

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from _____ to _____

Commission File No. 001-34220

3D SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

95-4431352

(I.R.S. Employer
Identification No.)

**333 THREE D SYSTEMS CIRCLE
ROCK HILL, SOUTH CAROLINA**
(Address of Principal Executive Offices)

29730
(Zip Code)

(803) 326-3900

(Registrant's Telephone Number, Including Area Code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 ☐ No ☐

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 ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if 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 ☐ No ☒

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Shares of Common Stock, par value \$0.001, outstanding as of April 22, 2011: 25,067,226

3D SYSTEMS CORPORATION
Quarterly Report on Form 10-Q for the
Quarter Ended March 31, 2011

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PART I. — FINANCIAL INFORMATION

Item 1. Financial Statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(in thousands, except par value)</i>	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 70,828	\$ 37,349
Accounts receivable, net of allowance for doubtful accounts of \$2,525 (2011) and \$2,017 (2010)	39,293	35,800
Inventories, net of reserves of \$2,106 (2011) and \$2,205 (2010)	26,573	23,811
Prepaid expenses and other current assets	2,671	1,295
Deferred income tax assets	1,585	1,874
Restricted cash	12	11
Total current assets	140,962	100,140
Property and equipment, net	27,071	27,669
Intangible assets, net	33,590	18,275
Goodwill	73,793	58,978
Other assets, net	4,087	3,738
Total assets	<u>\$ 279,503</u>	<u>\$ 208,800</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of capitalized lease obligations	\$ 198	\$ 224
Accounts payable	23,363	26,556
Accrued and other liabilities	27,439	17,969
Customer deposits	2,387	2,298
Deferred revenue	11,072	10,618
Total current liabilities	64,459	57,665
Long-term portion of capitalized lease obligations	7,655	8,055
Other liabilities	10,418	9,961
Total liabilities	82,532	75,681
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, authorized 5,000 shares, none issued	—	—
Common stock, \$0.001 par value, authorized 60,000 shares; 25,005 (2011) and 23,474 (2010) issued	25	23
Additional paid-in capital	242,157	186,252
Treasury stock, at cost: 137 (2011) and 134 shares (2010)	(192)	(189)
Accumulated deficit	(51,103)	(57,925)
Accumulated other comprehensive income	6,084	4,958
Total equity	196,971	133,119
Total liabilities and equity	<u>\$ 279,503</u>	<u>\$ 208,800</u>

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Three Months Ended March 31,	
	2011	2010
Revenue:		
Products	\$ 29,144	\$ 22,397
Services	18,752	9,230
Total revenue	<u>47,896</u>	<u>31,627</u>
Cost of sales:		
Products	13,751	11,004
Services	10,948	6,302
Total cost of sales	<u>24,699</u>	<u>17,306</u>
Gross profit	<u>23,197</u>	<u>14,321</u>
Operating expenses:		
Selling, general and administrative	12,964	9,158
Research and development	2,822	2,505
Total operating expenses	<u>15,786</u>	<u>11,663</u>
Income from operations	7,411	2,658
Interest and other income (expense), net	296	(404)
Income before income taxes	7,707	2,254
Provision for income taxes	885	236
Net income	<u>\$ 6,822</u>	<u>\$ 2,018</u>
Other comprehensive income		
Unrealized gain (loss) on pension obligation	\$ 3	\$ (7)
Foreign currency translation adjustments	1,123	(514)
Comprehensive income	<u>\$ 7,948</u>	<u>\$ 1,497</u>
Net income per share — basic	<u>\$ 0.29</u>	<u>\$ 0.09</u>
Net income per share — diluted	<u>\$ 0.28</u>	<u>\$ 0.09</u>

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(in thousands)</i>	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 6,822	\$ 2,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (benefit of) deferred income taxes	341	41
Depreciation and amortization	2,410	1,511
Provision for bad debts	469	(4)
Stock-based compensation	387	267
Loss on the disposition of property and equipment	—	2
Changes in operating accounts:		
Accounts receivable	474	1,590
Inventories	(2,355)	(1,982)
Prepaid expenses and other current assets	(1,075)	(165)
Accounts payable	(7,445)	1,405
Accrued liabilities	1,009	92
Customer deposits	45	(84)
Deferred revenue	(843)	(195)
Other operating assets and liabilities	50	271
Net cash provided by operating activities	289	4,767
Cash flows from investing activities:		
Purchases of property and equipment	(475)	(254)
Additions to license and patent costs	(66)	(118)
Cash paid for acquisitions, net of cash assumed	(22,125)	(2,600)
Net cash used in investing activities	(22,666)	(2,972)
Cash flows from financing activities:		
Proceeds from issuance of common stock	53,985	—
Proceeds from exercise of stock options and restricted stock	1,532	217
Repayment of capital lease obligations	(55)	(52)
Restricted cash	(1)	—
Net cash provided by financing activities	55,461	165
Effect of exchange rate changes on cash	395	(237)
Net increase in cash and cash equivalents	33,479	1,723
Cash and cash equivalents at the beginning of the period	37,349	24,913
Cash and cash equivalents at the end of the period	\$ 70,828	\$ 26,636
Supplemental Cash Flow Information:		
Interest payments	\$ 145	\$ 149
Income tax payments	258	125
Non-cash items:		
Transfer of equipment from inventory to property and equipment, net(a)	—	430
Transfer of equipment to inventory from property and equipment, net(b)	5	369
Stock issued for acquisitions of businesses	—	2,000

- (a) Inventory is transferred from inventory to property and equipment at cost when the Company requires additional machines for training, demonstration or short-term rentals.
- (b) In general, an asset is transferred from property and equipment, net into inventory at its net book value when the Company has identified a potential sale for a used machine. The machine is removed from inventory upon recognition of the sale.

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Treasury Stock</u>		<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
<i>(In thousands, except par value)</i>	<u>Shares</u>	<u>Par Value \$0.001</u>		<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2010	23,474	\$ 23	\$ 186,252	134	\$ (189)	\$ (57,925)	\$ 4,958	\$ 133,119
Exercise of stock options	126	1	1,429	—	—	—	—	1,430
Issuance (repurchase) of restricted stock, net	105	—(a)	105	3	(3)	—	—	102
Stock compensation expense	—	—	387	—	—	—	—	387
Issuance of common stock	1,300	1	53,984	—	—	—	—	53,985
Net income	—	—	—	—	—	6,822	—	6,822
Gain on pension plan — unrealized	—	—	—	—	—	—	3	3
Foreign currency translation adjustment	—	—	—	—	—	—	1,123	1,123
Balance at March 31, 2011	<u>25,005</u>	<u>\$ 25</u>	<u>\$ 242,157</u>	<u>137</u>	<u>\$ (192)</u>	<u>\$ (51,103)</u>	<u>\$ 6,084</u>	<u>\$ 196,971</u>

(a) Amounts not shown due to rounding.

See accompanying notes to condensed consolidated financial statements.

3D SYSTEMS CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of 3D Systems Corporation and its subsidiaries (collectively, the “Company”). All significant intercompany transactions and balances have been eliminated in consolidation. The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim reports. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements and should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2010.

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, consisting of adjustments of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates and assumptions.

All amounts presented in the accompanying footnotes are presented in thousands, except for per share information.

Some prior period amounts presented in the accompanying footnotes have been reclassified to conform to current year presentation.

The Company has evaluated subsequent events from the date of the condensed consolidated balance sheet through the date of the filing of this Form 10-Q. During this period, no material recognizable subsequent events were identified. See Note 15 for a description of subsequent events that are not significant to the Company’s financial statements.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, “Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force,” to provide amendments to the criteria in Subtopic 609-24 of the Codification for separating consideration into multiple-deliverable revenue arrangements. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of each specific deliverable, which includes vendor-specific objective evidence (“VSOE”) if available, third party evidence if VSOE is not available or estimated selling price if neither VSOE nor third party evidence is available. ASU 2009-13 also eliminates the residual method for allocating revenue between the elements of an arrangement and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable’s selling price. ASU 2009-13 expands the disclosure requirements regarding a vendor’s multiple-deliverable revenue arrangements. ASU 2009-13 was effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. This standard became effective for the Company in January 2011 and impacted the timing of revenue recognition and the allocation of discounts for multiple element sales. ASU 2009-13 requires the discount on a multiple element sale to be allocated proportionally to each deliverable on the basis of each deliverable’s selling price, which accelerated the timing of recognizing revenue on certain elements; however, the timing impact to revenue was not significant. In addition, the gross profit margins of each revenue category shifted among revenue categories; however, overall gross profit margin was not significantly impacted in the Company’s condensed consolidated financial statements. The impact of adoption resulted in a positive impact on the gross profit margin of printers and other products and a negative impact on materials and services gross profit margins.

In October 2009, the FASB issued ASU 2009-14, “Certain Revenue Arrangements That Include Software Elements — a consensus of the FASB Emerging Issues Task Force.” ASU 2009-14 removes tangible products containing software components and nonsoftware components that function together to deliver the tangible product’s essential functionality from the scope of the software revenue guidance in Subtopic 985-605 of the Codification. Additionally, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that includes both tangible products and software that is not essential to the product’s functionality. ASU 2009-14 requires the same expanded disclosures that are included within ASU 2009-13. ASU 2009-14 was effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. This standard became effective for the Company in January 2011 and did not have a significant impact on the Company’s condensed consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, “Disclosure of Supplementary Pro Forma Information for Business Combinations.” ASU 2010-29 amends and clarifies the acquisition date to be used for reporting pro forma financial disclosures when comparative financial statements are presented. In addition it requires a description of the nature of and amount of any material, non-recurring pro forma adjustments directly attributable to the business combination. ASU 2010-29 was effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The standard became effective for the Company in January 2011 and did not have an impact on the Company’s financial position or results of operations as it only amends required disclosures.

No other new accounting pronouncements issued or effective during 2011 have had or are expected to have an impact on the Company’s consolidated financial statements.

(2) Acquisitions

On January 5, 2011, the Company acquired the assets of National RP Support, Inc. (“NRPS”). NRPS is a provider of customer support services and a factory-authorized source of parts, maintenance, and other services for 3D Systems’ equipment. NRPS operations have been integrated into the Company and included in services revenue. The fair value of the consideration paid for this acquisition was \$5,550, all of which was paid in cash, and was allocated to the assets purchased and liabilities assumed based on their estimated fair values as of the acquisition date, and is included in the table below which summarizes all acquisitions.

On February 21, 2011, the Company acquired the shares of Quickparts.com, Inc. (“Quickparts”). Quickparts, located in Atlanta, Georgia, is a custom parts services company. Quickparts operations have been integrated into the Company and included in services revenue. The fair value of the consideration paid for this acquisition, net of cash acquired, was \$22,775 and was allocated to the assets purchased and liabilities assumed based on the estimated fair values at the date of acquisition, and is included in the table below which summarizes all acquisitions. Of the consideration, the Company paid \$15,575 from its cash at closing and the remaining \$7,200 is due in July 2011 and is recorded as a liability in the Company’s financial statements.

On March 8, 2011, the Company acquired the assets of Accelerated Technologies, Inc (“ATI”). ATI is a custom parts services company. ATI operations have been integrated into the Company and included in services revenue. The fair value of the consideration paid for this acquisition, net of cash acquired, was \$1,000, all of which was paid in cash, and was allocated to the assets purchased and liabilities assumed based on their estimated fair values as of the acquisition date, and is included in the table below which summarizes all acquisitions.

The amounts related to the acquisitions of these businesses were allocated to the assets acquired and the liabilities assumed and included in the Company’s condensed consolidated balance sheet at March 31, 2011 as follows:

(in thousands)	2011
Fixed assets	\$ 735
Intangible assets	29,583
Other assets, net of cash acquired and liabilities assumed	(993)
Net assets acquired	<u>\$ 29,325</u>

These acquisitions were not significant, either individually or in aggregate; therefore, no pro forma financial information is provided for these acquisitions.

Subsequent acquisitions

In April, the Company acquired Sycode, a software development company based in Goa, India that specializes in providing plug-ins for all commercially available Computer Aided Design (“CAD”) packages. Future revenue from this acquisition will be reported in printers and other products revenue. The Sycode acquisition is not significant to the Company’s financial statements.

In April, the Company acquired Print3D Corporation, a startup company that develops custom parts services for CAD users through advanced desktop tools that integrate directly into their design environment. Future revenue from this acquisition will be reported in services revenue. The Print3D acquisition is not significant to the Company’s financial statements.

(3) Inventories

Components of inventories, net at March 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands)</i>	2011	2010
Raw materials	\$ 7,634	\$ 6,742
Work in process	261	195
Finished goods and parts	20,784	19,079
Total cost	28,679	26,016
Less: reserves	(2,106)	(2,205)
Inventories, net	<u>\$ 26,573</u>	<u>\$ 23,811</u>

(4) Property and Equipment

In March 2011, the Company exercised the option to purchase an 11-acre parcel of land adjacent to the headquarters facility. The Company paid \$389 for this land which was originally included in the lease agreement covering the building and property and accounted for as a capital lease.

Property and equipment at March 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands)</i>	2011	2010	Useful Life (in years)
Land	\$ 541	\$ 152	N/A
Building	9,204	9,574	25
Machinery and equipment	30,338	30,460	3-7
Capitalized software — ERP	3,146	3,143	5
Office furniture and equipment	3,077	3,051	5
Leasehold improvements	5,622	5,504	Life of lease ⁽¹⁾
Rental equipment	536	506	5
Construction in progress	1,520	980	N/A
Total property and equipment	53,984	53,370	
Less: Accumulated depreciation and amortization	(26,913)	(25,701)	
Total property and equipment, net	<u>\$ 27,071</u>	<u>\$ 27,669</u>	

⁽¹⁾ Leasehold improvements are amortized on a straight-line basis over the shorter of (i) their estimated useful lives and (ii) the estimated or contractual life of the related lease.

Depreciation and amortization expense on property and equipment for the three months ended March 31, 2011 and 2010 were \$1,569 and \$1,288, respectively.

(5) Intangible Assets

Intangible assets other than goodwill at March 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands)</i>	2011			2010		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Licenses	\$ 5,875	\$ (5,875)	\$ —	\$ 5,875	\$ (5,875)	\$ —
Patent costs	16,373	(13,705)	2,668	16,296	(13,632)	2,664
Acquired technology	11,156	(10,396)	760	11,064	(10,304)	760
Internally developed software	14,714	(9,040)	5,674	9,984	(8,936)	1,048
Customer relationships	15,895	(542)	15,353	10,253	(300)	9,953
Non-compete agreements	7,090	(1,083)	6,007	3,875	(840)	3,035
Trade names	3,207	(87)	3,120	883	(68)	815
Other	1,209	(1,201)	8	974	(974)	—
Total	<u>\$ 75,519</u>	<u>\$ (41,929)</u>	<u>\$ 33,590</u>	<u>\$ 59,204</u>	<u>\$ (40,929)</u>	<u>\$ 18,275</u>

For the three months ended March 31, 2011 and 2010, the Company capitalized \$66 and \$118, respectively, of costs incurred to acquire, develop and extend patents in the United States and various other countries.



Amortization expense for intangible assets for each of the three months ended March 31, 2011 and 2010 was \$841 and \$223, respectively.

Annual amortization expense for intangible assets for 2011, 2012, 2013, 2014 and 2015 is expected to be \$2,949, \$3,113, \$3,090, \$3,084 and \$2,974, respectively.

(6) Accrued and Other Liabilities

Accrued liabilities at March 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands)</i>	2011	2010
Compensation and benefits	\$ 8,171	\$ 6,786
Vendor accruals	3,589	2,259
Accrued professional fees	294	451
Accrued taxes	2,854	3,102
Royalties payable	428	439
Accrued interest	45	48
Non-contractual obligation to repurchase	—	27
Contractual obligation due to acquisition	11,556	4,356
Accrued other	502	501
Total	<u>\$ 27,439</u>	<u>\$ 17,969</u>

Other liabilities at March 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands)</i>	2011	2010
Defined benefit pension obligation	\$ 3,592	\$ 3,394
Long-term tax liability	751	756
Earnouts related to acquisitions	2,660	2,660
Other long-term liabilities	3,415	3,151
Total	<u>\$ 10,418</u>	<u>\$ 9,961</u>

(7) Hedging Activities and Financial Instruments

The Company conducts business in various countries using both the functional currencies of those countries and other currencies to effect cross border transactions. As a result, the Company is subject to the risk that fluctuations in foreign exchange rates between the dates that those transactions are entered into and their respective settlement dates will result in a foreign exchange gain or loss. When practicable, the Company endeavors to match assets and liabilities in the same currency on its balance sheet and those of its subsidiaries in order to reduce these risks. When appropriate, the Company enters into foreign currency contracts to hedge exposures arising from those transactions. The Company has elected not to prepare and maintain the documentation to qualify for hedge accounting treatment under ASC 815, "Derivatives and Hedging," and therefore, all gains and losses (realized or unrealized) are recognized in "Interest and other expense, net" in the condensed consolidated statements of operations and comprehensive income. Depending on their fair value at the end of the reporting period, derivatives are recorded either in prepaid expenses and other current assets or in accrued liabilities on the condensed consolidated balance sheets.

At March 31, 2011, these contracts included contracts for the sale of currencies other than the U.S. dollar. There were no foreign currency contracts outstanding at December 31, 2010. The dollar equivalent of the foreign currency contracts and the related fair values as of March 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands)</i>	Foreign Currency Purchase Contracts	
	2011	2010
Notional amount	\$ 51	\$ —
Fair value	51	—
Net unrealized gain (loss)	<u>\$ —</u>	<u>\$ —</u>

The foreign currency contracts outstanding at March 31, 2011 expired April 1, 2011.

The total impact of foreign currency transactions on the condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2011 reflected a gain of \$555 compared to losses of \$325 for the three months ended March 31, 2010.

(8) Stock-based Compensation Plans

The Company records stock-based compensation expense in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income. Stock-based compensation expense for the three months ended March 31, 2011 and 2010 was as follows:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2011	2010
Restricted stock awards	\$ 387	\$ 267

The number of shares of restricted common stock awarded and the weighted average fair value per share during the three-month periods ended March 31, 2011 and 2010 were as follows:

<i>(in thousands, except per share amounts)</i>	Three Months Ended March 31,			
	2011		2010	
	Shares Awarded	Weighted Average Fair Value	Shares Awarded	Weighted Average Fair Value
Restricted stock awards:				
Granted under the 2004 Incentive Stock Plan	46	\$ 31.64	10	\$ 12.24
Granted under the 2004 Incentive Stock Plan for Non-Employee Directors	—	—	—	—
Total restricted stock awards	46	\$ 31.64	10	\$ 12.24

In the quarter ended March 31, 2011, the Company granted restricted stock awards covering 46 shares of common stock pursuant to the Company's 2004 Incentive Stock Plan. Of the 46 shares granted in the first quarter of 2011, 5 shares were awarded to executive officers of the Company. Additionally, of the 46 shares granted in the first quarter of 2011, 41 remained subject to acceptance at March 31, 2011. In the first quarter of 2010, the Company granted restricted stock awards covering 10 shares of common stock pursuant to the Company's 2004 Incentive Stock Plan; no shares were awarded to executive officers of the Company.

In the first quarters of 2011 and 2010, the Company did not issue any shares of common stock pursuant to the Company's 2004 Restricted Stock Plan for Non-Employee Directors; therefore, there was no stock compensation expense for Non-Employee Directors the first quarters of 2011 or 2010.

(9) International Retirement Plan

The following table shows the components of net periodic benefit costs and other amounts recognized in the condensed consolidated statements of operations for the three months ended March 31, 2011 and 2010:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2011	2010
Service cost	\$ 14	\$ 23
Interest cost	16	22
Total	\$ 30	\$ 45

(10) Earnings Per Share

The Company presents basic and diluted earnings per share ("EPS") amounts. Basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the applicable period. Diluted EPS is calculated by dividing net income by the weighted average number of common and common equivalent shares outstanding during the applicable period. The following table reconciles basic weighted average outstanding shares to diluted weighted average outstanding shares at March 31, 2011 and 2010:

<i>(shares in thousands)</i>	2011	2010
Numerator:		
Net income — numerator for basic net earnings per share	\$ 6,822	\$ 2,018
Add: Effect of dilutive securities		
Stock options and other equity compensation	—	—
Numerator for dilutive earnings per share	\$ 6,822	\$ 2,018
Denominator:		
Weighted average shares — denominator for basic net earnings per share	23,793	22,844

Add: Effect of dilutive securities

Stock options and other equity compensation	528	278
Denominator for dilutive net earnings per share	<u>24,321</u>	<u>23,122</u>
Earnings per share		
Basic	<u>\$ 0.29</u>	<u>\$ 0.09</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.09</u>
Unexercised employee stock options excluded from diluted earnings per share ⁽¹⁾	—	140

- ⁽¹⁾ The average outstanding diluted shares calculation excludes options with an exercise price that exceeds the average market price of shares during the period, since the effect of their inclusion would have been anti-dilutive resulting in an increase to the net earnings per share.

For the three months ended March 31, 2011, average common shares for basic and diluted earnings per share were 23,793 and 24,321, respectively, and basic and diluted earnings per share were \$0.29 and \$0.28, respectively. For the three months ended March 31, 2010, average common shares for basic and diluted earnings per share were 22,844 and 23,122, respectively, and basic and diluted earnings per share were \$0.09.

(11) Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures," defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For the Company, the above standard applies to cash equivalents and foreign exchange contracts. The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

<i>(in thousands)</i> Description	Fair Value Measurements as of March 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash equivalents ⁽¹⁾	\$ 40,214	\$ —	\$ —	\$ 40,214
Currency derivative contracts ⁽²⁾	51	—	—	51
Total	<u>\$ 40,265</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 40,265</u>

⁽¹⁾ Cash equivalents include funds held in money market instruments and are reported at their current carrying value which approximates fair value due to the short-term nature of these instruments and are included in cash and cash equivalents in the consolidated balance sheet.

⁽²⁾ Unrealized gains or losses on derivatives are recorded in "Interest and other expense, net" in the condensed consolidated statement of operations and comprehensive income at each measurement date. See Note 7, "Hedging Activities and Financial Instruments."

The Company did not have any transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy during the three months ended March 31, 2011.

In addition to the financial assets and liabilities included in the above table, certain of our non-financial assets and liabilities are to be initially measured at fair value on a non-recurring basis. This includes items such as non-financial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) and non-financial, long-lived assets measured at fair value for an impairment assessment. In general, non-financial assets and liabilities including goodwill, other intangible assets and property and equipment are measured at fair value when there is an indication of impairment and are recorded at fair value only when impairment is recognized. The Company has not recorded any impairments related to such assets and has had no other significant non-financial assets or non-financial liabilities requiring adjustments or write-downs to fair value as of March 31, 2011 or December 31, 2010.

(12) Income Taxes

The Company's effective tax rates were 11.5% and 10.5% for the three months ended March 31, 2011 and March 31, 2010, respectively.

Tax years 2007 to 2010 remain subject to examination by the U.S. Internal Revenue Service. The Company has utilized a portion of its U.S. loss carryforwards covering the years 1997 through 2003. Should the Company utilize any of its remaining losses, which date back to 2003, these would be subject to examination. The Company files income tax returns (which are open to examination beginning in the year shown in parentheses) in France (2004), Germany (2006), Japan (2005), Italy (2005), Switzerland (2005) and the United Kingdom (2007).

In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company assesses the possibility of releasing the valuation allowance remaining on its U.S. net deferred tax assets. Based upon this ongoing assessment, a release of the valuation allowance may occur during 2011 or subsequent years. The required accounting for the release could involve significant tax amounts and it would impact earnings in the quarter in which it was deemed appropriate to release the reserve.

(13) Segment Information

The Company operates in one reportable business segment. The Company conducts its business through subsidiaries in the United States, a subsidiary in Switzerland that operates a research and production facility, and sales and services offices, including custom parts services, operated by subsidiaries in Europe (France, Germany, the United Kingdom and Italy) and in Asia-Pacific (Japan). The Company has historically disclosed summarized financial information for the geographic areas of operations as if they were segments in accordance with ASC 280, "Segment Reporting."

Summarized financial information concerning the Company's geographical operations is shown in the following tables:

(in thousands)	Three Months Ended March 31,	
	2011	2010
Revenue from unaffiliated customers:		
United States	\$ 22,876	\$ 14,145
Germany	6,736	5,507
Other Europe	11,379	7,362
Asia Pacific	6,905	4,613
Total	<u>\$ 47,896</u>	<u>\$ 31,627</u>

The Company's revenue from unaffiliated customers by type were as follows:

(in thousands)	Three Months Ended March 31,	
	2011	2010
Systems and other products	\$ 13,535	\$ 8,783
Materials	15,609	13,614
Services	18,752	9,230
Total revenue	<u>\$ 47,896</u>	<u>\$ 31,627</u>

Intercompany sales were as follows:

(in thousands)	Three Months Ended March 31, 2011				
	Intercompany Sales to				
	United States	Germany	Other Europe	Asia Pacific	Total
United States	\$ —	\$ 3,385	\$ 2,187	\$ 1,432	\$ 7,004
Germany	95	—	970	—	1,065
Other Europe	2,894	1	12	—	2,907
Asia Pacific	—	—	—	—	—
Total	<u>\$ 2,989</u>	<u>\$ 3,386</u>	<u>\$ 3,169</u>	<u>\$ 1,432</u>	<u>\$ 10,976</u>

Three Months Ended March 31, 2010

(in thousands)	Intercompany Sales to				Total
	United States	Germany	Other Europe	Asia Pacific	
United States	\$ —	\$ 4,025	\$ 2,141	\$ 675	\$ 6,841
Germany	110	—	850	—	960
Other Europe	2,092	32	—	—	2,124
Asia Pacific	—	—	—	—	—
Total	<u>\$ 2,202</u>	<u>\$ 4,057</u>	<u>\$ 2,991</u>	<u>\$ 675</u>	<u>\$ 9,925</u>

All revenue between geographic areas is recorded at prices that provide for an allocation of profit (loss) between entities. Income from operations and assets for each geographic area were as follows:

(in thousands)	Three Months Ended March 31,	
	2011	2010
Income from operations:		
United States	\$ 3,537	\$ 852
Germany	411	179
Other Europe	1,512	311
Asia Pacific	1,976	1,270
Subtotal	7,436	2,612
Inter-segment elimination	(25)	46
Total	<u>\$ 7,411</u>	<u>\$ 2,658</u>

(in thousands)	March 31, 2011	December 31, 2010
Assets:		
United States	\$ 187,381	\$ 113,249
Germany	15,771	17,231
Other Europe	64,491	67,790
Asia Pacific	11,860	10,530
Total	<u>\$ 279,503</u>	<u>\$ 208,800</u>

(14) Commitments and Contingencies

The Company leases office space and certain furniture and fixtures under various non-cancelable operating leases. Rent expense under operating leases was \$621 and \$403 for the three months ended March 31, 2011 and 2010, respectively.

As of March 31, 2011, the Company has supply commitments with third party assemblers for printer assembly for the second quarter of 2011 that total \$6,727.

For certain of our recent acquisitions, the Company is obligated for the payment of deferred purchase price totaling \$10,919, all of which is due in 2011, based upon the exchange rate at the date of acquisition. Certain of these acquisitions also contain earnout provisions under which the sellers of the acquired businesses can earn additional amounts. The total liabilities recorded for these earnouts as of March 31, 2011 was \$3,297. See Note 2 for details of acquisitions and related commitments.

Litigation

On March 14, 2008, DSM Desotech Inc. filed a complaint, in an action titled DSM Desotech Inc. v. 3D Systems Corporation and 3D Systems, Inc. in the United States District Court for the Northern District of Illinois (Eastern Division), asserting that the Company engaged in anticompetitive behavior with respect to resins used in large-frame stereolithography machines. The complaint further asserted that the Company is infringing on two of DSM Desotech's patents relating to stereolithography machines.

Following a decision of the Court on the Company's 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. The Company filed an answer to the second amended complaint on March 19, 2009 in which, among other things, it denied the material allegations of the second amended complaint. On July 20, 2010, the Court issued a decision relating to the construction of the claims of the patents-in-suit following the Markman hearing held on September 16, 2009. In that decision, the Court generally adopted the claim constructions proposed by the Company.



DSM filed a third amended complaint on November 30, 2010 in which it asserted additional causes of action, and the Company filed an answer, in which, among other things, it denied the material allegations of the third amended complaint. Fact discovery regarding the claims pending in this case concluded January 31, 2011.

The Company understands that DSM Desotech estimates the damages associated with its claims to be in excess of \$40,000. The Company intends to continue vigorously contesting all the claims asserted by DSM Desotech.

The Company has been pursuing patent infringement litigation against EnvisionTec, Inc. and certain of its related companies since 2005. In this litigation, the Company asserted that EnvisionTec infringed the Company's patents covering various three-dimensional solid imaging products and methods for creating physical three-dimensional models of an object and has sought injunctive relief and damages. EnvisionTec's Perfactory machine and Vanquish machine (the Vanquish is now marketed as the PerfactoryXede and PerfactoryXtreme) are the two products accused of patent infringement.

A jury trial was held in September 2010. Following that trial, the jury issued a verdict to the effect that EnvisionTec's Vanquish machines infringe one of the Company's patents, and the Court entered judgment on that verdict on October 7, 2010. On March 10, 2011, the Court issued a second amended judgment to the effect that EnvisionTec's Perfactory and Vanquish machines infringe one patent and its Vanquish machines infringe a second patent.

On March 17, 2011, the Company filed a motion for a permanent injunction seeking to enjoin EnvisionTec from further infringement of the second patent by the Vanquish machines. The Company also intends to pursue claims for damages against EnvisionTec.

On July 14, 2010, MSK K.K., a Japanese company, filed a complaint against the Company's Japanese subsidiary in the Tokyo District Court asserting, among other things, that the Company's subsidiary failed to satisfy certain alleged performance guarantees associated with the use of certain materials in two printers purchased from the Company in 2007.

The plaintiff is seeking damages in excess of \$1,600. The Company intends to vigorously contest the claims asserted by MSK K.K.

The Company is also involved in various other legal matters incidental to its business. The Company's management believes, after consulting with counsel, that the disposition of these other matters will not have a material effect on the Company's consolidated results of operations or consolidated financial position.

(15) Subsequent Events

In connection with the public common stock offering in March 2011, the underwriters fully exercised their over-allotment option to purchase an additional 195 shares in April 2011. The exercise of the over-allotment resulted in \$8,173 of net cash proceeds for the Company.

In April 2011, the Company acquired Sycode. Future revenue from this acquisition will be reported in printers and other products revenue. The Sycode acquisition is not significant to the Company's financial statements. See Note 2.

In April 2011, the Company acquired Print3D Corporation. Future revenue from this acquisition will be reported in services revenue. The Print3D acquisition is not significant to the Company's financial statements. See Note 2.

In April 2011, the Company's Board of Directors declared a two-for-one split of the Company's common stock. The company expects that the stock split will increase trading liquidity and attract a broader investor base. On May 18, 2011, each stockholder of record at the close of business on May 9, 2011 will receive one additional share for every outstanding share held on the record date. Trading is expected to begin on a split-adjusted basis on May 19, 2011.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q (“Form 10-Q”).

We are subject to a number of risks and uncertainties that may affect our future performance that are discussed in greater detail in the sections entitled “Forward-Looking Statements” and “Cautionary Statements and Risk Factors” at the end of this Item 2 and that are discussed or referred to in Item 1A of Part II of this Form 10-Q.

Business Overview

We are a global provider of three-dimensional (“3D”) content-to-print solutions including 3D personal, professional and production 3D printers, print materials and custom parts services. We design, develop, manufacture, market and service a comprehensive portfolio of 3D printing, rapid manufacturing, and prototyping printers and related products, print materials and services that enable complex three-dimensional objects to be produced directly from 3D digital data without tooling, greatly reducing the time and cost required to produce prototypes or customized production parts. Through our custom parts services, which consists of our 3Dproparts™ and Quickparts® brands, we also supply a wide variety of custom-made plastic and metal parts as well as assembly and production jigs, fixtures and casting patterns in different finishes and colors through a growing network of custom parts service locations.

Our consolidated revenue is derived primarily from the sale of our printers, the sale of the related print materials used by the printers to produce solid objects and the provision of services and custom parts to our customers.

Recent Developments

In 2011, we have continued to execute on our strategic initiatives, including growing our custom parts services, through additional acquisitions and accelerating personal and professional 3D printer penetration by expanding our distribution channel of reseller partners. We began to execute on our initiative to build 3D consumer content products and services.

In January 2011, we acquired the assets of National RP Support, Inc (“NRPS”), a provider of customer support services and a factory-authorized source of parts, maintenance, and other services for 3D Systems’ equipment.

As part of expanding our custom parts services business, we acquired the shares of Quickparts.com, Inc (“Quickparts”) in February 2011 and the assets of Accelerated Technologies, Inc (“ATI”) in March 2011. Quickparts and ATI are custom parts services providers.

In February 2011, we introduced a new model of our ProJet™ DP 3000 3D printer, designed for dental applications and introduced upgrade kits for existing ProJet™ DP 3000 owners. The new ProJet™ DP 3000 3D printer has an expanded build area, increased productivity and email notification capabilities. In February, we also introduced *Plus* upgrades for our ProJet™ HD 3000 and ProJet™ CPX 3000 printers, which enables current customers to leverage their existing investment.

In March 2011, we filed a shelf registration statement, under which we may issue, from time to time, up to \$175.0 million of common stock, preferred stock, debt securities or warrants for debt or equity securities or units of such securities, in one or more offerings. On March 16, 2011 we completed an offering of 1.3 million shares of common stock. The offering raised approximately \$54.0 million of cash proceeds, net of offering expenses, in the first quarter of 2011. In April 2011, the underwriters of the public equity offering fully exercised the over-allotment option to purchase an additional 0.2 million shares. See Note 15 for details related to the exercise of the over-allotment option.

In April 2011, we acquired Sycode, a software development company, based in Goa, India, that specializes in providing plug-ins for all commercially available CAD packages. We acquired Sycode as a step towards building 3D professional and consumer content tools and our India expansion plan.

In April, we also acquired Print3D, a startup company with desktop tools and utilities that provide custom parts services including instant quotes and orders directly from customers’ computers.

In April 2011, the Company’s Board of Directors declared a two-for-one split of the Company’s common stock. The company expects that the stock split will increase trading liquidity and attract a broader investor base. On May 18, 2011, each stockholder of record at the close of business on May 9, 2011 will receive one additional share for every outstanding share held on the record date. Trading is expected to begin on a split-adjusted basis on May 19, 2011.

Results of Operations

Summary of 2011 first quarter financial results

Our operating activities generated \$0.3 million of cash during the first quarter of 2011, which is discussed in further detail below. We used \$22.7 million to fund our strategic investing activities, including acquisition of businesses. Financing activities during the first quarter of 2011 provided \$55.5 million of cash, including \$54.0 million from our common stock offering. In total, unrestricted cash increased \$33.5 million in the first quarter of 2011, resulting in a balance of \$70.8 million at March 31, 2011, compared to \$37.3 million at December 31, 2010.

During the first quarter of 2011 we reported improved revenue and profit results as compared to the first quarter of 2010 as our worldwide business continued to expand. Revenue for the first quarter of 2011 increased by 51.4% over the first quarter of 2010. This increase in revenue was led by a \$4.8 million, or 54.1%, increase in sales of printers and other products together with a \$2.0 million, or 14.6%, increase in print material sales and a \$9.5 million, or 103.2%, increase in services revenue year-over-year. Higher revenue coupled with a focus on continued cost containment, enabled us to achieve net income of \$6.8 million for the first quarter of 2011, compared to net income of \$2.0 million for the same period in 2010.

Materials sales for the first quarter of 2011 rose by \$2.0 million from the first quarter of 2010 as revenue from materials was favorably impacted by continued expansion of printers installed over past periods. In addition, production printer sales are typically accompanied by significant initial print materials purchases to charge up new systems and commence production. Materials revenue increased compared to the first quarter of 2010 notwithstanding the fact that materials consumed by 3Dproparts™ were not included in our materials revenue line.

Revenue from services increased by \$9.6 million to \$18.8 million in the first quarter of 2011 from \$9.2 million in the same quarter in 2010. The increase in services revenue reflects revenue from our custom parts services and increased revenue from printer service components, both from organic growth and acquisitions. Service revenue from custom parts services was \$10.3 million, or 54.8% of total service revenue for the first quarter of 2011.

For the first quarter of 2011, healthcare solutions revenue made up 13%, or \$6.2 million, of our total revenue compared to 13%, or \$4.1 million, in the first quarter of 2010. Healthcare solutions revenue includes sales of printers, print materials, and services for hearing aid, dental, medical device and other health-related applications. Although printer sales into these marketplaces can fluctuate from period to period due to timing, 64% of revenue from healthcare solutions was from recurring revenue in the first quarter of 2011 compared to 69% in the first quarter of 2010.

Our higher gross profit in the first quarter of 2011 improved primarily from our higher level of revenue coupled with continued cost containment. Our gross profit margin increased to 48.4% in the first quarter of 2011 from 45.3% in the first quarter of 2010 due to product mix and improvements in our cost structure, notwithstanding the increased unit sales of lower margin printers.

Our total operating expenses increased by \$4.1 million in the first quarter of 2011 to \$15.8 million from \$11.7 million in the 2010 quarter. The increase reflected higher selling, general and administrative expenses primarily due to higher commissions, staffing from our acquisitions and increased legal expenses associated with litigation. We expect to continue to manage expenses and drive down our costs where possible without impairing our ability to operate and service our customers. We expect our selling, general and administrative expenses for the remainder of 2011 to be in the range of \$40.0 to \$45.0 million, and our research and development expenses to be in the range of \$9.0 million to \$11.0 million.

Our operating income for the first quarter of 2011 increased to \$7.4 million from \$2.7 million in the 2010 quarter. This improvement in operating income improved from higher revenues and gross profit, partially offset by higher operating expense, as discussed below.

First quarter comparison of revenue by class of product and service

Table 1 sets forth our change in revenue by class of product and service for the first quarter of 2011 compared to the first quarter of 2010:

Table 1

<i>(Dollars in thousands)</i>	Printers and Other Products		Print Materials		Services		Totals	
Revenue at March 31, 2010	\$ 8,783	27.8%	\$13,614	43.0%	\$ 9,230	29.2%	\$31,627	100%
Change in revenue:								
Volume								
Core products and services	(606)	(6.9)	1,788	13.1	8,848	95.9	10,030	31.7
New products and services	5,130	58.4	93	0.7	644	7.0	5,867	18.6
Price/Mix	2	0.0	(90)	(0.7)	—	—	(88)	(0.3)
Foreign currency translation	226	2.6	204	1.5	30	0.3	460	1.4
Net change	4,752	54.1	1,995	14.6	9,522	103.2	16,269	51.4
Revenue at March 31, 2011	<u>\$13,535</u>	28.3%	<u>\$15,609</u>	32.5%	<u>\$18,752</u>	39.2%	<u>\$47,896</u>	100.0%

We earn revenues from the sale of printers and other products, print materials and services. On a consolidated basis, revenue for the first quarter of 2011 increased by \$16.3 million, or 51.4%, compared to the first quarter of 2010 as a result of improvements in each revenue category.

The increase in revenue from printers and other products that is due to volume for the first quarter of 2011 compared to the same quarter of 2010 was the result of higher sales of all types of printers, which consisted of:

- Production printers, which represented \$8.4 million, or 62%, of total printers revenue for the first quarter of 2011, compared to \$4.0 million, or 46% for the first quarter of 2010; and
- Personal and professional printers, which made up the remaining \$5.1 million, or 38%, in the first quarter of 2011, compared to \$4.7 million, or 54%, for the first quarter of 2010.

Due to the relatively high list price of certain printers, our customers' purchasing decisions may have a long lead time; combined with the overall low unit volume of printer sales in any particular period, the acceleration or delay of orders and shipments of a small number of printers from one period to another can significantly affect revenue reported for our printer sales for the period involved. Revenue reported for printers sales in any particular period is also affected by revenue recognition rules prescribed by generally accepted accounting principles.

Revenue from print materials was also helped by the improvement in production printers sales, which are typically accompanied by significant initial print materials purchases to charge up new printers and commence production, and by the continued expansion of printers installed over past periods. Sales of integrated materials represented 50% of total materials revenue in the first quarter of 2011 compared to 32% in the first quarter of 2010. Print materials revenue increased compared to the first quarter of 2010 notwithstanding that \$0.2 million of materials sold in the 2010 quarter to customers which were subsequently acquired were not included in our materials revenue for 2011.

The increase in services revenue reflects revenue from our custom parts services and increased revenue from printer service components, both from organic growth and acquisitions. Service revenue from custom parts services was \$10.3 million, or 54.8% of total service revenue for the first quarter of 2011.

At March 31, 2011 our backlog was \$7.9 million, compared to backlogs of \$7.6 million at December 31, 2010 and \$2.8 million at March 31, 2010. Although production and delivery of our printers is generally not characterized by long lead times, the higher backlog at March 31, 2011 includes an order received in the third quarter of 2010 for multiple production printers, which have been partially delivered, and includes additional production printers for future delivery. Additionally, custom parts services lead time and backlog depends on whether orders are for rapid prototyping or longer-range production runs. The backlog at March 31, 2011 includes \$4.3 million of custom parts services orders.

In addition to changes in sales volumes, there are two other primary drivers of changes in revenues from one period to another: the combined effect of changes in product mix and average selling prices, sometimes referred to as price and mix effects, and the impact of fluctuations in foreign currencies.

As used in this Management's Discussion and Analysis, the price and mix effects relate to changes in revenue that are not able to be specifically related to changes in unit volume. Among these changes are changes in the product mix of our materials and our systems as the trend toward smaller, lower-priced printers has continued and the influence of new printers and print materials on our operating results has grown.



Change in first quarter revenue by geographic region

Each geographic region contributed to our higher level of revenue in first quarter of 2011. Table 2 sets forth the change in revenue by geographic area for the first quarter of 2011 compared to the first quarter of 2010:

Table 2

<i>(Dollars in thousands)</i>	U.S.		Europe		Asia-Pacific		Totals	
Revenue at March 31, 2010	<u>\$14,145</u>	<u>44.7%</u>	<u>\$12,869</u>	<u>40.7%</u>	<u>\$4,613</u>	<u>14.6%</u>	<u>\$31,627</u>	<u>100%</u>
Change in revenue:								
Volume	9,321	65.9	4,968	38.6	1,606	34.8	15,895	50.3
Price/Mix	(590)	(4.2)	109	0.8	394	8.5	(87)	(0.3)
Foreign currency translation	—	—	169	1.3	292	6.3	461	1.4
Net change	<u>8,731</u>	<u>61.7</u>	<u>5,246</u>	<u>40.7</u>	<u>2,292</u>	<u>49.6</u>	<u>16,269</u>	<u>51.4</u>
Revenue at March 31, 2011	<u>\$22,876</u>	<u>47.8%</u>	<u>\$18,115</u>	<u>37.8%</u>	<u>\$6,905</u>	<u>14.4%</u>	<u>\$47,896</u>	<u>100%</u>

Revenue from U.S. operations increased by \$8.8 million, or 61.7%, to \$22.9 million in 2011 from \$14.1 million in the first quarter of 2010. The increase was due to higher volume, partially offset by the unfavorable combined effect of price and mix.

Revenue from non-U.S. operations at March 31, 2011 increased by \$7.5 million, or 43.1%, to \$25.0 million from \$17.5 million at March 31, 2010. Revenue from non-U.S. operations as a percent of total revenue was 52.2% and 55.3%, respectively, at March 31, 2011 and 2010. The increase in non-U.S. revenue, excluding the effect of foreign currency translation, was 40.5% in the first quarter of 2011 compared to 31.5% in the first quarter of 2010.

Revenue from European operations increased by \$5.2 million, or 40.7%, to \$18.1 million from \$12.9 million in the prior year period. This increase was due to a \$5.0 million increase in volume combined with a \$0.1 million favorable combined effect of price and mix and a \$0.2 million favorable impact of foreign currency translation.

Revenue from Asia-Pacific operations increased by \$2.3 million, or 49.6%, to \$6.9 million from \$4.6 million in the prior year period due primarily to the favorable \$1.6 million increase in volume combined with a \$0.4 million favorable combined effect of price and mix and a \$0.3 favorable impact of foreign currency translation.

Gross profit and gross profit margins

Table 3 sets forth gross profit and gross profit margin for our products and services for the first quarters of 2011 and 2010:

Table 3

<i>(Dollars in thousands)</i>	Three Months Ended March 31,			
	2011		2010	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
Printers and other products	\$ 5,493	40.6%	\$ 3,142	35.8%
Print materials	9,900	63.4	8,251	60.6
Services	7,804	41.6	2,928	31.7
Total	<u>\$ 23,197</u>	<u>48.4%</u>	<u>\$ 14,321</u>	<u>45.3%</u>

On a consolidated basis, gross profit for the first quarter of 2011 increased by \$8.9 million to \$23.2 million from \$14.3 million in the first quarter of 2010, primarily as a result of higher sales from all revenue categories and helped by an increase in our gross profit margin.

Consolidated gross profit margin in the first quarter of 2011 increased by 3.1 percentage points to 48.4% of revenue from 45.3% of revenue for the 2010 quarter. The higher gross profit margin reflected improved overhead absorption due to higher sales and continued cost containment. The 2011 gross profit margin was adversely affected by approximately 0.7 percentage points due to the previously disclosed negative impact on margin of sales of our V-Flash[®] Desktop Printer. The negative impact of V-Flash[®] sales on margin in the 2010 quarter was 2.2 percentage points.

Printers and other products gross profit for the first quarter of 2011 increased to \$5.5 million from \$3.1 million for the 2010 quarter, and gross profit margin for printers increased by 4.8 percentage points to 40.6% from 35.8% in the 2010 quarter primarily due to increased sales of higher margin production printers.



Print materials gross profit for the first quarter of 2011 increased by \$1.6 million, or 20.0%, to \$9.9 million from \$8.3 million for the 2010 quarter, and gross profit margin for print materials increased by 2.8 percentage points to 63.4% from 60.6% in the 2010 quarter primarily due to the favorable shift of the mix of materials.

Gross profit for services for the first quarter of 2011 increased by \$4.9 million, or 167%, to \$7.8 million from \$2.9 million for the 2010 quarter, and gross profit margin for services increased by 9.9 percentage points to 41.6% from 31.7% in the 2010 quarter. The increase in gross profit was due primarily to higher levels of revenue associated with our custom parts services. The increase in gross profit margin for services is primarily due to increased synergies from the integration of acquired custom parts services coupled with improved gross profit margin on printer services. Custom parts services had a gross profit margin of 39.2% for the first quarter of 2011, an improvement from 25.5% in the fourth quarter of 2010. Printer services has a gross profit margin of 44.5% compared to 42.6% for the first quarter of 2010.

Operating expenses

As shown in Table 4, total operating expenses increased by \$4.1 million, or 35.4%, to \$15.8 million in the first quarter of 2011 from \$11.7 million in the first quarter of 2010. This increase was due to higher selling, general and administrative expenses, and higher research and development expenses, both of which are discussed below.

Table 4

(Dollars in thousands)	Three Months Ended March 31,			
	2011		2010	
	Amount	% Revenue	Amount	% Revenue
Selling, general and administrative expenses	\$ 12,964	27.1%	\$ 9,158	29.0%
Research and development expenses	2,822	5.9	2,505	7.9
Total operating expenses	<u>\$ 15,786</u>	<u>33.0%</u>	<u>\$ 11,663</u>	<u>36.9%</u>

Selling, general and administrative expenses increased by \$3.8 million to \$13.0 million in the first quarter of 2011 compared to \$9.2 million in the first quarter of 2010, but decreased to 27.1% of revenue in 2011 compared to 29.0% for 2010. The increase was due primarily to a \$1.3 million increase in compensation costs due to commissions on higher revenues and operating costs of acquired businesses. Additionally, SG&A expenses were impacted by a \$0.7 million increase in legal expenses, a \$0.7 million increase in amortization expense due to acquired intangibles and a \$0.5 million increase in bad debt expense.

Research and development expenses increased by \$0.3 million, or 12.7%, to \$2.8 million in the first quarter of 2011 from \$2.5 million in the first quarter of 2010, principally due to a \$0.1 million increase in compensation expense and a \$0.1 million increase in R&D materials in the 2011 quarter.

Income from operations

Our income from operations of \$7.4 million for the first quarter of 2011 improved from \$2.7 million in 2010. See *Gross profit and gross profit margins* and *Operating expenses* above.

The following table sets forth operating income by geographic area for the first quarter of 2011 compared to 2010:

Table 5

(Dollars in thousands)	Three Months Ended March 31,	
	2011	2010
Income from operations:		
United States	\$ 3,537	\$ 852
Germany	411	179
Other Europe	1,512	311
Asia Pacific	1,976	1,270
Subtotal	7,436	2,612
Inter-segment elimination	(25)	46
Total	<u>\$ 7,411</u>	<u>\$ 2,658</u>

With respect to the U.S., in 2011 and 2010, the changes in operating income by geographic area reflected the same factors discussed above in *Gross profit and gross profit margins* and *Operating expenses*.

As most of our operations outside the U.S. are conducted through sales and marketing subsidiaries, the changes in operating income in our operations outside the U.S. in 2011 and 2010 resulted primarily from changes in transfer pricing which is a function of revenue levels.

Interest and other income (expense), net

Interest and other income (expense), net was \$0.3 million of income, net in the first quarter of 2011 compared with \$0.4 million of expense, net in the 2010 quarter. The \$0.3 million of interest and other income (expense), net in the first quarter of 2011 reflected foreign exchange gain of \$0.6 million, partially offset by \$0.2 million of interest expense and \$0.1 million of other expense.

Interest and other income (expense), net was \$0.4 million of expense, net in the first quarter of 2010 reflecting other income of \$0.1 million and an insignificant amount of interest income that was more than fully offset by \$0.1 million of interest expense and \$0.3 million of foreign exchange losses.

Provision for income taxes

We recorded a \$0.9 million provision for income taxes in the first quarter of 2011 and \$0.2 million in 2010. Our provision for income taxes in both periods primarily reflects tax expense associated with income taxes in non-U.S. jurisdictions.

We utilized U.S. net operating loss carryforwards to eliminate current U.S. income taxes. Absent the use of these net operating loss carryforwards, income tax expense would have been \$2.9 million and the income tax rate would have been 37.5 percent.

In conjunction with our ongoing review of actual results and anticipated future earnings, we assess the possibility of releasing the valuation allowance remaining on our U.S. net deferred tax assets. Based upon this ongoing assessment, a release of the valuation allowance may occur during 2011 or subsequent years. The required accounting for the release could involve significant tax amounts and it would impact earnings in the quarter in which it was deemed appropriate to release the reserve.

Net income

Our net income for the first quarter of 2011 increased \$4.8 million to \$6.8 million compared to \$2.0 million in the first quarter of 2010. The principal reasons for the improvement, which are discussed in more detail above, were:

- the \$4.8 million improvement in our operating income as discussed above; and
- the \$0.7 million improvement in interest and other income (expense), net, and
- partially offset by the \$0.7 million increase in tax expense.

For the three months ended March 31, 2011, average common shares for basic and diluted earnings per share were 23.8 million and 24.3 million, respectively, and basic and diluted earnings per share were \$0.29 and \$0.28 respectively. For the three months ended March 31, 2010, average common shares for basic and diluted earnings per shares were 22.8 million and 23.1 million, respectively, and basic and diluted earnings per share was \$0.09.

Financial Condition and Liquidity

Table 6

<i>(Dollars in thousands)</i>	March 31, 2011	December 31, 2010
Cash and cash equivalents	\$ 70,828	\$ 37,349
Working capital	76,503	42,475
Total stockholders' equity	196,971	133,119

Our unrestricted cash and cash equivalents increased by \$33.5 million to \$70.8 million at March 31, 2011 from \$37.3 million at December 31, 2010. This increase primarily resulted from \$55.5 million of cash from financing activities in the first quarter of 2011, including \$54.0 million of net proceeds of a public offering of common stock. We generated \$0.3 million of cash from operating activities, consisting of \$3.6 million of non-cash charges that were included in our net income, our \$6.8 million net income and \$10.1 million of cash used by net changes in operating accounts. We used \$22.7 million of cash in investing activities. See *Cash flow* and *Capitalized lease obligations* below.

Cash equivalents comprise funds held in money market instruments and are reported at their current carrying value which approximates fair value due to the short-term nature of these instruments. We minimize our credit risk by investing primarily in investment grade, liquid instruments and limit exposure to any one issuer depending on credit quality.

Our net working capital increased by \$34.0 million to \$76.5 million at March 31, 2011 from \$42.5 million at December 31, 2010, primarily due to the factors discussed below:

Our unrestricted cash and cash equivalents increased by \$33.5 million to \$70.8 million at March 31, 2011 from \$37.3 million at December 31, 2010. This increase primarily resulted from \$55.5 million of cash from financing activities in the first quarter of 2011, including \$54.0 million of net proceeds of a public offering of common stock as discussed above, partially offset by \$22.1 million of cash used for acquisitions.

Accounts receivable, net, increased by \$3.5 million to \$39.3 million at March 31, 2011 from \$35.8 million at December 31, 2010. Our gross accounts receivable increased by \$4.0 million from December 31, 2010. Our changing business model, which includes custom parts services and increasing materials, both of which are generally sold on credit terms make up a larger percent of our total sales. With an increased portion of our sales on credit terms, our days sales outstanding increased to 74 days at March 31, 2011 from 64 days at December 31, 2010 and accounts receivable more than 90 days past due increased to 5.9% of gross receivables from 5.0% at December 31, 2010.

Accounts payable decreased by \$3.2 million to \$23.4 million at March 31, 2011 from \$26.6 million at December 31, 2010. The decrease primarily related to the normal timing of our scheduled expense payments, partially offset by the increase in inventories which is explained below.

Inventories increased by \$2.8 million to \$26.6 million at March 31, 2011 from \$23.8 million at December 31, 2010. This increase resulted primarily from a \$1.8 million increase in finished goods inventory due to the timing of sales and revenue recognition at quarter-end, which also impacts our backlog and a \$0.9 million increase in raw materials primarily related to the timing of deliveries of raw materials and printer assembly parts. We maintained \$2.1 million of inventory reserves at March 31, 2011 and \$2.2 million of such reserves at December 31, 2010.

The majority of our inventory consists of finished goods, including primarily printers, print materials and service parts. Inventory also consists of raw materials and spare parts for the in-house assembly and support service for personal and professional 3D printers. We outsource the assembly and refurbishment of production printers; therefore, we generally do not hold in inventory most parts for production printer assembly or refurbishment.

Accrued and other liabilities increased by \$9.4 million to \$27.4 million at March 31, 2011 from \$18.0 million at December 31, 2010. This increase is primarily due to the \$7.2 million deferred purchase price for the acquisition of Quickparts[®].

The changes in the first quarter of 2011 that make up the other components of working capital not discussed above arose in the ordinary course of business.

Differences between the amounts of working capital item changes in the cash flow statement and the balance sheet changes for the corresponding items are primarily the result of foreign currency translation adjustments.

We have relied on our unrestricted cash and cash flow from operations in addition to the proceeds from our common stock offering. However, it is possible that we may need to raise additional funds to finance our activities beyond the next twelve months or to consummate significant acquisitions of other businesses, assets, products or technologies. If needed, we may be able to raise such funds by issuing equity or debt securities to the public or selected investors, or by borrowing from financial institutions.

Cash flow

Table 7 summarizes the cash provided by or used in operating activities, investing activities and financing activities, as well as the effect of changes in foreign currency exchange rates on cash, for the first three months of 2011 and 2010.

Table 7

<i>(Dollars in thousands)</i>	2011	2010
Cash provided by operating activities	\$ 289	\$ 4,767
Cash used in investing activities	(22,666)	(2,972)
Cash provided by financing activities	55,461	165
Effect of exchange rate changes on cash	395	(237)
Net increase in cash and cash equivalents	<u>\$ 33,479</u>	<u>\$ 1,723</u>

Cash flow from operating activities

For the three months ended March 31, 2011, our operating activities provided \$0.3 million of net cash. This source of cash consisted primarily of net income plus the effects of non-cash items and changes in working capital, which are described above.

For the three months ended March 31, 2010, our operating activities provided \$4.8 million of net cash. This source of cash consisted of our \$2.0 million net income, \$1.8 million of non-cash items included in our net income and \$1.0 million of cash provided by net changes in operating accounts.

Cash flow from investing activities

Net cash used in investing activities in the first three months of 2011 increased to \$22.7 million from \$3.0 million for the first three months of 2010. This increase was primarily due to \$22.1 million of cash paid for acquisitions.

Cash flow from financing activities

Net cash provided by financing activities increased to \$55.5 million for the three months ended March 31, 2011 compared to \$0.2 million in the 2010 period. This increase resulted primarily from \$54.0 million of net proceeds, after deducting issuance costs, of our offering of Common Stock in March 2011 and from \$1.5 million of stock-based compensation proceeds.

On March 3, 2011, we filed a shelf registration statement, under which we may issue, from time to time, up to \$175.0 million of common stock, preferred stock, debt securities or warrants for debt or equity securities or unites of such securities, in one or more offerings. On March 16, 2011 we completed a secondary offering of 1.3 million shares of common stock. The offering, resulted in approximately \$54.0 million of cash proceeds during the first quarter of 2011. The proceeds from the offering are for general corporate purposes, including acquisitions. In April 2011, the underwriters of the public equity offering fully exercised the over-allotment option to purchase an additional 0.2 million shares. See Note 15 for details related to the exercise of the over-allotment option.

Contractual commitments and off-balance sheet arrangements

Other contractual commitments

Our principal contractual commitments consist of the capital leases on our Rock Hill facility, obligations related to acquisitions and supply commitments, which are discussed in greater detail below.

For certain of our recent acquisitions we are obligated for deferred purchase price payments totaling \$10.9 million, based upon the exchange rate at the date of acquisition for foreign acquisitions. Certain of these acquisitions also contain earnout provisions under which the sellers of the acquired businesses can earn additional amounts. The total amount of liabilities recorded for these earnouts is \$3.3 million. See Note 2 for details of acquisitions and related commitments.

As of March 31, 2011, we have supply commitments for the second quarter of 2011 related to printer assembly that total \$6.7 million.

Off-balance sheet arrangements

We have no off-balance sheet arrangements and do not utilize any “structured debt,” “special purpose,” or similar unconsolidated entities for liquidity or financing purposes.

Capitalized lease obligations

Our principal contractual commitments consist of capitalized lease obligations of \$7.9 million at March 31, 2011. Our capitalized lease obligations decreased from \$8.3 million at December 31, 2010 primarily due to scheduled payments of principal on capital lease installments and the exercise of our option to purchase the expansion land in March 2011.

Outstanding capitalized lease obligations relate to two lease agreements that we entered into during 2006 with respect to our Rock Hill facility, one of which covers the facility itself and the other of which covers certain furniture and fixtures that we acquired for use in the facility. The carrying value of the headquarters facility and the furniture and fixture leases at March 31, 2011 and December 31, 2010 was \$7.9 million and \$8.3 million, respectively.

Our outstanding capitalized lease obligations at March 31, 2011 and December 31, 2010 were as follows:

Table 8

<i>(Dollars in thousands)</i>	March 31, 2011	December 31, 2010
Capitalized lease obligations:		
Current portion of capitalized lease obligations	\$ 198	\$ 224
Capitalized lease obligations, long-term portion	7,655	8,055
Total capitalized lease obligations	<u>\$ 7,853</u>	<u>\$ 8,279</u>

Financial instruments

We conduct business in various countries using both the functional currencies of those countries and other currencies to effect cross border transactions. As a result, we are subject to the risk that fluctuations in foreign exchange rates between the dates that those transactions are entered into and their respective settlement dates will result in a foreign exchange gain or loss. When practicable, we endeavor to match assets and liabilities in the same currency on our balance sheet and those of our subsidiaries in order to reduce these risks. We also, when we consider it to be appropriate, enter into foreign currency contracts to hedge exposures arising from those transactions.

We do not hedge or trade for speculative purposes, and our foreign currency contracts are generally short-term in nature, typically maturing in 90 days or less. We have elected not to prepare and maintain the documentation to qualify for hedge accounting treatment under ASC 815, “Derivatives and Hedging,” and therefore, we recognize all gains and losses (realized or unrealized) in interest and other expense, net in our unaudited condensed consolidated statements of operations and comprehensive income.

The net fair value of all foreign exchange contracts at March 31, 2011 reflected a nominal unrealized gain at March 31, 2011. The foreign currency contracts outstanding at March 31, 2011 expired April 1, 2011. See Note 7 of the unaudited condensed consolidated financial statements.

Changes in the fair value of derivatives are recorded in interest and other income (expense), net, in our unaudited condensed consolidated statements of operations and comprehensive income. Depending on their fair value at the end of the reporting period, derivatives are recorded either in prepaid and other current assets or in accrued liabilities in our unaudited condensed consolidated balance sheets.

The total impact of foreign currency related items on our unaudited condensed consolidated statements of operations and comprehensive income was a \$0.6 million gain for the three months ended March 31, 2011 and a \$0.3 million loss for the first quarter of 2010.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our condensed consolidated financial statements, see Note 1 to the unaudited condensed consolidated financial statements.

Critical Accounting Policies and Significant Estimates

For a discussion of our critical accounting policies and estimates, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Significant Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2010.

Forward-Looking Statements

Certain statements made in this Form 10-Q 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 the Form 10-Q 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 statements that explicitly describe such risks and uncertainties, readers are urged to consider statements in future or conditional tenses or that include terms such as “believes,” “belief,” “expects,” “intends,” “anticipates” or “plans” 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 management’s current expectations concerning future events and trends and are necessarily subject to uncertainties, many of which are outside of our control. The factors stated under the heading “Cautionary Statements and Risk Factors” set forth below and those described in our other SEC reports, including our Form 10-K for the year ended December 31, 2010, as well as other factors, could cause actual results to differ materially from those reflected or predicted in forward-looking statements.

Any forward-looking statements are based on management’s beliefs and assumptions, using information currently available to us. We assume no obligation, and do not intend, to update these 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 you read in this Form 10-Q 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 individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You should specifically consider the factors identified or referred to in this Form 10-Q and our other SEC reports, including our Annual Report on Form 10-K for the year ended December 31, 2010, which would cause actual results to differ from those referred to in forward-looking statements.

Cautionary Statements and Risk Factors

We recognize that we are subject to a number of risks and uncertainties that may affect our future performance. The risks and uncertainties described in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2010 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. If any of these risks actually occur, our business, results of operations and financial condition could suffer. In that event the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2010 also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For a discussion of market risks at December 31, 2010, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2010. During the first three months of 2011, there were no material changes or developments that would materially alter the market risk assessment performed as of December 31, 2010.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

As of March 31, 2011, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) pursuant to Rules 13a-15 and 15d-15 under the Exchange Act. These controls and procedures were designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding required disclosures. Based on this evaluation, including an evaluation of the rules referred to above in this Item 4, management has concluded that our disclosure controls and procedures were effective as of March 31, 2011 to provide reasonable assurance that the information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding required disclosures.

Changes in Internal Controls over Financial Reporting

There were no material changes in our internal controls over financial reporting during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth in Note 14 of the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 6. Exhibits.

The following exhibits are included as part of this filing and incorporated herein by this reference:

- 3.1 Certificate of Incorporation of Registrant. (Incorporated by reference to Exhibit 3.1 to Form 8-B filed on August 16, 1993, and the amendment thereto, filed on Form 8-B/A on February 4, 1994.)
- 3.2 Amendment to Certificate of Incorporation filed on May 23, 1995. (Incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form S-2/A, filed on May 25, 1995.)
- 3.3 Certificate of Designation of Rights, Preferences and Privileges of Preferred Stock. (Incorporated by reference to Exhibit 2 to Registrant's Registration Statement on Form 8-A filed on January 8, 1996.)
- 3.4 Certificate of Designation of the Series B Convertible Preferred Stock, filed with the Secretary of State of Delaware on May 2, 2003. (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K, filed on May 7, 2003.)
- 3.5 Certificate of Elimination of Series A Preferred Stock filed with the Secretary of State of Delaware on March 4, 2004. (Incorporated reference to Exhibit 3.6 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 15, 2004.)
- 3.6 Certificate of Elimination of Series B Preferred Stock filed with the Secretary of State of Delaware on June 9, 2006. (Incorporated reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K, filed on June 9, 2006.)
- 3.7 Certificate of Amendment of Certificate of Incorporation filed with Secretary of State of Delaware on May 19, 2004. (Incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, filed on August 5, 2004.)
- 3.8 Certificate of Amendment of Certificate of Incorporation filed with Secretary of State of Delaware on May 17, 2005. (Incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, filed on August 1, 2005.)
- 3.9 Certificate of Designations, Preferences and Rights of Series A Preferred Stock, filed with the Secretary of State of Delaware on December 9, 2008. (Incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K, filed on December 9, 2008.)
- 3.10 Amended and Restated By-Laws. (Incorporated by reference to Exhibit 3.2 of Registrant's Current Report on Form 8-K filed on December 1, 2006.)
- 10.1* Amended and Restated Restricted Stock Plan for Non-employee Directors of 3D Systems Corporation (as further amended April 1, 2011.)
- 31.1 Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated April 28, 2011.
- 31.2 Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated April 28, 2011.
- 32.1 Certification of Principal Executive Officer filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated April 28, 2011.
- 32.2 Certification of Principal Financial Officer filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated April 28, 2011.

* Management contract or compensatory plan or arrangement.

SIGNATURE

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

3D SYSTEMS CORPORATION

By: /s/ DAMON J. GREGOIRE

Damon J. Gregoire

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

(Duly Authorized Officer)

Date: April 28, 2011

**AMENDED AND RESTATED
RESTRICTED STOCK PLAN
FOR NON-EMPLOYEE DIRECTORS
OF 3D SYSTEMS CORPORATION
(as further amended effective April 1, 2011)**

Section 1. Purpose.

This Amended and Restated Restricted Stock Plan for Non-Employee Directors amends and restates, in its entirety, that certain Stock Plan for Non-Employee Directors originally adopted May 19, 2004 (as amended and restated, the “Plan”) of 3D Systems Corporation (the “Company”). The Plan is designed to enhance the ability of the Company to attract, retain and motivate Non-Employee Directors (as defined in Section 3) of exceptional ability and to promote the common interest of directors and stockholders in enhancing the value of the Company’s Common Stock. It is the intention of the Company to provide for payment in shares of the Company’s common stock, par value \$0.001 per share (“Common Stock”), of all or a portion of the annual retainer paid to each Non-Employee Director.

Section 2. Stock Available.

The stock subject to the Plan shall be such authorized but unissued or treasury shares of Common Stock as shall from time to time be available for issuance pursuant to the Plan. The total amount of Common Stock that may be issued pursuant to the Plan is two hundred thousand (200,000) shares, subject to adjustment in accordance with Section 7.

Section 3. Eligibility.

Each Non-Employee Director of the Company shall be eligible to participate in the Plan. As used in the Plan, the term “Non-Employee Director” shall include any person who, at the time of his or her election to the Board of Directors of the Company (the “Board”), is not an officer or employee of the Company or any of its Subsidiaries or Affiliates (as such terms are defined in Section 16). Any Non-Employee Director who becomes an officer or employee of the Company or any of its Subsidiaries or Affiliates shall cease to be eligible to participate in the Plan for so long as such person remains such an officer or employee.

Section 4. Grants of Shares.

Grants of Common Stock under the Plan shall be made as follows:

(a) *Initial Grants.* On the date any Non-Employee Director first is elected a director of the Company on or after the Effective Date (as defined in Section 19) of the Plan, such Non-Employee Director shall receive a grant of one thousand (1,000) shares of Common Stock; provided that such grant shall not be made (i) to a Non-Employee Director who was, within twelve (12) months immediately preceding his or her election as a director, an officer or employee of the Company or any of its Subsidiaries; or (ii) to a Non-Employee Director who, within twelve (12) months immediately preceding his or her election as a director, already was a director on the Company’s Board.

(b) *Annual Grants.* At the close of business on the date of each annual meeting of the stockholders of the Company, a grant of three thousand (3,000) shares of Common Stock shall be awarded to (i) each Non-Employee Director who is elected on such date; and (ii) each Non-Employee Director whose term of service extends past such date.

(c) *Interim Grants.* In the event that, on or after the Effective Date of the Plan, any Non-Employee Director is elected a director at other than an annual meeting of the stockholders of the Company, in addition to any Common Stock granted pursuant to Section 4(a), such Non-Employee Director shall receive on the date of such Non-Employee Director’s election a grant of that number of shares of Common Stock that is equal to the product of three thousand (3,000) multiplied by a fraction, the numerator of which shall be the number of days remaining from the date of such Non-Employee Director’s election to the date of the next annual meeting of the stockholders of the Company provided for in accordance with the By-Laws of the Company as then in effect, and the denominator of which shall be 365.

(d) *Non-Transferability of Grants.* Except as provided below in this Section 4(d) and in Section 4(e), no right to receive shares of Common Stock pursuant to the Plan shall be transferable by any Non-Employee Director and no shares of Common Stock issued pursuant to the Plan, or any interest therein, may be sold, transferred, pledged, encumbered or otherwise disposed of (including, without limitation, by way of gift or donation) by the Non-Employee Director to whom such shares are issued, as long as such Non-Employee Director shall remain a director of the Company. In the case that a Non-Employee Director becomes an employee of the Company, but retains his or her position as a director, the restriction on transferability described in this Section 4(d) shall remain on the Common Stock granted pursuant to this Plan as long as such employee shall remain a director of the Company. Each Non-Employee Director may provide the Company with a written designation in form satisfactory to the Company's counsel designating a person or persons ("Beneficiary") entitled to receive shares to be issued pursuant to a grant of shares under the Plan upon the death of such Non-Employee Director after such grant but prior to the issuance of shares pursuant to such grant. The Company shall honor each such written designation, provided that the Beneficiary named shall take all steps necessary to comply with the Plan, including the payment of the Issue Price (as defined below) if not paid by the Non-Employee Director and the execution of any agreement reasonably required by counsel to the Company in order to comply with the Plan or with federal or state securities laws or other legal requirements. Notwithstanding any other provision of this Plan, any Non-Employee Director may make a gift or other transfer of any Common Stock awarded or acquired under the Plan to members of the immediate family of such Non-Employee Director or to a trust or other form of indirect ownership established by such Non-Employee Director for his or her benefit or for the benefit of members of the immediate family of such Non-Employee Director (each also, a "Beneficiary"); provided that (i) the purpose of such transfer is either estate or tax planning, (ii) the Non-Employee Director shall continue to be deemed a beneficial owner of such transferred shares of Common Stock and shall retain voting and investment control over such shares while the Non-Employee Director remains a director of the Company and (iii) the Beneficiary shall execute an agreement with the Company, in form and substance satisfactory to counsel to the Company, pursuant to which such Beneficiary shall be obligated to hold the shares of Common Stock so transferred in accordance with the terms and conditions of the Plan and containing such other terms and conditions as may be required by counsel to the Company. For the purpose of this Section 4(d), the term "immediate family" shall have the meaning set forth in Rule 16a-1 under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), and the term "beneficial owner" shall have the meaning set forth in Rule 16a-1 under the Securities Exchange Act, other than for purposes of determining beneficial ownership of more than ten percent of any class of equity securities.

(e) *Sale of Shares to Satisfy Tax Obligation.* Notwithstanding anything in this Section 4 to the contrary, Non-Employee Directors shall be permitted to sell up to fifty percent (50%) of the shares of Common Stock covered by any grant in order to satisfy any tax obligation arising from such grant or grants.

(f) *Execution of Agreement.* Each grant of Common Stock pursuant to this Section 4 shall be contingent on and subject to (i) payment by the Non-Employee Director (or by his or her Beneficiary) pursuant to Section 5 of the Issue Price for the shares covered by such grant; and (ii) execution by the Non-Employee Director (or by his or her Beneficiary) of a document agreeing to hold the shares of Common Stock covered by such grant in accordance with the terms and conditions of the Plan (including, without limitation, Sections 4(d), 4(e) and 13) and containing such other terms and conditions as may be required by counsel to the Company in order to comply with federal or state securities laws or other legal requirements.

(g) Notwithstanding Sections 4(a), 4(b) and 4(c) of this Plan, the maximum value of any grant of Common Stock made under any of those provisions shall be \$50,000 based upon the closing market value of the Common Stock on the date of grant. The number of shares covered by the applicable award under Section 4(a), 4(b) or 4(c), as the case may be, shall be reduced to a number that shall be the nearest whole number of shares of Common Stock determined by multiplying the number of shares to be granted under the applicable section of this Plan by a fraction, the numerator of which shall be \$50,000 and the denominator of which shall be the closing market price on the date of grant, multiplied by the number of shares to be awarded as set forth in the applicable subsection of this Section 4.

Section 5. Issue Price of Common Stock.

Prior to the issuance of Common Stock to a Non-Employee Director pursuant to the Plan, the Non-Employee Director shall pay to the Company an amount of money per share ("Issue Price") equal to the par value per share of the Common Stock. The Issue Price for shares of Common Stock granted pursuant to the Plan shall be tendered to the Company within thirty (30) days after notice of the amount thereof is given by the Company to the recipient of such shares.

Section 6. Change in Control.

Notwithstanding any other provision of the Plan, in the event that (i) the Company is merged into or consolidated with another corporation or other entity and as a result of such merger or consolidation less than seventy percent (70%) of the combined voting power of the outstanding voting securities of the surviving or resulting corporation or other entity shall, after giving effect to such merger or consolidation, be “beneficially owned” (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”)) in the aggregate, directly or indirectly, by the former stockholders of the Company (excluding from such computation any such securities beneficially owned, directly or indirectly, by “affiliates” of the Company (as defined in Rule 12b-2 under the Securities Exchange Act) and any such securities so beneficially owned, directly or indirectly, by a party to such merger or consolidation); (ii) the Company sells all or substantially all of its assets; (iii) any “person” is or becomes the “beneficial owner” (as the terms “person” and “beneficial owner” are used in Sections 13(d) and 14(d) of the Securities Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company’s then outstanding securities; (iv) as a result of any solicitation subject to Rule 14a-11 under the Securities Exchange Act (or any successor rule thereto), one or more persons not recommended by or opposed for election to the Board of Directors by one-third or more of the directors of the Company then in office is or are elected a director of the Company; or (v) the Company shall become subject for any reason to a voluntary or involuntary dissolution or liquidation, then, as of the close of business at the principal executive office of the Company on the business day immediately preceding the date on which such event occurs, for purposes of the Plan and to the extent that the provisions of the Plan remain applicable to shares granted under the Plan, the restriction provided in Section 4(d) of the Plan shall without further act expire and cease to apply to any securities granted under the Plan, the requirement of a legend on stock certificates provided in Section 9 shall without further act expire and cease to apply to any securities granted under the Plan, and each Non-Employee Director holding shares issued under the Plan shall thereupon have the right to receive an unlegended certificate as set forth in the last sentence of Section 9.

Section 7. Adjustments.

In the event of changes in the common stock of the Company after the Effective Date by reason of any stock dividend, split-up, combination of shares, reclassification, recapitalization, merger, consolidation, reorganization or liquidation: (a) the restriction provided in Section 4(d) and the requirement of a legend on stock certificates provided in Sections 9 and 10(d) shall apply to any securities issued in connection with any such change in respect of stock which has been granted under the Plan; and (b) appropriate adjustments shall be made by the Board as to (i) the number of shares to be delivered and the Issue Price where such change occurred after the date of the grant but before the date the stock covered by the grant is delivered; and (ii) the number and class of shares available under the Plan in the aggregate, which changes shall be made in the same manner as such items are adjusted for purposes of the 2004 Incentive Stock Plan of 3D Systems Corporation as then in effect.

Section 8. Action by Company.

Neither the existence of the Plan nor the issuance of Common Stock pursuant thereto shall impair the right of the Company or its stockholders to make or effect any adjustment, recapitalization or other change in the Common Stock referred to in Section 7, any change in the Company’s business, any issuance of debt obligations or stock by the Company, or any grant of options on stock of the Company.

Section 9. Legend on Stock Certificates.

Every certificate of Common Stock issued pursuant to the Plan shall, so long as the restriction provided in Section 4(d) remains in effect, bear a legend in substantially the following form:

This certificate and the shares represented hereby are held subject to the terms of the Restricted Stock Plan for Non-Employee Directors (the “Plan”) of 3D Systems Corporation, which provides that neither the shares issued pursuant thereto, nor any interest therein, may be sold, transferred, pledged, encumbered or otherwise disposed of (including, without limitation, by way of gift or donation) except in accordance with the Plan. A copy of the Plan is available for inspection at the executive offices of 3D Systems Corporation.

Each Non-Employee Director may surrender to the Company the certificate or certificates representing such shares in exchange for a new certificate or certificates, free of the above legend, at any time after either such Non-Employee Director has ceased to be a director of the Company or the restriction provided in Section 4(d) otherwise has ceased to apply to the shares covered by such certificate.

Section 10. Government and Other Regulations and Restrictions.

(a) *In General.* The issuance by the Company of any shares of Common Stock pursuant to the Plan shall be subject to all applicable laws, rules and regulations and to such approvals by governmental agencies as may be required.

(b) *Registration of Shares.* The Company shall use its reasonable commercial efforts to cause the Common Stock to be issued pursuant to this Plan to be registered under the Securities Act of 1933, as amended (the “Securities Act”), but otherwise shall be under no obligation to register shares of Common Stock issued under the Plan under the Securities Act or otherwise. If, at the time shares of Common Stock are issued pursuant to the Plan, there shall not be on file with the Securities and Exchange Commission an effective registration statement under the Securities Act covering such shares of Common Stock, the Non-Employee Director to whom such shares are to be issued will execute and deliver to the Company upon receipt by him or her of any such shares an undertaking, in form and substance satisfactory to the Company, that (i) such Non-Employee Director has had access or will, by reason of such person’s service as a director of the Company, or otherwise, have access to sufficient information concerning the Company to enable him or her to evaluate the merits and risks of the acquisition of shares of Common Stock pursuant to the Plan; (ii) such Non-Employee Director has such knowledge and experience in financial and business matters that such person is capable of evaluating such acquisition; (iii) it is the intention of such Non-Employee Director to acquire and hold such shares for investment and not for the resale or distribution thereof; (iv) such Non-Employee Director will comply with the Securities Act and the Securities Exchange Act with respect to such shares; and (v) such Non-Employee Director will indemnify the Company for any cost, liability and expense that the Company may sustain by reason of any violation of the Securities Act or the Securities Exchange Act occasioned by any act or omission on his or her part with respect to such shares.

(c) *Resale of Shares.* Without limiting the generality of Section 4(d), shares of Common Stock acquired pursuant to the Plan shall not be sold, transferred or otherwise disposed of unless and until either (i) such shares shall have been registered by the Company under the Securities Act; (ii) the Company shall have received either a “no action” letter from the Securities and Exchange Commission or an opinion of counsel acceptable to the Company to the effect that such sale, transfer or other disposition of the shares may be effected without such registration; or (iii) such sale, transfer or other disposition of the shares is made pursuant to Rule 144 of the General Rules and Regulations promulgated under the Securities Act, as the same may from time to time be in effect, and the Company shall have received an opinion of counsel acceptable to the Company to such effect.

(d) *Legend on Certificates.* The Company may require that any certificate or certificates evidencing shares issued pursuant to the Plan bear a restrictive legend, and be subject to stop-transfer orders or other actions, intended to effect compliance with the Securities Act or any other applicable regulatory measures.

Section 11. Company’s Right to Terminate Retention; Non-Exclusivity.

Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements or modifying existing compensation arrangements for Non-Employee Directors, subject to stockholder approval if such approval is required by applicable statute, rule or regulation; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan shall not confer upon any member of the Board any right to continued membership on the Board.

Section 12. No Rights in Common Stock.

No Non-Employee Director or Beneficiary shall have any interest in or be entitled to voting rights or dividends or other rights or privileges of stockholders of the Company with respect to shares of Common Stock granted pursuant to the Plan unless, and until, shares of Common Stock actually are issued to such person and then only from the date such person becomes the record owner thereof.

Section 13. Tax Withholding.

The Company shall make appropriate provisions for the payment of any Federal, state or local tax or any other tax that may be required by law to be withheld by reason of a grant or the issuance of shares of Common Stock pursuant to the Plan.

Section 14. No Liability.

No member of the Board, or any officer or employee of the Company acting on behalf of the Board, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

Section 15. Successors.

The provisions of the Plan shall be binding upon and inure to the benefit of all successors of any person receiving Common Stock pursuant to the Plan, including, without limitation, the estate of such person and the executors, administrators or trustees thereof, the heirs and legatees of such person, and any receiver, trustee in bankruptcy, or representative of creditors of such person.

Section 16. Subsidiaries and Affiliates.

For purposes of the Plan, term (a) the term “Subsidiaries” includes those corporations fifty percent (50%) or more of whose outstanding voting stock is owned or controlled, directly or indirectly, by the Company and those partnerships and joint ventures in which the Company owns, directly or indirectly, a 50 percent (50%) or more interest in the capital account or earnings; and (b) the term “Affiliates” means any current or future entity other than the Company and its Subsidiaries that is designated by the Board as participating under the Plan.

Section 17. Expenses.

The expenses of administering the Plan shall be borne by the Company.

Section 18. Termination and Amendment.

The Board (or any committee thereof, as designated by the board to administrate the Plan) may from time to time amend or discontinue the Plan or any provision thereof; provided that no amendment or modification of the Plan shall, without the prior approval of the stockholders of the Company:

- (a) increase the number of shares of Common Stock available for grant;
- (b) materially increase the benefits accruing to participants under the Plan;
- (c) modify the requirements as to eligibility for participation; or
- (d) change any of the provisions of this Section 18.

No amendment or discontinuation of the Plan or any provision thereof shall, without the written consent of the participant, adversely affect any shares theretofore granted to such participant under the Plan.

Section 19. Effective Date.

The Effective Date shall be May 19, 2004. The Plan was amended and restated on July 27, 2005 and subsequently amended effective April 1, 2011.

**Certification of
Principal Executive Officer of
3D Systems Corporation**

I, Abraham N. Reichental, certify that:

1. I have reviewed this report on Form 10-Q of 3D Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ABRAHAM N. REICHENTAL
Abraham N. Reichental
Title: *President and Chief Executive Officer*
(Principal Executive Officer)

Date: April 28, 2011

**Certification of
Principal Financial Officer of
3D Systems Corporation**

I, Damon J. Gregoire, certify that:

1. I have reviewed this report on Form 10-Q of 3D Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DAMON J. GREGOIRE

Damon J. Gregoire

Title: *Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)*

Date: April 28, 2011

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2011 of 3D Systems Corporation (the "Issuer").

I, Abraham N. Reichental, the Principal Executive Officer of the Issuer, certify that, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ ABRAHAM N. REICHENTAL

Name: Abraham N. Reichental

Date: April 28, 2011

A signed original of this written statement required by Section 906 has been provided to 3D Systems Corporation and will be retained by 3D Systems Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2011 of 3D Systems Corporation (the "Issuer").

I, Damon J. Gregoire, the Principal Financial Officer of the Issuer, certify that, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ DAMON J. GREGOIRE

Name: Damon J. Gregoire

Date: April 28, 2011

A signed original of this written statement required by Section 906 has been provided to 3D Systems Corporation and will be retained by 3D Systems Corporation and furnished to the Securities and Exchange Commission or its staff upon request.