer. As discussed above, we believe that, in addition to our focus on and pursuit of rapid manufacturing opportunities, 3-D printing provides us with a significant opportunity for growth. The V-Flash® Desktop Printer is the first product based on our new FTI technology platform, and it is designed to build three-dimensional models within hours in a home or an office, enabling designers, engineers, hobbyists and students to imagine, design and build their ideas at their desks.

Software

As part of our comprehensive and integrated systems solutions, we offer embedded proprietary part-preparation software. This software is designed to enhance the interface between our customers digital data and our systems. Digital data, such as a three-dimensional CAD-produced digital image, is converted within our proprietary software so

that, depending on the specific software, the image can be viewed, rotated and scaled, and model structures can be added. The software then generates the information that is used by the SLA® or SLS® system or by the 3-D printer to create solid objects. From time to time, we also work with third parties to develop complementary software for our systems.

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Materials

As part of our integrated systems approach to business, we blend, market, sell and distribute consumable, engineered plastic and metal materials and composites under several proprietary brand names for use in all our systems. We market our stereolithography materials under the Accura® brand, our selective laser sintering materials under the DuraForm®, CastForm™ and LaserForm™ brands, and materials for our 3-D printers under the VisiJet® brand.

Many of our systems have built-in electronic intelligence that communicates vital processing and quality statistics in real time with the systems. For these systems, we furnish materials that are designed for use in those systems and that are packaged in smart cartridges designed to enhance system functionality, up-time, materials shelf life and overall system reliability, with the objective of providing our customers with a built-in quality management system.

We work closely with our customers to optimize the performance of our materials in their applications. Our expertise in materials formulation, combined with our process, software and equipment-design strengths, enable us to help our customers select the material that best meets their needs and to obtain optimal results from the material. We also work with third parties to develop different types and varieties of materials designed to meet the needs of our customers.

Stereolithography engineered materials and composites

Our family of proprietary stereolithography materials and composites offers a variety of plastic-like performance characteristics and attributes designed to mimic specific engineered thermoplastic materials. When used in our SLA® systems, our proprietary liquid materials turn into a solid surface one layer at a time, and through an additive building process all of the layers bond and fuse together to make a solid part.

Our portfolio of Accura® stereolithography materials includes general-purpose as well as specialized materials and composites that offer our customers the opportunity to choose the material that is best suited for the parts and models that they intend to produce. To further complement and expand the range of materials we offer to our customers, we also distribute SLA® materials under recognized third-party brand names.

In 2009, we introduced our Accura® e-Stone™ family of materials developed specifically to produce dental-digital models from data derived from dental intraoral and impression scanners without pouring traditional stone models, saving time and money for dentists and dental laboratories and reducing infection risks.

Laser sintering materials and composites

Our family of proprietary selective laser sintering materials and composites includes a range of rigid plastic, elastomeric and metal materials as well as various composites of these ingredients. Because of the built-in versatility of our selective laser sintering systems, the same systems can be used to process multiple materials.

Our family of DuraForm® materials includes CastForm™ and LaserForm™ proprietary SLS® materials. In 2009, we began selling DuraForm® FR 100 Plastic, a new flame-retardant material that meets the requirements of a broad range of aerospace and consumer-product applications.

Our SLS® materials are used to create functional end-use parts, prototypes and durable patterns as well as assembly jigs and fixtures. They are also used to produce flexible, rubber-like parts such as shoe soles, gaskets and seals, patterns for investment casting, functional tooling such as injection molding tool inserts and end-use parts used in customized rapid manufacturing applications. Examples of rapid manufacturing parts produced by our customers using our SLS® systems include air ducts for aircraft and engine cowling parts for unmanned aerial vehicles. Product designers and developers from major automotive, aerospace and consumer products companies use DuraForm® parts

extensively as functional test models, even in harsh test environment conditions. Aerospace and medical companies use our SLS® systems to produce end-use parts directly, which enables them to create customized parts economically without tooling. Parts made from DuraForm® and

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LaserForm™ materials are cost effective and can compete favorably with traditional manufacturing methods, especially where part complexity is high. Competing alternatives to our technology generally involve, among other things, costs for tooling and minimum run quantities of the parts produced.

3-D printing materials

Our family of VisiJet® 3-D printing materials includes part-building materials and compatible disposable support materials that are used in the modeling process and facilitate an easily melted away support removal process. These materials are sold to our customers packaged in proprietary smart cartridges that are used to produce parts in our 3-D printers. Our family of proprietary VisiJet® materials is ideal for study models and form, fit and function engineering studies. Our family of VisiJet® wax materials and special dissolvable support materials is used for direct casting applications such as custom jewelry manufacturing, dental crowns and bridge work and casting and micro-casting applications.

Customer Services

We provide a variety of comprehensive customer services and local application and field support on a worldwide basis for all of our stereolithography and selective laser sintering systems. For our 3-D printing systems, we provide these services and field support either directly or through a network of authorized resellers or other sources. We are continuing to build a reseller channel for our line of 3-D printers and to train our resellers to perform installations and services for those printers. We have also entered into arrangements with selected outside service providers to augment our service capabilities with respect to each of our lines of equipment.

The services and field support that we provide include installation of new systems at the customers sites, system warranties, several maintenance agreement options and a wide variety of hardware upgrades, software updates and upgrades and performance enhancement packages. We also provide services to assist our customers and resellers in developing new applications for our technologies, to facilitate the use of our technology for the customers applications, to train customers on the use of newly acquired systems and to maintain our systems at the customers sites.

New SLS®, SLA® and 3-D printer systems are sold with on-site maintenance support that generally covers a warranty period ranging from 90 days to one year. We offer service contracts that enable our customers to continue maintenance coverage beyond the initial warranty period. These service contracts are offered with various levels of support and are priced accordingly. We employ customer-support sales engineers in North America, several countries in Europe and in parts of the Asia-Pacific region to support our worldwide customer base. As a key element of warranty and service contract maintenance, our service engineers provide regularly scheduled preventive maintenance visits to customer sites. We also provide training to our distributors and resellers to enable them to perform these services.

We distribute spare parts on a worldwide basis to our customers, primarily from locations in the U.S. and Europe.

We also offer upgrade kits for certain of our systems that we sell to existing customers to enable them to take advantage of new or enhanced system capabilities. However, we have discontinued upgrade support for certain of our older legacy systems.

We operate a training facility, 3D Systems University, in partnership with York Technical College. The facility operates as part of York Technical College to train our employees, customers, students and others in the use of our systems and technologies. Through this relationship with York Technical College, we outsource a portion of training in the use and operation of our systems that we previously performed.

In 2009, with the launch of our 3Dproparts[tm] service, we began supplying finished parts to our customers through a global network of parts printing service locations. Customers may procure a complete range of precision plastic and metal parts and assemblies produced using a variety of finishing, molding and casting capabilities utilizing both traditional and additive manufacturing processes. Preferred service providers and leading service bureaus also can use 3Dproparts[tm] as their comprehensive order-fulfillment center.

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Global Operations

We operate in North America and in six countries in Europe and the Asia-Pacific region, and distribute our products in those countries as well as in other parts of the world. Revenue in countries outside the U.S. accounted for 56.6%, 60.6% and 58.2% of consolidated revenue in the years ended December 31, 2009, 2008 and 2007, respectively.

In maintaining foreign operations, our business is exposed to risks inherent in such operations, including those of currency fluctuations. Information on currency exchange risk appears in Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk and Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K (Form 10-K), which information is incorporated herein by reference.

Financial information about geographic areas, including revenue and long-lived assets, appears in Note 22 to the Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data, of this Form 10-K, which information is incorporated herein by reference.

Marketing and Customers

Our sales and marketing strategy focuses on an integrated systems approach that is directed to providing equipment, materials and services to meet a wide range of customer needs, including traditional prototyping, 3-D printing and rapid manufacturing. This integrated approach includes the sales and marketing of our parts service, either as an adjunct to a customer s in-house use of additive technologies or to the much broader audience of users who do not have dedicated SLA® or SLS® production solutions or 3-D printers. Our sales organization is responsible for the sale of our products on a worldwide basis and for the management and coordination of our growing network of authorized resellers of 3-D printing and certain of our other systems. Our direct sales force consists of salespersons who work throughout North America, Europe and parts of the Asia-Pacific region. Our application engineers provide professional services through pre-sales support and assist existing customers so that they can take advantage of our latest materials and techniques to improve part quality and machine productivity. This group also leverages our customer contacts to help identify new application opportunities that utilize our proprietary processes and access to our professional parts printing service, 3Dproparts™. As of December 31, 2009, our worldwide sales, application and service staff consisted of 119 employees.

We sell SLA® and SLS® systems and our related materials and services through our direct sales organization, which is supported by our dedicated sales, service and application engineers worldwide. In certain areas of the world where we do not operate directly, we have appointed sales agents, resellers and distributors who are authorized to sell on our behalf our SLA® and SLS® systems and the materials used in them. Certain of those agents, resellers and distributors also provide services to customers in those geographic areas.

Our 3-D printers and our related materials and services are sold worldwide directly and through a network of authorized distributors and resellers who are managed and directed by a dedicated team of channel sales managers.

As a complement to our equipment and materials sales, in 2009 we introduced our 3Dproparts™ service, a global network of parts printing service locations. 3Dproparts™ is designed to provide our customers and prospects a single source for all of their design to manufacturing needs. Through our 3Dproparts™ service, we offer access to a wide range of additive and traditional manufacturing technologies, our full line of available materials from plastics to metals and our project management and finishing capabilities through 24/7 on-line quoting and secure ordering.

Our customers include major companies in a broad range of industries, including manufacturers of automotive, aerospace, computer, electronic, defense, education, consumer, medical and dental products. Purchasers of our systems include original equipment manufacturers, or OEMs, government agencies and universities that generally use

our systems for research activities, and independent service bureaus that provide

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rapid prototyping and manufacturing services to their customers for a fee. No single customer accounted for more than 10 percent of our consolidated revenue in the year ended December 31, 2009.

Production and Supplies

We have outsourced certain of our equipment assembly and refurbishment activities to several selected design and engineering companies and suppliers. These suppliers also carry out quality control procedures on our systems prior to their shipment to customers. As part of these activities, these suppliers have responsibility for procuring the components and sub-assemblies that are used in our systems. This has reduced our need to procure or maintain inventories of raw materials, work-in-process and spare parts related to our equipment assembly and maintenance activities. We purchase finished systems from these suppliers pursuant to forecasts and customer orders that we supply to them. While the outsource suppliers of our systems have responsibility for the supply chain of the components for the systems they assemble, the components, parts and sub-assemblies that are used in our systems are generally available from several potential suppliers.

During 2009 we moved the assembly of our ProJet™ line of 3-D printers and certain other equipment assembly activities, which previously had been outsourced, to our Rock Hill, South Carolina facility, enabling us to better utilize our facility, plan production and lower costs.

We produce certain materials at our facilities in Marly, Switzerland and Rock Hill, South Carolina. We also have arrangements with third parties who blend to our specifications certain of the materials that we sell under our own brand names, and as discussed above we purchase other materials from third parties for resale to our customers.

Our equipment assembly and blending activities and certain of our research and development activities are subject to compliance with applicable federal, state and local provisions regulating the storage, use and discharge of materials into the environment. We believe that we are in compliance with such regulations as currently in effect in all material respects and that continued compliance with them will not have a material adverse effect on our capital expenditures, results of operations or consolidated financial position.

Research and Development

We maintain an ongoing program of research and development to develop new systems and materials and to enhance our product lines as well as to improve and expand the capabilities of our systems and related software and materials. This includes all significant technology platform developments for SLA®, SLS®, 3-D printing and FTI systems and materials. Our development efforts are augmented by development arrangements with research institutions, customers, suppliers of material and hardware and the assembly and design firms that we have engaged to assemble our systems. We also engage third-party engineering companies and specialty materials companies in specific development projects from time to time.

Research and development expenses were $11.1 million, $15.2 million and $14.4 million in 2009, 2008 and 2007, respectively.

We did not capitalize any internally developed software costs in 2009 or 2008. In 2007, we capitalized $0.4 million of internally developed software costs associated with the V-Flash® Desktop Printer. See Note 2 to the Consolidated Financial Statements.

Intellectual Property

At December 31, 2009, we held 353 patents worldwide. At that date, we also had 152 pending patent applications worldwide.

The principal issued patents covering our stereolithography processes will expire at varying times through 2022. The principal issued patents covering our selective laser sintering processes will expire at varying times through 2024. The principal issued patents covering our multi-jet 3-D printing processes will expire at varying times through 2024. The principal issued patents covering our FTI processes will expire at varying times

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through 2027. We have also filed a number of patent applications covering inventions contained in our recently introduced systems for each of our technology platforms.

We are also a party to various licenses that have had the effect of broadening the range of the patents, patent applications and other intellectual property available to us.

We believe that, while our patents and licenses provide us with a competitive advantage, our success depends primarily on our marketing, business development and applications know-how and on our ongoing research and development efforts. Accordingly, we believe the expiration of any of the patents, patent applications or licenses discussed above would not be material to our business or financial position.

Competition

Competition for most of our 3-D printing, prototyping and rapid manufacturing systems is based primarily on process know-how, product application know-how and the ability to provide a full range of products and services to meet customer needs. Competition is also based upon innovations in 3-D printing, rapid prototyping and rapid manufacturing systems and materials. Accordingly, our ongoing research and development programs are intended to enable us to maintain technological leadership. Certain of the companies producing competing products or providing competing services are well established and may have greater financial resources.

Our principal competitors are companies that manufacture machines that make, or that use machines to make, models, prototypes, molds and small-volume to medium-volume manufacturing parts. These include suppliers of computer numerically controlled machines and machining centers, commonly known as CNC, suppliers of plastics molding equipment, including injection-molding equipment, suppliers of traditional machining, milling and grinding equipment, and businesses that use such equipment to produce models, prototypes, molds and small-volume to medium-volume manufacturing parts. These conventional machining, plastic molding and metal casting techniques continue to be the most common methods by which plastic and metal parts, models, functional prototypes and metal tool inserts are manufactured.

Our competitors also include other suppliers of stereolithography, laser sintering and 3-D printing systems and materials as well as suppliers of alternative additive manufacturing solutions such as suppliers of Fused Deposition Modeling, or FDM, technology and suppliers of vacuum casting equipment. Numerous suppliers of these products operate both internationally and regionally, and many of them have well-recognized product lines that compete with us in a wide range of our product applications.

Competition in the parts printing service business is highly fragmented, with most of the services suppliers operating on a local level.

We have also entered into licensing or cross-licensing arrangements with various companies in the United States and in other countries that enable those companies to utilize our technology in their products or that enable us to use their technologies in our products. Under certain of these licenses, we are entitled to receive, or we are obligated to pay, royalties for the sale of licensed products in the U.S. or in other countries. The amount of such royalties was not material to our results of operations or consolidated financial position for the three-year period ended December 31, 2009.

A number of companies currently sell materials that compete with those we sell, and there are a wide number of suppliers of services for the equipment that we sell.

We expect future competition to arise both from the development of new technologies or techniques not encompassed by the patents that we own or license, from the conventional machining, plastic molding and metal casting techniques discussed above, and through improvements to existing technologies, such as CNC and rotational molding. We also expect to see increased competition in parts printing services offerings.

Employees

At December 31, 2009, we had 387 full-time employees. None of these employees is covered by collective bargaining agreements although some of our employees outside the U.S. are subject to local statutory employment arrangements. We believe that our relations with our employees are satisfactory.

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Available Information

Our website address is *www.3Dsystems.com.* The information contained on our website is neither a part of, nor incorporated by reference into, this Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC.

Several of our corporate governance materials, including our Code of Conduct, Code of Ethics for Senior Financial Executives and Directors, Corporate Governance Guidelines, the current charters of each of the standing committees of the Board of Directors and our corporate charter documents and by-laws, are also available on our website.

Item 1A. ***Risk Factors.***

Forward-Looking Statements

Certain statements made in this Form 10-K that are not statements of historical or current facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include the cautionary statements and risk factors set forth below as well as other statements made in this Form 10-K that may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from historical results or from any future results expressed or implied by such forward-looking statements.

In addition to the statements set forth below that explicitly describe risks and uncertainties to which our business and our financial condition and results of operations are subject, readers are urged to consider statements in future or conditional tenses or that include terms such as believes, belief, expects, intends, anticipates or plans that app this Form 10-K to be uncertain and forward-looking. Forward-looking statements may include comments as to our beliefs and expectations as to future events and trends affecting our business. Forward-looking statements are based upon our beliefs, assumptions and current expectations concerning future events and trends, using information currently available to us, and are necessarily subject to uncertainties, many of which are outside our control. We assume no obligation, and do not intend, to update these forward-looking statements, except as required by applicable law. The factors stated under the heading Cautionary Statements and Risk Factors set forth below, as well as other factors, could cause actual results to differ materially from those reflected or predicted in forward-looking statements.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from those reflected in or suggested by forward-looking statements. Any forward-looking statement that you read in this Form 10-K reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or to individuals acting on our behalf are expressly qualified in their entirety by this discussion. You should specifically consider the factors identified in this Form 10-K, which would cause actual results to differ from those referred to in forward-looking statements.

Cautionary Statements and Risk Factors

The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not currently known to us or that we currently deem not to be material also may impair our business operations, results of operations and financial condition. If any of the risks described below or if any other risks and uncertainties not currently known to us or that we currently deem not to be material actually occur, our business, results of operations and financial condition could be materially adversely affected. In that event, the trading price of

our common stock could decline, and you could lose all or part of your investment in our common stock.

The risks discussed below also include forward-looking statements that are intended to provide our current expectations with regards to those risks. There can be no assurance that our current expectations will

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be met, and our actual results may differ substantially from the expectations expressed in these forward-looking statements.

If we were unable to generate net cash flow from operations or if we were unable to raise additional capital, our financial condition could be adversely affected.

In 2009 our unrestricted cash and short-term investments increased by $2.7 million to $24.9 million at December 31, 2009 from $22.2 million at December 31, 2008. During 2009, 2008 and 2007, net cash provided by (used in) operations was $7.7 million, ($3.5) million and $2.6 million, respectively. We cannot assure you that we would generate cash from operations or other potential sources to fund future working capital needs and meet capital expenditure requirements.

In early 2009 we repaid the remainder of our outstanding industrial development bonds following the 2008 sale of our Grand Junction facility. From time-to-time we may seek access to external sources of capital to fund working capital needs, capital expenditures, acquisitions and for other general corporate purposes. However, we cannot assure you that capital would be available from external sources such as bank credit facilities, debt or equity financings or other potential sources to fund future operating costs, debt-service obligations and capital requirements.

As a result of the recessionary economic conditions that have persisted since 2008, credit markets have tightened significantly such that the ability to obtain new capital has become more challenging and more expensive. In addition, several large financial institutions worldwide have either failed or been dependent upon government assistance to continue to operate as going concerns. If our ability to generate cash flow from operations and our existing cash is inadequate to meet our needs, our options for addressing such capital constraints include, but are not limited to, (i) obtaining a revolving credit facility from bank lenders, (ii) accessing the public capital markets, or (iii) delaying certain of our existing development projects. If it became necessary to access additional capital it is likely that such alternatives in the current market environment would be on less favorable terms than we have historically obtained, which could have a material adverse impact on our consolidated financial position, results of operations or cash flows.

The lack of additional capital resulting from any inability to generate cash flow from operations or to raise equity or debt financing could force us to substantially curtail or cease operations and would, therefore, have a material adverse effect on our business and financial condition. Furthermore, we cannot assure you that any necessary funds, if available, would be available on attractive terms or that they would not have a significantly dilutive effect on our existing stockholders. If our financial condition worsens and we become unable to attract additional equity or debt financing or enter into other strategic transactions, we could become insolvent or be forced to declare bankruptcy.

Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

The direction and relative strength of the global economy remains uncertain due to softness in the real estate and mortgage markets, among others, volatility in fuel and other energy costs, difficulties in the financial services sector and credit markets, continuing geopolitical uncertainties and other macroeconomic factors affecting spending behavior. The prospects for economic growth in the United States and other countries remain uncertain, and may cause customers to further delay or reduce technology purchases. These and other macroeconomic factors had an adverse impact on the sales of our products in 2008 and 2009, leading to longer sales cycles, slower adoption of new technologies and increased price competition. The global financial crisis affecting the banking system and financial markets have resulted in a tightening of credit markets, lower levels of liquidity in many financial markets, and extreme volatility in fixed income, credit, currency and equity markets. These conditions have made it more difficult to obtain financing.

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Given the continued weakness in the global economy, we face risks that may arise from financial difficulties experienced by our suppliers, resellers or customers, including:

- The risk that customers or resellers to whom we sell our products and services may face financial difficulties or may become insolvent, which could lead to our inability to obtain payment of accounts receivable that those customers or resellers may owe;

- The risk that key suppliers of raw materials, finished products or components used in the products that we sell may face financial difficulties or may become insolvent, which could lead to disruption in the supply of systems, materials or spare parts to our customers; and

- The inability of customers, including resellers, suppliers and contract manufacturers to obtain credit financing to finance purchases of our products and raw materials used to build those products.

We have managed through these uncertainties by reducing costs and by the continued introduction of new products and services, but there is no assurance these steps will be sufficient.

We have made, and expect to continue to make, strategic acquisitions that may involve significant risks and uncertainties.

We completed three acquisitions in 2009, which were not considered significant in accordance with rule 3-05 of Regulation S-X. We intend to continue to evaluate acquisition opportunities in the future in an effort to expand our business and enhance stockholder value. Acquisitions involve certain risks and uncertainties including:

- Difficulty in integrating newly-acquired businesses and operations in an efficient and cost-effective manner and the risk that significant unanticipated costs or other problems associated with integration may be encountered;

- The challenges in achieving strategic objectives, cost savings and other anticipated benefits;

- The risk that our marketplaces do not evolve as anticipated and that the technologies acquired do not prove to be those needed to be successful in the marketplaces that we serve;

- The risk that we assume significant liabilities that exceed the limitations of any applicable indemnification provisions or the financial resources of any indemnifying party;

- The potential loss of key employees of the acquired businesses; and

- The risk of diverting management attention from our existing operations.

Our future success may depend on our ability to deliver products that meet changing technology and customer needs.

Our business may be affected by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new standards and practices, any of which could render our existing products and proprietary technology and systems obsolete. For that reason, we maintain an ongoing research and development program that is designed to improve our existing products and to develop and introduce new products that enable us to maintain our technological leadership. We believe that to remain competitive we must continually enhance and improve the functionality and features of our

products, services and technologies. However, there is a risk that we may not be able to:

Develop or obtain leading technologies useful in our business;

Enhance our existing products;

Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers, particularly in the area of materials functionality;

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Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis; or

Recruit and retain key technology employees.

We may incur substantial costs enforcing or acquiring intellectual property rights and defending against third-party claims as a result of litigation or other proceedings.

In connection with the enforcement of our own intellectual property rights, the acquisition of third-party intellectual property rights or disputes related to the validity or alleged infringement of third-party intellectual property rights, including patent rights, we have been, are currently and may in the future be subject to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation may be costly and can be disruptive to our business operations by diverting attention and energies of management and key technical personnel, and by increasing our costs of doing business. Although we have successfully defended or resolved past litigation and disputes, we may not prevail in any ongoing or future litigation and disputes.

Third-party intellectual property claims asserted against us could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from manufacturing or licensing certain of our products, subject us to injunctions restricting our sale of products, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments with our customers including contractual provisions under various license arrangements. In addition we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products. Any of these could seriously harm our business.

We derive a significant portion of our revenue from business conducted outside the U.S and are subject to the risks of doing business outside the U.S.

More than 50% of our consolidated revenue is derived from customers in countries outside the U.S. There are many risks inherent in business activities outside the U.S. that, unless managed properly, may adversely affect our profitability, including our ability to collect amounts due from customers. While most of our operations outside the U.S. are conducted in highly developed countries, they could be adversely affected by:

Unexpected changes in laws, regulations and policies of non-U.S. governments relating to investments and operations, as well as U.S. laws affecting the activities of U.S. companies abroad;

Changes in regulatory requirements, including export controls, tariffs and embargoes, other trade restrictions and antitrust and data privacy concerns;

Rapid changes in government, economic and political policies, political or civil unrest, terrorism or epidemics and other similar outbreaks;

Fluctuations in currency exchange rates;

Seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe;

Limited protection for the enforcement of contract and intellectual property rights in some countries;

Difficulties in staffing and managing foreign operations;

Taxation; and

Other factors, depending upon the specific country in which we conduct business.

These uncertainties may make it difficult for us and our customers to accurately plan future business activities and may lead our customers in certain countries to delay purchases of our products and services. More generally, these geopolitical, social and economic conditions could result in increased volatility in global financial markets and economies.

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The consequences of terrorism or armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our market opportunities or our business. We are uninsured for losses and interruptions caused by terrorism, acts of war and similar events.

While the geographic areas outside the U.S. in which we operate are generally not considered to be highly inflationary, our foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain intercompany transactions that are generally denominated, for example, in U.S. dollars rather than their respective functional currencies. Our operating results, assets and liabilities are subject to the effect of foreign currency translation when the operating results and the assets and liabilities of our foreign subsidiaries are translated into U.S. dollars in our consolidated financial statements. The assets and liabilities of our foreign subsidiaries are translated from their respective functional currencies into U.S. dollars based on the translation rate in effect at the end of the related reporting period. The operating results of our foreign subsidiaries are translated to U.S. dollars based on the average conversion rate for the related period.

Moreover, our operations are exposed to market risk from changes in interest rates and foreign currency exchange rates and commodity prices, which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities and, when we consider it to be appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading or speculative purposes.

We face significant competition in many aspects of our business, which could cause our revenue and gross profit margins to decline. Competition could also cause us to reduce sales prices or to incur additional marketing or production costs, which could result in decreased revenue, increased costs and reduced margins.

We compete for customers with a wide variety of producers of equipment for models, prototypes, other three-dimensional objects and end-use parts as well as producers of materials and services for this equipment. Some of our existing and potential competitors are researching, designing, developing and marketing other types of competitive equipment, materials and services. Many of these competitors have financial, marketing, manufacturing, distribution and other resources substantially greater than ours.

We also expect that future competition may arise from the development of allied or related techniques for equipment and materials that are not encompassed by our patents, from the issuance of patents to other companies that may inhibit our ability to develop certain products, and from improvements to existing materials and equipment technologies.

We intend to follow a strategy of continuing product development to enhance our position to the extent practicable. We cannot assure you that we will be able to maintain our current position in the field or continue to compete successfully against current and future sources of competition. If we do not keep pace with technological change and introduce new products, we may lose revenue and demand for our products.

We depend on a limited number of suppliers for components and sub-assemblies used in our systems and raw materials used in our materials. If these relationships were to terminate, our business could be disrupted while we locate an alternative supplier and our expenses may increase.

We have outsourced the assembly of certain of our systems to third-party suppliers, we purchase components and sub-assemblies for our systems from third-party suppliers, and we purchase raw materials that are used in our materials, as well as certain of those materials, from third-party suppliers.

While there are several potential suppliers of the components, parts and sub-assemblies for our products, we currently choose to use only one or a limited number of suppliers for several of these components, including our lasers, materials and certain jetting components. Our reliance on a single or limited number of vendors involves many risks including:

Potential shortages of some key components;

Product performance shortfalls; and

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Reduced control over delivery schedules, manufacturing capabilities, quality and costs.

While we believe that we can obtain all of the components necessary for our products from other manufacturers, we require any new supplier to become qualified pursuant to our internal procedures, which could involve evaluation processes of varying durations. We generally have our systems assembled based on our internal forecasts and the supply of raw materials, assemblies, components and finished goods from third parties, which are subject to various lead times. In addition, at any time, certain suppliers may decide to discontinue production of an assembly, component or raw material that we use. Any unanticipated change in the sources of our supplies, or unanticipated supply limitations, could increase production or related costs and consequently reduce margins.

If our forecasts exceed actual orders, we may hold large inventories of slow-moving or unusable parts, which could have an adverse effect on our cash flow, profitability and results of operations.

We have engaged selected design and manufacturing companies to assemble certain of our equipment, including our SLA®, SLS® and certain 3-D printing systems. In carrying out these outsourcing activities, we face a number of risks, including:

The risk that the parties that we identify and retain to perform assembly activities may not perform in a satisfactory manner;

The risk of disruption in the supply of systems to our customers if such third parties either fail to perform in a satisfactory manner or are unable to supply us with the quantity of systems that are needed to meet then current customer demand; and

The risk of insolvency of these suppliers as well as the risk that we face, as discussed above, in dealing with a limited number of suppliers.

Costs of certain employee benefits may continue to rise.

Although we have taken steps to contain volatility in medical and employee benefits, there are risks that these benefit costs may increase as a result of:

Continued increases in medical costs related to an aging workforce, increased employee usage of medical benefits or medical inflation; and

Material changes in legislation impacting medical or employee benefits.

We face risks in connection with changes in energy-related expenses.

We and our suppliers depend on various energy products in manufacturing processes used to produce our products. Generally, we acquire products at market prices and do not use financial instruments to hedge energy prices. As a result, we are exposed to market risks related to changes in energy prices. In addition, many of the customers and industries to whom we market our systems and materials are directly or indirectly dependent upon the cost and availability of energy resources.

Our business and profitability may be materially and adversely affected to the extent that our or our customers energy-related expenses increase, both as a result of higher costs of producing, and potentially lower profit margins in selling, our products and materials and because increased energy costs may cause our customers to delay or reduce

purchases of our systems and materials.

The variety of products that we sell could cause significant quarterly fluctuations in our gross profit margins, and those fluctuations in margins could cause fluctuations in operating income or loss and net income or net loss.

We continuously work to expand and improve our product offerings, including our systems, materials and services, the number of geographic areas in which we operate and the distribution channels we use to reach various target product applications and customers. This variety of products, applications and channels involves a range of gross profit margins that can cause substantial quarterly fluctuations in gross profit and gross profit

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margin depending upon the variety of product shipments from quarter to quarter. We may experience significant quarterly fluctuations in gross profit margins or operating income or loss due to the impact of the variety of products, channels or geographic areas in which we sell our products from period to period. In some quarters, it is possible that results could be below expectations of analysts and investors. If so, the price of our common stock may be volatile or decline.

We may be subject to product liability claims, which could result in material expense, diversion of management time and attention and damage to our business reputation.

Products as complex as those we offer may contain undetected defects or errors when first introduced or as enhancements are released that, despite testing, are not discovered until after the product has been installed and used by customers. This could result in delayed market acceptance of the product, claims from customers or others, damage to our reputation and business or significant costs to correct the defect or error.

We attempt to include provisions in our agreements with customers that are designed to limit our exposure to potential liability for damages arising from defects or errors in our products. However, the nature and extent of these limitations vary from customer to customer, their effect is subject to a variety of legal limitations, and it is possible that these limitations may not be effective as a result of unfavorable judicial decisions or laws enacted in the future.

The sale and support of our products entails the risk of product liability claims. Any product liability claim brought against us, regardless of its merit, could result in material expense, diversion of management time and attention, damage to our business reputation and cause us to fail to retain existing customers or to fail to attract new customers.

Historically, our common stock has been characterized by generally low daily trading volume, and our common stock price has been volatile.

The price of our common stock ranged from $3.76 to $11.92 per share during 2009. Factors that may have a significant impact on the market price of our common stock include:

Our perceived value in the securities markets;

Future announcements concerning developments affecting our business or those of other companies in our industry, including the receipt or loss of substantial orders for products;

Overall trends in the stock market;

The impact of changes in our results of operations, our financial condition or our prospects on how we are perceived in the securities markets;

Changes in recommendations of securities analysts; and

Sales or purchases of substantial blocks of stock.

The number of shares of common stock issuable upon the exercise of outstanding stock options could dilute your ownership and negatively impact the market price for our common stock.

Approximately 0.9 million shares of common stock were issuable upon the exercise of outstanding stock options at December 31, 2009, all of which were fully vested and remained exercisable at that date.

Our Board of Directors is authorized to issue up to 5 million shares of preferred stock.

The Board of Directors is authorized to issue up to 5 million shares of preferred stock, of which 1 million shares have been authorized as Series A Preferred Stock. The Board of Directors is authorized to issue these shares of preferred stock in one or more classes or series without further action of the stockholders and in that regard to determine the issue price, rights, preferences and privileges of any such class or series of preferred stock generally without any further vote or action by the stockholders. The rights of the holders of any outstanding series of preferred stock may adversely affect the rights of holders of common stock.

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Our ability to issue preferred stock gives us flexibility concerning possible acquisitions and financings, but it could make it more difficult for a third party to acquire a majority of our outstanding common stock. In addition, any preferred stock that is issued may have other rights, including dividend rights, liquidation preferences and other economic rights, senior to the common stock, which could have a material adverse effect on the market value of our common stock.

The stockholders rights plan adopted by the Board of Directors in 2008 may inhibit takeovers and may adversely affect the market price of our common stock.

Our Board of Directors approved the creation of our Series A Preferred Stock and adopted a stockholders rights plan pursuant to which it declared a dividend of one Series A Preferred Stock purchase right for each share of our common stock held by stockholders of record as of the close of business on December 22, 2008. The preferred share purchase rights attach to any additional shares of common stock issued after December 22, 2008. Presently these rights are not exercisable and trade with the shares of our common stock. Under the rights plan, these rights generally become exercisable only if a person or group acquires or commences a tender or exchange offer for 15 percent or more of our common stock. If the rights become exercisable, each right permits its holder to purchase one one-hundredth of a share of Series A Preferred Stock for the exercise price of $55.00 per right. The rights plan also contains customary flip-in and flip-over provisions such that if a person or group acquires beneficial ownership of 15 percent or more of our common stock, each right will permit its holder, other than the acquiring person or group, to purchase shares of our common stock for a price equal to the quotient obtained by dividing $55.00 per right by one-half of the then current market price of our common stock. In addition, if, after a person acquires such ownership, we are later acquired in a merger or similar transaction, each right will permit its holder, other than the acquiring person or group, to purchase shares of the acquiring corporation s stock for a price equal to the quotient obtained by dividing $55.00 per right by one-half of the then current market price of the acquiring company s common stock, based on the market price of the acquiring corporation s stock prior to such merger.

The stockholders rights plan and the associated Series A Preferred Stock purchase rights may discourage a hostile takeover and prevent our stockholders from receiving a premium over the prevailing market price for the shares of our common stock.

Various provisions of Delaware law may inhibit changes in control not approved by our Board of Directors and may have the effect of depriving our stockholders of an opportunity to receive a premium over the prevailing market price of our common stock in the event of an attempted hostile takeover.

One of these Delaware laws prohibits us from engaging in a business combination with any interested stockholder (as defined in the statute) for a period of three years from the date that the person became an interested stockholder, unless certain conditions are met.

Our balance sheet contains several categories of intangible assets totaling $52.3 million at December 31, 2009 that we could be required to write off or write down in the event of the impairment of certain of those assets arising from any deterioration in our future performance or other circumstances. Such write-offs or write-downs could adversely impact our future earnings and stock price, our ability to obtain financing and our customer relationships.

At December 31, 2009, we had $48.7 million in goodwill capitalized on our balance sheet. Accounting Standards Codification (ASC) Section 350, Intangibles Goodwill and Other, requires that goodwill and some long-lived intangibles be tested for impairment at least annually. In addition, goodwill and intangible assets are tested for impairment at other times as circumstances warrant, and such testing could result in write-downs of some of our goodwill and long-lived intangibles. Impairment is measured as the excess of the carrying value of the goodwill or

intangible asset over the fair value of the underlying asset. A key factor in determining whether impairment has occurred is the relationship between our market capitalization and our book value. Accordingly, we may, from time to time, incur impairment charges, which are recorded as operating expenses when they are incurred and would reduce our net income and adversely affect our operating results in the period in which they are incurred.

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As of December 31, 2009, we had $3.6 million of other net intangible assets, consisting of licenses, patents, and other intangibles that we amortize over time. Any material impairment to any of these items could adversely affect our results of operations and could affect the trading price of our common stock in the period in which they are incurred.

For additional information, see Notes 6 and 7 to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Significant Estimates *Goodwill and other intangible and long-lived assets*.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

We own office and production facilities in Lawrenceburg, Tennessee and lease the remainder of our operating facilities, which are general purpose facilities.

We occupy an 80,000 square-foot headquarters and research and development facility in Rock Hill, South Carolina, which we lease pursuant to a lease agreement with KDC-Carolina Investments 3, LP. After its initial term ending August 31, 2021, the lease provides us with the option to renew the lease for two additional five-year terms as well as the right to cause KDC, subject to certain terms and conditions, to expand the leased premises during the term of the lease, in which case the term of the lease would be extended. The lease is a triple net lease and provides for the payment of base rent of $0.7 million annually through 2020, including rent escalations in 2011 and 2016, and $0.5 million in 2021. Under the terms of the lease, we are obligated to pay all taxes, insurance, utilities and other operating costs with respect to the leased premises. The lease also grants us the right to purchase the leased premises and undeveloped land surrounding the leased premises on terms and conditions described more particularly in the lease.

We own 35,000 square feet of office and production facilities in Lawrenceburg, Tennessee at which we produce a broad range of finished parts and assemblies.

We lease an 11,000 square-foot advanced research and development facility in Valencia, California. We also lease a 9,000 square-foot general purpose facility in Marly, Switzerland at which we blend stereolithography and 3-D printing materials and composites. We lease space in a small manufacturing facility in Goodland, Indiana where we manufacture finished parts for sale to customers. We also lease various sales and service offices in France, Germany, the United Kingdom, Italy and Japan.

We believe that the facilities described above are adequate to meet our needs for the foreseeable future.

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

On March 14, 2008, DSM Desotech Inc. filed a complaint, as amended, in an action titled *DSM Desotech Inc. v. 3D Systems Corporation* in the United States District Court for the Northern District of Illinois (Eastern Division) asserting that we engaged in anticompetitive behavior with respect to resins used in large-frame stereolithography machines. The complaint further asserted that we are infringing upon two of DSM Desotech s patents relating to stereolithography machines. We understand that DSM Desotech estimates the damages associated with its claims to be in excess of $40 million.

Following a decision of the Court on our motion to dismiss the non-patent causes of the action, DSM Desotech filed a second amended complaint on March 2, 2009 in which it reasserted causes of action previously dismissed by the Court. We filed an answer to the second amended complaint on March 19, 2009 in which, among other things, we denied the material allegations of the second amended complaint. Discovery is proceeding on the claims pending in this case.

We intend to vigorously contest all of the claims asserted by DSM Desotech.

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We are also involved in various other legal matters incidental to our business. We believe, after consulting with counsel, that the disposition of these other legal matters will not have a material effect on our consolidated results of operations or consolidated financial position.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

Executive and Other Officers

The information appearing in the table below sets forth the current position or positions held by each of our officers and his age as of February 1, 2010. All our officers serve at the pleasure of the Board of Directors. There are no family relationships among any of our officers or directors.

Name and Current Position	Age as of February 1, 2010
Abraham N. Reichental President and Chief Executive Officer	53
Charles W. Hull Executive Vice President, Chief Technology Officer	70
Robert M. Grace, Jr. Vice President, General Counsel and Secretary	62
Damon J. Gregoire Vice President and Chief Financial Officer	41
Kevin P. McAlea Vice President	51

We have employed each of the individuals in the foregoing table other than Mr. Gregoire for more than five years.

Mr. Gregoire joined us on April 25, 2007 as Vice President and Chief Financial Officer. Previously, he was employed by Infor Global Solutions, Inc., an international software company, as Vice President of Finance since 2006 with responsibility for its Datastream Systems and Customer Relationship Management division. Mr. Gregoire previously served as Corporate Controller of Datastream Systems Inc., a software company, from 2005 until it was acquired by Infor Global Solutions, Inc. in March 2006. From 2001 to 2005, Mr. Gregoire served as Director of Accounting and Financial Analysis of Paymentech, L.P., an international credit card processing company.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

The following table sets forth, for the periods indicated, the range of high and low prices of our common stock, $0.001 par value, as quoted on The NASDAQ Global Market. Our common stock trades under the symbol TDSC.

Year	Period	High	Low
2008			
	First Quarter	$ 15.97	$ 12.57
	Second Quarter	$ 15.90	$ 8.55
	Third Quarter	$ 15.03	$ 8.23
	Fourth Quarter	$ 14.00	$ 5.97
2009			
	First Quarter	$ 8.27	$ 3.76
	Second Quarter	$ 8.00	$ 5.92
	Third Quarter	$ 10.71	$ 6.40
	Fourth Quarter	$ 11.92	$ 8.14

As of February 12, 2010, our outstanding common stock was held by approximately 337 stockholders.

Dividends

We do not currently pay, and have not paid, any dividends on our common stock, and we currently intend to retain any future earnings for use in our business. Any future determination as to the declaration of dividends on our common stock will be made at the discretion of the Board of Directors and will depend on our earnings, operating and financial condition, capital requirements and other factors deemed relevant by the Board of Directors, including the applicable requirements of the Delaware General Corporation Law, which provides that dividends are payable only out of surplus or current net profits.

The payment of dividends on our common stock may be restricted by the provisions of credit agreements or other financing documents that we may enter into or the terms of securities that we may issue from time to time.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the fourth quarter of 2009, except for unvested restricted stock awards repurchased pursuant to our 2004 Incentive Stock Plan. See Note 14 to the Consolidated Financial Statements.

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Stock Performance Graph

The graph below shows, for the five years ended December 31, 2009, the cumulative total return on an investment of $100 assumed to have been made on December 31, 2004 in our common stock. For purposes of the graph, cumulative total return assumes the reinvestment of all dividends. The graph compares such return with those of comparable investments assumed to have been made on the same date in (a) the NASDAQ Composite Total Returns Index and (b) the S & P Information Technology Index, which are published market indices with which we are sometimes compared.

Although total return for the assumed investment assumes the reinvestment of all dividends on December 31 of the year in which such dividends were paid, we paid no cash dividends on our common stock during the periods presented.

Our common stock is quoted on The NASDAQ Global Market (trading symbol: TDSC).

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*
Assumes Initial Investment of $100
December 2009

* $100 invested on 12/31/04 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

	12/04	12/05	12/06	12/07	12/08	12/09
3D Systems Corporation	100.00	90.54	80.26	77.65	39.93	56.83
NASDAQ Composite Total Returns Index	100.00	102.12	112.73	124.73	74.87	108.83
S & P Information Technology Index	100.00	101.01	109.51	127.36	72.41	117.11

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Item 6. ***Selected Financial Data.***

The selected consolidated financial data set forth below for the five years ended December 31, 2009 has been derived from our historical consolidated financial statements. You should read this information together with Management s Discussion and Analysis of Financial Condition and Results of Operations, the notes to the selected consolidated financial data, and our consolidated financial statements and the notes thereto for December 31, 2009 and prior years included in this Form 10-K.

	Year Ended December 31,				
	2009	2008	2007	2006	2005(1)
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Consolidated Revenue:					
Systems and other products	$ 30,501	$ 41,323	$ 58,178	$ 46,463	$ 55,133
Materials	50,297	62,290	61,969	52,062	44,648
Services	32,037	35,327	36,369	36,295	39,297
Total	112,835	138,940	156,516	134,820	139,078
Gross profit(2)	49,730	55,568	63,412	46,315	62,916
Income (loss) from operations(2)	3,073	(5,490)	(5,177)	(25,633)	9,169
Net income (loss)(3)	1,066	(6,154)	(6,740)	(29,280)	9,406
Series B convertible preferred stock dividends(4)				1,414	1,679
Net income (loss) available to common stockholders	1,066	(6,154)	(6,740)	(30,694)	7,727
Net income (loss) available to common stockholders per share(1):					
Basic	$ 0.05	$ (0.28)	$ (0.33)	$ (1.77)	$ 0.52
Diluted	$ 0.05	$ (0.28)	$ (0.33)	$ (1.77)	$ 0.48
Consolidated Balance Sheet Data:					
Working capital	$ 36,718	$ 35,279	$ 40,906	$ 17,335	$ 43,809
Total assets	150,403	153,002	167,385	166,194	153,800
Current portion of long-term debt and capitalized lease obligations	213	3,280	3,506	11,913	200
Long-term debt and capitalized lease obligations, less current portion	8,254	8,467	8,663	24,198	26,149
Series B convertible preferred stock(4)					15,242
Total stockholders equity	104,697	102,234	104,769	69,669	70,212
Other Data:					
Depreciation and amortization	5,886	6,676	6,970	6,529	5,926
Interest expense	618	918	1,830	1,645	1,775
Capital expenditures(5)	974	5,811	946	10,100	2,516

(1)

We restated our 2005 financial statements during 2006 as a result of our identification of errors in the financial statements.

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The effect of these restatements on our operating results for the year ended December 31, 2005 was as follows (in thousands, except per share data):

	Year Ended December 31, 2005
	As Previously