

3D SYSTEMS CORP  
Form DEF 14A  
April 01, 2015  
Table of Contents

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**3D SYSTEMS CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

**Table of Contents**

**333 Three D Systems Circle Rock Hill, SC 29730**

March 24, 2015

Dear Fellow Stockholder:

Please join us at the Annual Meeting of Stockholders of 3D Systems Corporation.

Time: Tuesday, May 19, 2015, at 11:00 a.m., Pacific Time.

Place: 3D Systems Corporation, 26600 SW Parkway Avenue, Building 60, Wilsonville, Oregon 97070.

The principal items that you will be asked to approve at the meeting are:

The election of ten directors;

Approval of the 2015 Incentive Plan; and

Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2015.

In addition, stockholders will consider and act upon any other matters that may be properly brought before the Annual Meeting or at any adjournments or postponements thereof.

We are pleased to have the opportunity to present these proposals to you, which are discussed in detail in this Proxy Statement. We are committed to meeting the needs of our stockholders, who include all of the members of our Board of Directors and senior management, and we believe that our executive compensation and corporate governance practices operate to meet the needs of all of our constituencies.

As required by law, we conducted a frequency vote with respect to future say-on-pay advisory votes at our 2011 Annual Meeting, and a majority of you who voted recommended that we conduct say-on-pay votes every three years. The Board of Directors accepted your recommendation and conducted a say-on-pay advisory vote at our 2014 Annual Meeting. As a result, the next opportunity for an advisory say-on-pay vote will be our 2017 Annual Meeting.

We encourage you to attend the Annual Meeting so that we can review the past year with you, listen to your suggestions, and answer any questions that you may have.

3D Systems recorded record annual revenue in 2014. Our revenue increased by 27.3% to \$653.7 million from \$513.4 million in 2013 on 13.3% organic growth. Our operating income in 2014 decreased to \$26.3 million in 2014, compared to operating income of \$80.9 million in 2013 due primarily to lower gross profit margin and higher operating expenses. We completed 10 acquisitions in support of our focused growth initiatives, and introduced 27 new products in 2014.

Our gross profit increased by 18.6% to \$317.4 million in 2014 from \$267.6 million in 2013 primarily from a higher level of revenue from increases across products, materials and services. Our gross profit margin decreased in 2014 to 48.6% from 52.1% in 2013, reflecting current sales mix, manufacturing ramp-up and transitions to new products and associated start-up costs.

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

Total operating expenses increased to \$291.1 million, up from \$186.7 million in 2013. The increase reflects a \$72.5 million increase in selling, general and administrative expenses, primarily due to increased sales and marketing expenses, higher staffing due to our expanding portfolio and growing business and increased amortization expense. The increase also reflected a \$31.9 million increase in research and development expenses related to our portfolio expansion, new products developments, and the addition of the engineering team in Wilsonville, Oregon.

A more detailed discussion of our 2014 results appears in our 2014 Annual Report on Form 10-K, and we encourage you to review it. Our operating results and recent accomplishments are also discussed below under Executive Compensation.

On behalf of your Board of Directors, we thank you for your continued support.

Sincerely,

Abraham N. Reichental  
President and Chief Executive Officer

**Table of Contents**

**333 Three D Systems Circle**

**Rock Hill, SC 29730**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**March 24, 2015**

The Annual Meeting of Stockholders of 3D Systems Corporation, a Delaware corporation (the Company), will be held:

When: Tuesday, May 19, 2015, at 11:00 a.m., Pacific Time;

Where: 3D Systems Corporation, 26600 SW Parkway Avenue, Building 60, Wilsonville, Oregon 97070;

Why: For the following purposes:

The election of ten directors;

Approval of the 2015 Incentive Plan; and

Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2015.

In addition, stockholders will consider and act upon any other matters that may be properly brought before the Annual Meeting or any adjournments or postponements thereof.

The Proxy Statement accompanying this Notice of Annual Meeting describes these items of business in greater detail.

The record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting is March 23, 2015.

We are mailing a Notice of Internet Availability of Proxy Materials commencing on or about April 1, 2015 to all stockholders of record as of the record date. We will send you copies of the attached Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2014 upon request by following the instructions in our Notice of Internet Availability of Proxy Materials.

We encourage you to cast your votes on the proposals to be considered at the Annual Meeting electronically by using the website that hosts our Proxy Statement and Annual Report as described on the Notice of Internet Availability. If you have requested delivery of a printed version of the materials, you will receive a proxy card that you may use to vote your shares. You may also vote by telephone as set forth on your proxy card or the Notice of Internet Availability. Regardless of whether you plan to attend the Annual Meeting, we encourage you to vote your shares electronically on the internet, by proxy card or by telephone in case your plans change. Please vote today to ensure that your votes are counted.

If you hold our shares in street name, please follow the instructions set forth below in *How to Vote* below, and vote your shares.

If you are a stockholder of record and attend the Annual Meeting in person, you will be able to vote your shares personally at the meeting if you so desire, even if you previously voted.

Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

By Order of the Board of Directors

Andrew M. Johnson  
Secretary

Rock Hill, South Carolina  
March 24, 2015

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>GENERAL INFORMATION</u></b>	<b>1</b>
<b><u>RECORD DATE, VOTING SECURITIES AND QUORUM</u></b>	<b>1</b>
<b><u>HOW TO VOTE</u></b>	<b>2</b>
<b><u>VOTING MATTERS</u></b>	<b>3</b>
<b><u>PROPOSAL ONE</u></b>	<b>4</b>
<b><u>ELECTION OF DIRECTORS</u></b>	<b>4</b>
<b><u>CORPORATE GOVERNANCE MATTERS</u></b>	<b>9</b>
<b><u>DIRECTOR COMPENSATION</u></b>	<b>17</b>
<b><u>PROPOSAL TWO</u></b>	<b>21</b>
<b><u>APPROVAL OF 2015 INCENTIVE PLAN</u></b>	<b>21</b>
<b><u>PROPOSAL THREE</u></b>	<b>30</b>
<b><u>RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	<b>30</b>
<b><u>Fees of Independent Registered Public Accounting Firm</u></b>	<b>30</b>
<b><u>Report of the Audit Committee</u></b>	<b>31</b>
<b><u>EMPLOYEE COMPENSATION AND ATTENDANT RISKS</u></b>	<b>32</b>
<b><u>EXECUTIVE COMPENSATION</u></b>	<b>32</b>
<b><u>Say-on-Pay</u></b>	<b>33</b>
<b><u>Compensation Discussion and Analysis</u></b>	<b>33</b>
<b><u>Compensation Committee Report</u></b>	<b>43</b>
<b><u>Summary Compensation Table</u></b>	<b>43</b>
<b><u>Grants of Plan-Based Awards in 2014</u></b>	<b>47</b>
<b><u>Employment and Other Agreements with NEOs</u></b>	<b>48</b>
<b><u>Outstanding Equity Awards at Year-End 2014</u></b>	<b>51</b>
<b><u>Stock Vested in 2014</u></b>	<b>52</b>
<b><u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	<b>52</b>
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	<b>52</b>
<b><u>HOW TO CAST YOUR VOTE IF YOU ARE A STOCKHOLDER OF RECORD</u></b>	<b>55</b>
<b><u>HOW TO CAST YOUR VOTE IF YOU ARE A STREET-NAME HOLDER</u></b>	<b>56</b>
<b><u>OTHER VOTING AND STOCKHOLDER MATTERS</u></b>	<b>57</b>
<b><u>OTHER MATTERS</u></b>	<b>59</b>
<b><u>ANNEX A</u></b>	<b>A-1</b>



**Table of Contents**

**333 Three D Systems Circle  
Rock Hill, South Carolina 29730**

**PROXY STATEMENT**

**Dated March 24, 2015**

**For the Annual Meeting of Stockholders**

**To Be Held on May 19, 2015**

**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 19, 2015:**

This Proxy Statement, our 2014 Annual Report and a form of proxy card are available at [www.envisionreports.com/DDD](http://www.envisionreports.com/DDD)

**GENERAL INFORMATION**

We plan to hold our 2015 Annual Meeting of Stockholders at the following time and place and for the following purposes:

**When:** 11:00 a.m., Pacific Time, on May 19, 2015;

**Where:** 3D Systems Corporation, 26600 SW Parkway Avenue, Building 60, Wilsonville, Oregon  
97070;

**Why:** For the following purposes:

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

The election of ten directors;

Approval of the 2015 Incentive Plan; and

Ratification of the appointment of BDO USA, LLP ( BDO ) as our independent registered public accounting firm for 2015.

In addition, stockholders will consider and act upon any other matters that may be properly brought before the Annual Meeting or any adjournments or postponements thereof. For directions to the location of our Annual Meeting, please call (803) 326-3995.

This Proxy Statement is being furnished in connection with the solicitation of proxies by our Board of Directors for use at the Annual Meeting and any adjournments or postponements of the Annual Meeting.

This Proxy Statement and related materials are first being made available on or about April 1, 2015.

### **RECORD DATE, VOTING SECURITIES AND QUORUM**

The record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting is the close of business on March 23, 2015.

Our Common Stock, par value \$0.001 per share (the Common Stock ), is our only outstanding class of voting securities. As of the record date for the Annual Meeting, there were 111,797,093 shares of Common

## **Table of Contents**

Stock issued and outstanding. Each such share of Common Stock is entitled to one vote on each matter to be voted on at the Annual Meeting. Where appropriate, amounts presented in this Proxy Statement reflect a three-for-two stock split completed on February 22, 2013 and a two-for-one stock split completed on May 18, 2011.

Holders of record of shares of our Common Stock outstanding as of the close of business on the record date are entitled to notice of and to vote at the Annual Meeting. A list of the stockholders of record as of the record date will be kept at our principal office at 333 Three D Systems Circle, Rock Hill, South Carolina 29730 for a period of ten days prior to the Annual Meeting.

A majority of the shares of Common Stock outstanding on the record date that are present in person or represented by proxy will constitute a quorum for the transaction of business at the Annual Meeting.

### **HOW TO VOTE**

You are considered to be a holder of record of each share of Common Stock that is registered in your name on the records of our transfer agent. If you are a stockholder of record, we will send you a Notice of Internet Availability of Proxy Materials. Please follow the instructions in that Notice in order to cast your vote.

Most of you hold your shares in a brokerage account or bank or through another nominee holder. In that case, your broker or nominee is generally considered to be the holder of record of those shares, and you are considered the beneficial owner of shares held in street name. As a beneficial owner, you generally have the right to instruct your broker or nominee how to vote your shares, and that party is required to vote your shares in accordance with your instructions. In this Proxy Statement, we refer to these stockholdings as street-name holdings and to you as a street-name holder.

You should expect your nominee to send you a voting instruction form either by regular mail or in an email. Your nominee generally has the right to vote your shares pursuant to your instructions. In limited circumstances, your nominee may, but is not required to, vote your shares in the absence of specific voting instructions from you for matters that are considered routine. We understand that the routine proposals to be considered at the Annual Meeting include the ratification of the selection of BDO as our independent registered accounting firm. Accordingly, if you do not give voting instructions to your nominee, it will be entitled to vote your shares in its discretion on the ratification of the appointment of BDO, and it will not vote your shares in connection with the election of directors or the approval of the 2015 Incentive Plan.

Accordingly, street-name holders need to be mindful of the following:

For your vote to be counted in our election of directors and the approval of the 2015 Incentive Plan, you will need to communicate your voting instructions to your broker, bank or other nominee before the date of our Annual Meeting.

You may also give your broker, bank or other nominee instructions on voting your shares as to the ratification of BDO's appointment. If you provide no instructions, that person may, but is not required to, exercise its discretion in voting on the ratification of the appointment of BDO as our auditors.

If your broker, bank or other nominee exercises that discretion, your shares will be treated as present at the meeting for all quorum purposes.

To ensure that you as a street-name holder are able to participate in our upcoming Annual Meeting, please review our proxy materials and follow the instructions for voting your shares on the voting instruction form that you will be receiving from your nominee.

Voting your shares is important, among other things, to ensure that we get the minimum quorum required for the Annual Meeting. Your affirmative participation in the voting process also fosters your active participation as a stockholder and helps us avoid the need and the added expense of having to contact you to solicit your vote and helps us avoid the need of having to reschedule our Annual Meeting. We hope that you will exercise your legal rights and fully participate in our future.



**Table of Contents**

You are encouraged to review our Proxy Statement and Annual Report before you cast your vote.

Whether you are a stockholder of record or a street-name holder, you may vote any shares of Common Stock that you are entitled to vote:

electronically on the internet;

by mail by using a proxy card or voting instruction form that will be furnished to you; or

by using a toll-free telephone number that will be furnished to you.

For a discussion of the mechanics of each of these means of voting, please see *How to Cast Your Vote if You are a Stockholder of Record*, *How to Cast Your Vote if You are a Street-Name Holder*, and *Other Voting and Stockholder Matters* below.

**VOTING MATTERS**

Once a quorum of the shares entitled to vote is present in person or represented by proxy at the Annual Meeting, the votes required to approve the matters to be considered at the Annual Meeting are as follows:

*Election of Directors.* Each director is elected by the affirmative vote of the majority of the votes cast for such director at the Annual Meeting.

*2015 Incentive Plan.* The approval of the 2015 Incentive Plan must be approved by the affirmative vote of a majority of the shares present at the Annual Meeting, either in person or by proxy, and entitled to vote thereon.

*Ratification of Selection of Auditors.* The affirmative vote of a majority of shares present at the Annual Meeting, either in person or by proxy, and entitled to vote thereon, is required to approve this matter.

*Voting on Other Matters.* We do not know of any other matters to be presented for consideration at the Annual Meeting. However, if any other matters are properly presented for consideration, the proxy holders will have the discretion to vote your shares on those matters in accordance with the Board of Directors' recommendations. If the Board of Directors does not make a recommendation on any such matters, the proxy holders will be entitled to vote in their discretion on those matters.

If you specify how your shares are to be voted on a matter, the shares represented by your proxy or other voting instructions will be voted in accordance with your instructions. If you do not give specific voting instructions when you grant an otherwise valid proxy, your shares will be voted as follows:

if you are a stockholder of record, FOR the election of the ten nominees for director described below;

if you are a stockholder of record, FOR the approval of the 2015 Incentive Plan; and

FOR the ratification of the selection of BDO as our independent registered public accounting firm.

Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

On any other matters that properly may come before the Annual Meeting, your proxy will be voted as recommended by the Board of Directors or, if no recommendation is made, in the discretion of the proxy holders named on the proxy card.

**Table of Contents**

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

At the Annual Meeting, the stockholders will elect the whole Board of Directors to serve until the 2016 Annual Meeting and until their successors are elected and qualified. The Board of Directors, based upon the recommendation of the Corporate Governance and Nominating Committee (the Governance Committee), has designated as nominees for election the ten persons named below, all of whom currently serve as directors.

In nominating each of those individuals, the Governance Committee and the Board considered, among other things, the Board's Corporate Governance Guidelines and Qualifications for Nomination to the Board, which were adopted in 2004 and most recently amended in February 2015, and are posted on our website at [www.3DSystems.com](http://www.3DSystems.com). These qualifications include, among other factors, a candidate's ethical character, experience and diversity of background as well as whether the candidate is independent under applicable listing standards and financially literate. In considering the re-nomination of these individuals, the Governance Committee and the Board also took into consideration the following additional factors relating to each director since the 2014 Annual Meeting:

such director's contributions to the Board;

the absence of any material change in such director's employment or responsibilities with any other organization;

such director's attendance at meetings of the Board and the Board committees on which such director serves and such director's participation in the activities of the Board and such committees;

the absence of any relationships with the Company or another organization, or any other circumstances that have arisen, that might make it inappropriate for the director to continue serving on the Board; and

the director's age and length of service on the Board. We have not adopted a retirement policy for directors.

The background and experience of each of the nominees for director that the Governance Committee and the Board considered in evaluating each nominee is set forth opposite their respective names in *Information Concerning Nominees* below. See also *Corporate Governance Matters* below, which discloses additional information about the nominees and our corporate governance policies and practices.

The Governance Committee and the Board considered each nominee's overall business experience, contributions to Board activities during 2014 and independence in their evaluation of each nominee in conjunction with the factors discussed above, but did not otherwise give greater weight to any of the factors cited above compared with any of the others. While the Board considers diversity of background and experience in its nomination decisions, we do not maintain a diversity policy relating to the composition of our Board of Directors. The Board believes that each of the nominees for director is well qualified to continue to serve as a director of the Company and that the nominees provide the mix of experience that is required to enable the Board to perform its functions.

Shares of Common Stock properly voted at the Annual Meeting will be voted FOR the election of the nominees named below unless you vote AGAINST any or all of the nominees in your voting instructions or your proxy. If any nominee becomes unavailable for any reason or if a vacancy should occur before the election (which events are not anticipated), the holders of your proxy may vote shares represented by a duly executed proxy in favor of such other person as they may determine.

**Table of Contents**

**The Board of Directors unanimously recommends that you vote FOR each of the nominees listed below.**

**Information Concerning Nominees**

The following table sets forth for each nominee for director, his or her business experience, the year in which he or she first became a director, his or her age as of the record date for the Annual Meeting, and any directorships in publicly owned companies or registered investment companies that such nominee has held during the past five years.

<b>Name</b>	<b>Business Experience</b>	<b>Director Since</b>	<b>Age</b>
William E. Curran	<p>Currently retired, Mr. Curran has served as a director of Profound Medical, an early stage company developing a treatment for prostate cancer using ablative ultrasound and guided by magnetic resonance imaging and thermometry since 2012. Previously, Mr. Curran served as non-executive Chairman and Director of Resonant Medical, an early-stage privately owned company specializing in three-dimensional ultrasound image-guided adaptive radio therapy products, until May 2010 at which time Resonant was sold to Elekta A.B. He also served until May 2009 as a director of Ventracor, a global medical device company which produced an implantable blood pump, at which time the directors brought in an administrator under Australian law. For more than five years prior to 2004, he held diverse functional and senior management positions with Philips Electronics and Philips Medical Systems. His experience at Philips Medical Systems, a medical device manufacturer, included positions as Chief Operating Officer and Chief Financial Officer, and while at Philips Electronics North America he served as President and Chief Executive Officer as well as Chief Financial Officer.</p>	2008	66
Peter H. Diamandis	<p>First elected a director in 2008, Mr. Curran brings to the Board wide experience in operations, finance and executive management both in the United States and abroad.</p> <p>Dr. Diamandis has served as the Chairman and CEO of the X PRIZE Foundation, which leads the world in designing and launching large incentive prizes to drive radical breakthroughs for the benefit of humanity since 1994. He is also the co-Founder &amp; Executive Chairman of the Singularity University, a Silicon Valley-based institution teaching graduates and executives about exponentially growing technologies and their potential to address humanity's grand challenges.</p> <p>Dr. Diamandis has founded or co-founded many of the leading entrepreneurial companies in the exponential technologies sector including Zero Gravity Corporation, Planetary Resources, Inc. and Space Adventures. He also counsels the world's top enterprises on how to utilize exponential technologies and incentivized innovation to dramatically accelerate their business objectives. He recently co-authored <i>BOLD: How To Go Big, Create Wealth, And Impact The World</i>.</p> <p>First elected a director in 2013, Dr. Diamandis brings to the Board vast knowledge of emerging technologies.</p>	2013	53





**Table of Contents**

Name	Business Experience	Director Since	Age
Charles W. Hull	<p>Mr. Hull serves as the Executive Vice President and Chief Technology Officer of the Company. He has served as a director and in various executive positions with us for more than five years. He is a founder of the Company and has served as Chief Technology Officer since 1997 and as Executive Vice President since 2000. He has also previously served in various other of our executive capacities, including Chief Executive Officer, Vice Chairman of the Board of Directors and President and Chief Operating Officer.</p>	1993	75
William D. Humes	<p>One of our founders and a director since 1993, Mr. Hull brings to the Board a broad understanding of the technologies of our industry as well as a wide-ranging historical perspective on our strategy and growth.</p> <p>Mr. Humes is Chief Financial Officer of Ingram Micro Inc., a Fortune 100 company and the world's largest wholesale technology distributor and a global leader in supply-chain and mobile device lifecycle services. Serving as Chief Financial Officer since 2005, he is responsible for Ingram Micro's global finance organization including financial planning and analysis, controllership, internal audit, tax, treasury and risk management, global shared services and strategic sourcing operations. Prior to being named Chief Financial Officer, Mr. Humes held positions of ever-increasing responsibility for Ingram Micro after joining in 1998 as Senior Director, Worldwide Financial Planning, Reporting and Accounting. Before joining Ingram Micro, Mr. Humes was at PricewaterhouseCoopers for nine years, where he took an accelerated path to senior manager. During his tenure at the firm, he was responsible for managing all aspects of professional services to numerous multinational and technology-sector companies.</p>	2014	50
Jim D. Kever	<p>A director since 2014, Mr. Humes brings to our Board wide experience in finance, operations and executive management.</p> <p>Mr. Kever has been a Principal in Voyent Partners, LLC, a venture capital firm, since 2001. He is also a director of Luminex Corporation, a manufacturer of laboratory testing equipment and Tyson Foods, Inc., an integrated processor of food products. He previously served as a director of Emdeon Business Services LLC and EBS Master, a provider of healthcare revenue and payment cycle solutions until 2011, as a director of Transaction Systems Architects, Inc., a supplier of electronic payment software products and network integration solutions until 2007 and as the President and Co-Chief Executive Officer of the Transaction Services Division of WebMD Corporation (formerly Envoy Corporation), an internet healthcare services company, from 1995 to 2001. Prior to 1995 he served as Envoy Corporation's Executive Vice President, Secretary and General Counsel.</p>	1996	62
	<p>A director since 1996, Mr. Kever brings to our Board wide experience in operations, finance and executive management.</p>		

**Table of Contents**

Name	Business Experience	Director Since	Age
G. Walter Loewenbaum, II	Mr. Loewenbaum serves as the Chairman of the Board of Directors of the Company. Mr. Loewenbaum also serves as the Chairman of the Board of Luminex Corporation, a manufacturer of laboratory testing equipment.	1999	70
Kevin S. Moore	<p>Chairman of our Board of Directors since 1999, Mr. Loewenbaum brings to our Board wide experience in operations, finance and executive management and, as a major stockholder, perspective on strategy and growth for the benefit of our stockholders.</p> <p>Mr. Moore has been with The Clark Estates, Inc., a private investment firm, for more than twenty years, where he is currently President and a director. He is also a director of Aspect Holdings, LLC, The Clark Foundation and the National Baseball Hall of Fame &amp; Museum, Inc. and Vice Chairman of the Board of Trustees of Bassett Healthcare Network.</p>	1999	60
Abraham N. Reichental	<p>A director since 1999, Mr. Moore brings to our Board wide experience in operations, finance and executive management and, as President of a major stockholder, perspective on strategy and growth for the benefit of our stockholders.</p> <p>Mr. Reichental has served as the President and Chief Executive Officer of the Company for more than five years. He became our President and Chief Executive Officer in September 2003. Previously, for more than five years, he served in various executive management positions with Sealed Air Corporation, a global manufacturer of protective, specialty and food packaging materials, most recently serving as Vice President and General Manager of Sealed Air's Shrink Packaging Division from May 2001 until September 2003 and previously as Vice President Asia-Pacific.</p>	2003	58
Daniel S. Van Riper	<p>Appointed President and Chief Executive Officer as well as a director in 2003, Mr. Reichental provides leadership to our company reflecting over 30 years of business leadership both in the United States as well as in various other countries.</p> <p>Mr. Van Riper is an independent financial consultant and from January 2002 to June 2005 was Special Advisor to Sealed Air Corporation. Previously, he was Senior Vice President and Chief Financial Officer of Sealed Air Corporation. He served as a director of Hubbell Incorporated, a manufacturer of electrical and electronics products until May 2013. He previously served as a director of DOV Pharmaceutical, Inc., a biopharmaceutical company, until 2008, New Brunswick Scientific Co., Inc., a manufacturer of biotechnology equipment, until 2007, Millennium Chemicals Inc., a manufacturer of chemicals, until 2004 and was Senior Vice President and Chief Financial Officer of Sealed Air Corporation between July 1998 and January 2002. Prior to July 1998, he was a partner of KPMG LLP, a public accounting firm, for more than 25 years.</p>	2004	74
	First elected a director in 2004, Mr. Van Riper brings to our company extensive experience in public accounting and finance as well as in operations and executive management.		



**Table of Contents**

Name	Business Experience	Director Since	Age
Karen E. Welke	<p>Currently retired, Ms. Welke held executive positions for 27 years at 3M Corporation where she last served as Group Vice President of its Medical Markets Group. During her tenure at 3M, she also had significant international experience, having served as Managing Director of 3M France for four years and previously as the European Healthcare Group Product Director headquartered in Brussels, Belgium. She served as a director of Millipore Corporation from 2002 until 2010, and chaired the compensation committee 2007-2010. She previously served as a director of Pentair, Inc. from 1995 until 2006, including 9 years as the Chair of the Audit Committee. Ms. Welke is also a director of Project HOPE, based in Millwood, Virginia.</p>	2008	70

First elected a director in 2008, Ms. Welke has extensive executive, financial and operating experience in both the United States and Europe.

---

**Table of Contents**

**CORPORATE GOVERNANCE MATTERS**

Our Board of Directors is committed to sound and effective corporate governance practices, to diligently exercising its oversight responsibilities with respect to our business and affairs consistent with the highest principles of business ethics, and to meeting the corporate governance requirements that apply to us.

*Corporate Governance Guidelines*

In 2004, the Board adopted Corporate Governance Guidelines that address various governance matters, including, among others, the functions of the Board, Board committees, director qualification standards and the director nomination process; director responsibilities; director access to management and independent advisors; director stock ownership; director orientation and continuing education; management succession; and an annual performance evaluation of the Board. The Governance Committee, discussed below, is responsible for overseeing these Guidelines, periodically assessing their adequacy and modifying them to meet new circumstances. These Guidelines were most recently revised and approved by the whole Board of Directors as of February 3, 2015, and they are posted on our website at [www.3DSystems.com](http://www.3DSystems.com) under Investor Relations and then under Corporate Governance.

*Director Independence*

Our Board of Directors is comprised of a majority of independent directors. Under the corporate governance standards of the New York Stock Exchange (the NYSE), at least a majority of our directors, and all of the members of the Audit Committee, Compensation Committee and Governance Committee, must meet the test of independence. The NYSE standards provide that, to qualify as an independent director, in addition to satisfying certain bright-line criteria, the Board must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with the company). The Board has affirmatively determined that Ms. Welke, Messrs. Curran, Humes, Kever, Loewenbaum, Moore and Van Riper and Dr. Diamandis satisfy the bright-line criteria of the listing standards of the NYSE and that they have no material relationships with us. In making its determination, the Board and the Governance Committee reviewed the related party transactions relating to Dr. Diamandis and Mr. Humes which are disclosed on page 16 of this proxy statement.

Mr. Reichental, our Chief Executive Officer (CEO), and Mr. Chuck Hull, one of our founders and our Chief Technology Officer, are also executive officers of our company and as such are not independent directors.

*Responsibility and Oversight*

Consistent with Delaware law, our business is managed by our officers under the direction and oversight of the Board of Directors. In this regard, our management, including our corporate officers, is responsible for the day-to-day management of the risks facing us, including macroeconomic, financial, strategic, operational, public reporting, legal, regulatory, political, compliance, and reputational risks. They carry out this responsibility through a coordinated effort among themselves in the management of our business.

In exercising its oversight responsibilities, as permitted by law, the Board receives and relies on reports and other information provided by management, reviews and approves matters that it is required or permitted to approve by law or our certificate of incorporation or by-laws, each as amended, and receives information relating to, and inquires into, such other matters as it deems appropriate, including our business plans, prospects and performance, succession planning, risk management and other matters for which it has oversight responsibility. The Board carries out its general oversight responsibility both by acting as a whole as well as through its committees. Among other things, the Board as a whole periodically reviews our processes for identifying, ranking and assessing risks that affect our organization as well as the output of those processes. The Board as a whole also receives periodic reports from our management on various risks, including risks of the types mentioned above facing our businesses, risks presented by transactions that are presented to the Board for approval and risks arising out of our corporate strategy.

As discussed below, the Board also maintains several standing committees with oversight responsibility for various Board functions. Although the Board has ultimate responsibility for overseeing risk, its standing

---

## Table of Contents

committees perform certain of its oversight responsibilities. For example, in accordance with its charter, the Audit Committee engages in ongoing discussions regarding major financial and accounting risk exposures and the process and system employed to monitor and control such exposures. In addition, consistent with its charter, the Audit Committee engages in periodic discussions with management concerning the process by which risk assessment and management are undertaken, and it exercises oversight with regard to the risk assessment and management processes related to, among other things, internal controls, credit, capital structure, liquidity and insurance programs. In carrying out these responsibilities, the Audit Committee, among other things, regularly reviews with the Director of Internal Audit the audits or assessments of significant accounting and audit risks conducted by Internal Audit personnel based on their audit plan, and the committee regularly meets in executive sessions with the Director of Internal Audit. The Audit Committee also regularly reviews with management our internal control over financial reporting, including any significant deficiencies or material weaknesses. As part of these reviews, the Audit Committee reviews steps taken by management to monitor, control and mitigate risks. The Audit Committee also regularly reviews with the Chief Legal Officer significant legal, regulatory and compliance matters that could have a material impact on our financial statements or business. Finally, from time to time executives who are responsible for managing particular risks report to the Audit Committee on how those risks are being controlled and mitigated.

Other Board committees also exercise responsibility to oversee risk within their areas of responsibility and expertise. For example, as noted in the section below entitled *Risk Assessment of Compensation Policies and Practices*, the Compensation Committee oversees risk assessment and management with respect to our compensation policies and practices, and it exercises oversight with respect to our retirement and 401(k) plans.

In those cases in which committees have risk oversight responsibilities, the Chairs of the committees regularly report to the full Board the significant risks facing the Company, as identified by management, and the measures undertaken by management for controlling and mitigating those risks.

### *Risk Assessment of Compensation Policies and Practices*

We have reviewed our material compensation policies and practices and have concluded that these policies and practices are not reasonably likely to have a material adverse effect on us. Specifically, our compensation programs contain many design features that mitigate the likelihood of inducing behavior that may be considered as excessive risk-taking. These features include:

a balance of fixed and variable compensation, with variable compensation tied to defined objectives that are approved by the Compensation Committee;

reasonable goals and objectives in our incentive programs;

payouts to highly compensated employees and officers modified based upon individual performance, as assessed by management and approved by the Compensation Committee;

the Compensation Committee's ability to exercise downward discretion in determining incentive program payouts; and

the requirement that all conduct be in compliance with our Codes of Conduct and Ethics as a condition to the receipt of any incentive compensation.

Based on the foregoing, we believe that our compensation policies and practices do not create inappropriate or unintended risk. We also believe that our incentive compensation arrangements do not provide incentives that encourage risk-taking beyond our ability to effectively identify and manage significant risks, are compatible with effective internal controls and our risk management practices, and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

### *Board Leadership Structure*

As noted above, Mr. Loewenbaum, an independent director, serves as Chairman of the Board of Directors, a position that he has held since 1999. As a result, the Board has separated the position of its Chairman from the position of CEO.





## **Table of Contents**

Nevertheless, as a company we do not have a policy regarding whether the Chairman and CEO roles should be combined or separated. Rather, our Board of Directors prefers to retain flexibility to choose its leadership structure and Chairman in any way that it deems best for us at any given time. The Board periodically reviews the appropriateness and effectiveness of its leadership structure given numerous factors. Currently, the Board believes that it is appropriate for Mr. Loewenbaum to remain as Chairman given his independence as a director, his background and experience and his significant holdings of our Common Stock, which enable him to reflect the views of stockholders in the deliberations of the Board of Directors. With the foregoing in mind, the Board believes that the current Board leadership structure has promoted decisive leadership, ensured clear accountability and enhanced our ability to communicate with a consistent voice to stockholders, customers, employees and other stakeholders. The Board also believes that it has assisted in the efficient conduct of Board meetings as the directors discuss key business and strategic matters and other critical issues.

While the Board believes that the separation of the positions of Chairman and CEO has been beneficial to the Company, the Board does not view any particular Board leadership structure as being preferable to any other. Accordingly, in the event that any future change in the Board's leadership structure occurs (which the Board does not currently expect to happen), the Board will take such actions with respect to its leadership structure as it then considers to be appropriate.

### *Succession Planning*

We maintain a succession plan for the CEO and other executive officers. To assist the Board with this requirement, our CEO annually leads the Board of Directors in a discussion of CEO and senior management succession. The annual review includes an evaluation of the requirements for the CEO and each senior management position and an examination of potential permanent and interim candidates for CEO and senior management positions.

### *Meetings and Meeting Attendance*

During 2014, the Board of Directors held ten meetings. In 2014, each member of the Board of Directors attended at least 75 percent of the aggregate number of meetings of the Board of Directors held during the period for which he or she has been a director and of the committees of the Board on which he or she served during the periods that he or she served. A discussion of the number of committee meetings held during 2014 appears below.

The Board holds executive sessions with only independent directors in attendance at its regular meetings and at other meetings when circumstances warrant those sessions. The CEO, any other non-independent director and other members of management are excused from these executive sessions. The Chairman of the Board or the Chairman of the Corporate Governance and Nominating Committee presides over such independent sessions of the Board.

We encourage, but do not require, all incumbent directors and director nominees to attend our annual meetings of stockholders. All of the directors then in office attended our 2014 Annual Meeting of Stockholders.

### *Committees of the Board of Directors*

The Board of Directors maintains an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, a Sustainability Committee and an Executive Committee as standing committees of the Board. As a matter of policy, all of the members of these committees are independent directors, except that Mr. Reichental, as CEO, serves on the Sustainability Committee and the Executive Committee and, as noted above, is not regarded as an independent director. Each of these committees operates under a written charter that has been approved by the Board and is posted on our website, which can be viewed by going to [www.3DSystems.com](http://www.3DSystems.com) and clicking on Investor Relations, then Corporate Governance and then selecting the appropriate charter from the list of documents on the web page. Each of these committees periodically reviews its written charter and updates its charter as necessary.

**Table of Contents**

The table below provides membership information for each of the Board's standing committees as of the date of this Proxy Statement.

Director Name	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Sustainability Committee	Executive Committee
William E. Curran	X*				X
Peter H. Diamandis				X	
William D. Humes				X	
Jim D. Kever			X	X*	
G. Walter Loewenbaum, II		X			X*
Kevin S. Moore	X		X*		X
Abraham N. Reichental				X	X
Daniel S. Van Riper	X	X			
Karen E. Welke		X*	X		

\* Chairperson  
Audit Committee

In addition to the risk oversight matters discussed above, the principal responsibilities of the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities for:

monitoring our systems of internal accounting and financial controls;

our public reporting processes;

the retention, performance, qualifications and independence of our independent registered public accounting firm;

the performance of our internal audit function;

the annual independent audit of our consolidated financial statements;

the integrity of our consolidated financial statements; and

our compliance with legal and regulatory requirements.

The Audit Committee has the ultimate authority and responsibility to select, evaluate and approve the terms of retention and compensation of, and, where appropriate, to replace our independent registered public accounting firm, subject to ratification of the selection of that public accounting firm by our stockholders at the Annual Meeting. The current members of the Audit Committee are Messrs. Curran (Chair), Moore and Van Riper.

The Board of Directors has determined that each member of the Audit Committee is an audit committee financial expert as defined in the regulations of the Securities and Exchange Commission and therefore meets the requirement of the listing standards of the NYSE of having accounting or related financial management expertise.

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

The Audit Committee held five meetings in 2014. It also held private sessions with our independent registered public accounting firm and the Director of Internal Audit at several of its meetings. Our Director of Internal Audit reports to the Chairman of the Audit Committee.

The report of the Audit Committee is set forth beginning on page 31 of this Proxy Statement.

**Table of Contents**

*Compensation Committee*

In addition to the risk oversight matters discussed above, the principal responsibilities of the Compensation Committee are to:

determine the compensation of our CEO;

determine the compensation of all of our other executive officers, each direct report of the CEO, and any of our other employees or employees of any of our subsidiaries who have a base annual salary of \$300,000 or more;

administer our equity compensation plans and authorize the issuance of shares of Common Stock and other equity instruments under those plans; and

perform the duties and responsibilities of the Board of Directors under our Section 401(k) Plan.

Consistent with the requirements of the listing standards of the NYSE, the CEO may not be present during voting or deliberations regarding his or her compensation. The members of the Compensation Committee are Ms. Welke (Chair) and Messrs. Loewenbaum and Van Riper. The Compensation Committee held nine meetings in 2014, in addition to various unanimous consents.

The report of the Compensation Committee appears on page 43 of this Proxy Statement.

*Compensation Committee Interlocks and Insider Participation*

None of our current executive officers served during 2014 as a director of any entity with which any of our outside directors is associated or whose executive officers served as one of our directors, and, except as noted below, none of the members of the Compensation Committee has been an officer or employee of the Company or any of our subsidiaries.

Mr. Loewenbaum, while previously elected as a director of the Company, was an employee of the Company from 1999 until 2002.

*Corporate Governance and Nominating Committee*

The principal responsibilities of the Governance Committee are to:

assist the Board in identifying individuals qualified to become Board members;

recommend to the Board nominees to be elected at annual meetings of stockholders;

fill vacancies or newly created directorships at other times;

recommend to the Board the corporate governance guidelines applicable to the Company;

lead the Board in its reviews of the performance of the Board and its committees; and

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

recommend to the Board nominations of the directors to serve on each committee.

The current members of the Governance Committee are Messrs. Moore (Chair) and Keever and Ms. Welke. The Governance Committee held three meetings in 2014.

### *Sustainability Committee*

The principal responsibilities of the Sustainability Committee are to:

monitor the social, political, environmental, public policy, legislative and regulatory trends, issues and concerns that could affect our sustainable business model, processes, resources, activities, strategies, and other capabilities, and make recommendations to the Board and management regarding how we should respond to social and environmental trends, issues and concerns to more effectively achieve our sustainable business goals;

assist management in setting strategy, establishing goals and integrating social and environmental shared value creation and inclusion into daily business activities across the Company consistent with sustainable growth;

## Table of Contents

review new technologies and other innovations that will permit us to achieve sustainable growth;

consider the impact that our sustainability policies, practices and strategies have on employees, customers, dealers, suppliers, the environment and the communities in which we operate; and

consider and make recommendations regarding support provided by us for charitable, civic, educational and business organizations that impact our initiatives and efforts for social and environmental shared value creation and inclusion.

The current members of the Sustainability Committee are Messrs. Kever (Chair), Humes and Reichental and Dr. Diamandis. The Sustainability Committee held one meeting in 2014.

### *Executive Committee*

The principal responsibilities of the Executive Committee are to function on behalf of the Board of Directors during intervals between meetings of the Board and to guide our strategic planning.

The members of the Executive Committee are Messrs. Loewenbaum (Chair), Curran, Moore and Reichental. The Executive Committee held six meetings in 2014.

### *Stockholdings of Directors*

Among the factors considered under our *Qualifications for Nomination to the Board* discussed above is an expectation that each director will hold during his or her term of office a meaningful number of shares of our Common Stock. Shares awarded under the 2004 Restricted Stock Plan for Non-Employee Directors (the *Directors Stock Plan*) and shares acquired upon the exercise of options granted under our 1996 Stock Option Plan for Non-Employee Directors are taken into account as are any other securities that the director holds beneficially. It is expected that directors will retain during their term of office at least 50% of the shares of Common Stock acquired under those plans. Several of our directors beneficially own substantial numbers of shares of our Common Stock. See *Director Compensation* and *Security Ownership of Certain Beneficial Owners and Management* below.

### *Stockholder Communications with the Board of Directors*

Stockholders and other interested persons may communicate with the Board by sending an email to BoardofDirectors@3DSystems.com or by sending a letter to the Board of Directors of 3D Systems Corporation, c/o Corporate Secretary, 333 Three D Systems Circle, Rock Hill, South Carolina 29730.

We believe that providing a method for interested parties to communicate directly with our independent directors, rather than to the full Board, would provide a more confidential, candid and efficient method of relaying any interested party's concerns or comments. The presiding director of independent executive sessions of directors is the Chairman of the Board. The presiding director may be contacted by any party by sending a letter to the Presiding Independent Director of 3D Systems Corporation, c/o Corporate Secretary, 333 Three D Systems Circle, Rock Hill, South Carolina 29730.

All communications must contain a clear notation indicating that they are a *Stockholder-Board Communication* or a *Stockholder-Director Communication* and must identify the author.

The office of the Corporate Secretary will receive the correspondence and forward appropriate correspondence to the Chairman of the Board or to any individual director or directors to whom the communication is directed. We reserve the right not to forward any communication that is hostile, threatening or illegal, does not reasonably relate to the Company or its business or is similarly inappropriate. The office of the Corporate Secretary has authority to discard or disregard any inappropriate communication or to take any other action that it deems to be appropriate with respect to any inappropriate communications.

We also welcome communications from our stockholders that are consistent with applicable law and are initiated through our Vice President, Investor Relations, who may be contacted at (803) 326-4010 or Investor.Relations@3dsystems.com.



---

**Table of Contents**

*Code of Conduct and Code of Ethics*

Our Code of Conduct applies to all of our employees worldwide, including all of our officers. We separately maintain a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and all other senior financial executives and to directors of the Company when acting in their capacity as directors.

These documents are designed to set high standards of business conduct and ethics for our activities and to help directors, officers and employees resolve ethical issues. The purpose of our Code of Conduct and our Code of Ethics is to provide assurance to the greatest possible extent that our business is conducted in a consistently legal and ethical manner. Employees may submit concerns or complaints regarding ethical issues on a confidential basis by means of a toll-free telephone call to an assigned voicemail box. We investigate all concerns and complaints.

We intend to disclose amendments to, or waivers from, any provision of the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer or Controller and persons performing similar functions and that relates to any element of the Code of Ethics described in Item 406(b) of Regulation S-K by posting such information on our website, which can be viewed by going to [www.3DSystems.com](http://www.3DSystems.com) and clicking on Investor Relations, then Corporate Governance and then selecting the document titled Code of Conduct or Code of Ethics from the list of documents on the web page. There have been no such waivers since the date of the proxy statement for our 2014 Annual Meeting.

*Related Party Transaction Policies and Procedures*

In addition to the provisions of our Code of Conduct and Code of Ethics that deal with conflicts of interest and related-party transactions, we have adopted a Related Party Transaction Policy that is designed to confirm our position that related-party transactions should be avoided except when they are in our interests and to require that certain types of transactions that may create conflicts of interest or other relationships with related parties are approved in advance by the Board of Directors and a committee composed of directors who are independent and disinterested with respect to the matter under consideration. This policy applies to transactions meeting the following criteria:

the amount involved will or may be expected to exceed \$120,000 in any calendar year;

we or any of our subsidiaries would be a participant; and

any person who is or was in the current or immediately preceding calendar year an executive officer, director, director nominee, greater than five percent beneficial owner of our Common Stock or immediate family member of any of the foregoing has or will have a direct or indirect interest.

In adopting this policy, the Board reviewed certain types of transactions and deemed them to be pre-approved even if the amount involved exceeds \$120,000. These types of transactions include:

employment arrangements with executive officers where such executive officer's employment in that capacity and compensation for serving as an executive officer has been approved by the Board, the Compensation Committee or another committee of independent directors;

director compensation arrangements where such arrangement has been approved by the Governance Committee (or another committee of independent directors) and the Board;

awards to executive officers and directors under compensatory plans and arrangements pursuant to our Amended and Restated 2004 Incentive Stock Plan (the 2004 Incentive Stock Plan) and Directors Stock Plan, the exercise by any executive officer or director of any previously awarded stock option that is exercised in accordance with its terms and any grants or awards made to any director or



## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

executive officer under any other equity compensation plan that has been approved by our stockholders;

certain transactions with other companies where a related party has a *de minimis* relationship (as described in the policy) with the other company and the amount involved in the transaction does not exceed the lesser of \$500,000 or two percent of the other company's total annual revenue;

---

**Table of Contents**

charitable contributions made by us to a charitable organization where a related party has a *de minimis* relationship and the amount involved does not exceed the lesser of \$10,000 or two percent of the charitable organization's total annual receipts and charitable contributions under any matching program maintained by us that is available on a broad basis to employees generally; and

other transactions where all security holders receive proportional benefits.

Under the terms of our Related Party Transaction Policy, when considering whether to approve a proposed related party transaction, factors to be considered include, among other things, whether such transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction.

One of our directors, Dr. Diamandis, is also the Co-Founder and Executive Chairman of Singularity University, a Silicon Valley-based institution teaching graduates and executives about exponentially growing technologies. In March 2014, our Board approved a \$1,000,000 partnership and sponsorship fee for Singularity University in connection with our becoming a Title Partner with the university. In connection with this partnership, we paid \$500,000 to the university in 2014 and \$250,000 to the university in 2015. We expect to establish a long-term partnership jointly benefiting Singularity University and us, as measured by agreed upon targets and objectives that include access to thought-leadership, initiatives focused on growth and global impact and exposure for us through university programs, channels and partners.

One of our directors, Mr. Humes, is the Chief Financial Officer of Ingram Micro. During 2014, we sold \$506,428 worth of products to Ingram Micro, which is one of our distributors.

We employ Adam Reichental, son of our CEO and President, Mr. Abraham Reichental, and Alyssa Hoyt, daughter of Mr. Reichental, each in the ordinary course. For 2014, Mr. Adam Reichental's total annual compensation including base salary, bonus and equity awards was approximately \$205,000 and Ms. Hoyt's total annual compensation including base salary, bonus and equity awards was approximately \$148,000.

A copy of our Related Party Transaction Policy is posted on our website, which can be viewed by going to [www.3DSystems.com](http://www.3DSystems.com) and clicking on Investor Relations, then Corporate Governance and then selecting the document titled Related Party Transaction Policies and Procedures from the list of documents on the web page.

*Policy on Hedging Transactions*

Since 2005, our Insider Trading Policy has contained provisions to the effect that we consider it inappropriate for anyone who is employed by or associated with us to engage in short-term or speculative transactions in our securities. This policy includes within its coverage short sales, which for directors and executive officers of the company are prohibited by Section 16(c) of the Securities Exchange Act of 1934, as amended (the Exchange Act). It also prohibits transactions in publicly traded options, such as puts, calls and other derivative securities, or other hedging transactions on a securities exchange or other organized market. Our Insider Trading Policy requires that our executive officers and directors pre-clear any transactions in our securities with our Chief Legal Officer or Assistant General Counsel.

*Clawbacks of Incentive Compensation*

As part of its Corporate Governance Guidelines, the Board has adopted a policy on the clawback of incentive compensation. We are pleased that it has not been necessary for us to invoke this policy. Under the terms of this policy, if the Board or an appropriate Board committee has determined that any fraud or intentional misconduct by one or more executive officers caused, directly or indirectly, the Company to restate its financial statements, subject to applicable law, the Board shall take, in its sole discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. The Board, subject to applicable law, may require reimbursement of any bonus or incentive compensation awarded to such officers and/or effect the cancellation of unvested restricted stock or outstanding stock option awards previously granted to such officers in the amount by which such compensation exceeded any lower payment that would have been made based on the restated financial results.

**Table of Contents**

The Board recognizes that the Dodd-Frank legislation enacted in 2010 may, following rule making, require some modification of this policy. The Board intends to review any rules adopted as a result of that legislation and to adopt any modifications to this policy that become required by applicable law.

*Additional Information on Executive Officers*

We provide biographical and other information on our executive officers in our Annual Report on Form 10-K. In addition, our Vice President, Chief Accounting Officer, David R. Styka, served as the Chief Accounting Officer of Wellman, Inc., at the time that company filed for Chapter 11 bankruptcy protection at the U.S. Bankruptcy Court for the Southern District of New York in February 2008. He served in such role from March 2007 until he left the company in July 2008 to join Family Dollar Stores, Inc.

*Availability of Information*

As noted above:

The Board of Directors has adopted a series of corporate governance documents, including Corporate Governance Guidelines, a Code of Conduct for our employees, a Code of Ethics for Senior Financial Executives and Directors and a Related Party Transaction Policy; and

Each standing committee of the Board operates under a written charter that has been approved by the Board. Each of these documents is available online and can be viewed on our website by going to [www.3DSystems.com](http://www.3DSystems.com) and clicking on Investor Relations, then Corporate Governance and then selecting the appropriate document from the list on the web page.

**DIRECTOR COMPENSATION****Director Compensation for 2014**

The following table sets forth information concerning all compensation of each of our independent directors for their services as a director during the year ended December 31, 2014.

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards(2)</b>	<b>Total(3)</b>
G. Walter Loewenbaum, II	\$ 180,000	\$ 99,996	\$ 279,996
William E. Curran	\$ 118,000	\$ 99,996	\$ 217,996
Peter H. Diamandis	\$ 68,750	\$ 99,996	\$ 168,746
William D. Humes <sup>(1)</sup>	\$ 47,656	\$ 149,255	\$ 196,911
Jim D. Keever	\$ 72,091	\$ 99,996	\$ 172,087
Kevin S. Moore	\$ 105,250	\$ 99,996	\$ 205,246
Daniel S. Van Riper	\$ 99,500	\$ 99,996	\$ 199,496
Karen E. Welke	\$ 87,750	\$ 99,996	\$ 187,746

(1) Mr. Humes began serving on the Board of Directors on May 19, 2014.

(2)

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

Represents the grant date fair value of awards (the Grant Date Fair Value ) made in 2014 under the Directors Stock Plan. Grant Date Fair Value includes awards of 2,030 shares of Common Stock made to directors in office on May 19, 2014 minus the \$2.03 purchase price for the shares covered by each award paid by the recipients. Such awards were, as provided for by such Plan, valued based on the closing market price of our Common Stock (\$49.26 per share) on May 19, 2014, the date of grant. Also included is an

---

**Table of Contents**

award of 3,030 shares of Common Stock made to Mr. Humes who was elected as a director on May 19, 2014. These shares represent an initial grant of 1,000 shares and an interim grant of 2,030 shares in accordance with the terms of the Directors Stock Plan covering awards to new directors. We have accounted for all of such shares in accordance with Accounting Standards Codification Section 718 ( ASC 718 ), Stock Compensation.

As of December 31, 2014, each of our independent directors then in office had received since the Director Stock Plan s adoption in 2004 awards on a split-adjusted basis covering 73,941 shares of Common Stock pursuant to this Plan, except for Mr. Van Riper who was first elected to the Board of Directors in 2004 and had received awards on a split-adjusted basis covering 71,910 shares of Common Stock pursuant to this Plan, Mr. Curran who was first elected to the Board on January 24, 2008 and had received awards on a split-adjusted basis covering 43,851 shares of Common Stock pursuant to this Plan, Ms. Welke who was first elected to the Board on May 20, 2008 and had received awards on a split-adjusted basis covering 40,941 shares of Common Stock pursuant to this Plan, Dr. Diamandis who was first elected to the Board on July 23, 2013, and had received awards covering 4,730 shares of Common Stock pursuant to this Plan, and Mr. Humes who was first elected to the Board on May 19, 2014, and had received awards covering 3,030 shares of Common Stock pursuant to this Plan. See *Directors Stock Plan* below.

(3) As of December 31, 2014, none of our independent directors held stock options.

**Directors Fees**

Director compensation is set by the Board, based upon the recommendation of the Governance Committee. We pay the following cash compensation to directors:

Mr. Loewenbaum, as the Chairman of the Board of Directors, receives a fee of \$300,000 per annum for serving as Chairman. This amount was increased from \$180,000 per annum effective January 1, 2015 in an effort to bring the Chairman s compensation better in line with the Board retainers and fees and the compensation paid to chairs by similarly sized companies.

Independent directors (other than the Chairman of the Board) receive an annual retainer of \$50,000 per year.

Each member of the Audit Committee (other than its Chairman) receives a \$10,000 annual retainer.

The Chairman of the Audit Committee receives an annual retainer of \$30,000 per year.

The Chairs of the Compensation Committee and the Governance Committee each receive a \$5,000 annual retainer.

The following meeting fees are paid to independent directors other than the Chairman of the Board:

A meeting fee of \$2,000 for each regular or special Board meeting attended.

Members of the Audit Committee receive a fee of \$2,000 for each committee meeting attended on a day other than a day on which the Board is holding a regularly scheduled Board meeting.

For meetings of other standing committees of the Board, members of those committees receive a fee of \$1,500 for each committee meeting attended on a day other than a day on which the Board is holding a regularly scheduled Board meeting.

For meetings of any standing committee of the Board attended by a member of such committee on a day on which the Board is holding a regularly scheduled Board meeting, attendees receive 50% of the meeting fee that would otherwise be payable to such director.

A director who attends by invitation a meeting of a committee that he or she is not a member of is similarly entitled to receive a meeting fee.

Ms. Welke and Messrs. Curran, Humes, Keever, Moore and Van Riper and Dr. Diamandis are entitled to receive these cash meeting fees.

## **Table of Contents**

As discussed below, independent directors also participate in the Directors Stock Plan. Directors are also entitled to be reimbursed for their expenses of attendance at meetings of the Board of Directors or its committees.

Messrs. Reichental and Charles W. Hull, our other directors, are also executive officers of the Company. Their compensation is described below under *Executive Compensation*.

### **Directors Stock Plan**

The stockholders approved the Directors Stock Plan in May 2004. Under this Plan, each director who is neither one of our officers or employees nor an officer or employee of any of our subsidiaries or affiliates (referred to in the Plan as a Non-Employee Director ) is eligible to receive grants of Common Stock under the Plan as described below. Of the current directors, Messrs. Curran, Humes, Keever, Loewenbaum, Moore and Van Riper and Ms. Welke and Dr. Diamandis are entitled to participate in this Plan and to receive stock grants, as follows:

*Annual Grants.* Upon the adjournment of each annual meeting of the stockholders, each Non-Employee Director who has been elected a director at that annual meeting receives a grant of 3,000 shares of Common Stock.

*Interim Grants.* Any Non-Employee Director who is first elected a director other than at an annual meeting receives on the date of election a pro rata portion of the annual grant that the director would have received if elected at the preceding annual meeting.

*Initial Grants.* Each newly elected Non-Employee Director receives an initial grant of 1,000 shares of Common Stock when he or she is first elected to the Board.

Notwithstanding the stock grant amounts described above, the Directors Stock Plan limits the value of any award of shares made to an eligible director to \$100,000 valued on the date of the award.

As a condition of each award under the Directors Stock Plan, each participant is required to pay an issue price equal to the \$0.001 par value per share of Common Stock issued under the Plan, to execute an agreement to hold the shares covered by such grant in accordance with the terms and conditions of the Plan (including, without limitation, restrictions on transferability provided for in the Plan) and to comply with certain other terms and conditions of the grant. Except in limited circumstances provided for in the Plan, a Non-Employee Director is not permitted to sell, transfer, pledge or otherwise dispose of shares of Common Stock awarded under the Plan as long as (a) the Non-Employee Director remains a director of the Company or (b) a change of control as provided for in the Plan has not occurred. Non-Employee Directors who hold shares of Common Stock under the Plan are entitled to voting rights and any dividends paid with respect to such shares. Shares of Common Stock issued under the Plan are considered to be fully vested when issued.

The Directors Stock Plan authorizes the issuance of up to 600,000 shares of Common Stock for awards under the Plan, subject to further adjustment in the event of changes in the Common Stock by reason of any stock dividend, stock split, combination of shares, reclassification, recapitalization, merger, consolidation, reorganization or liquidation. At December 31, 2014, 132,715 shares of Common Stock remained available for issuance under this Plan. We record an amount equal to the fair market value of each award on the date of grant less the amount paid by the director for the number of shares awarded as director compensation expense in our accounts as of the date of grant.

The Directors Stock Plan does not prevent the Board of Directors from exercising its authority to approve the payment of additional fees to members of the Board of Directors, to adopt additional plans or arrangements relating to the compensation of directors or to amend the existing cash fees paid to directors.

**Table of Contents**

The number of shares awarded to each Non-Employee Director since the adoption of the Directors Stock Plan in 2004 and their aggregate fair market value at December 31, 2014, the last business day of the year (\$32.87 per share), on a split-adjusted basis but without deduction for the purchase price of these shares, is set forth in the following table.

<b>Name</b>	<b>Prior Years</b>	<b>2014</b>	<b>Value at December 31, 2014</b>
G. Walter Loewenbaum, II	71,911	2,030	\$ 2,430,441
William E. Curran	41,821	2,030	\$ 1,441,382
Peter H. Diamandis	2,700	2,030	\$ 155,475
William D. Humes		3,030	\$ 99,596
Jim D. Kever	71,911	2,030	\$ 2,430,441
Kevin S. Moore	71,911	2,030	\$ 2,430,441
Daniel S. Van Riper	69,880	2,030	\$ 2,363,682
Karen E. Welke	38,911	2,030	\$ 1,345,731
<b>Total</b>	<b>369,045</b>	<b>17,240</b>	<b>\$ 12,697,189</b>



---

**Table of Contents**

**PROPOSAL TWO**

**APPROVAL OF 2015 INCENTIVE PLAN**

The Company is requesting that stockholders approve the 2015 Incentive Plan, including the authorization of 6,300,000 shares of our Common Stock for issuance thereunder, which plan was approved by the Board of Directors on March 11, 2015, and has been recommended by the Board of Directors for approval by the stockholders at the Annual Meeting. The 2015 Incentive Plan will become effective upon approval by the stockholders. A copy of the 2015 Incentive Plan is attached as Annex A to this Proxy Statement.

**Purpose of 2015 Incentive Plan and Board Rationale for Recommendation to Stockholders**

The Company currently has in effect the 2004 Incentive Stock Plan, which was approved by stockholders in 2004 and 2009, and the Directors Stock Plan, which was approved by stockholders in 2004. The Board of Directors believes that both of these equity plans have benefited the Company and expects that the 2015 Incentive Plan, if approved by stockholders, will also benefit the Company. As of March 23, 2015, we had 113,962 shares left under the 2004 Incentive Stock Plan and 132,715 shares left under the Directors Stock Plan and we plan to continue to use these plans until the remaining shares have been granted.

The purpose of the 2015 Incentive Plan is to assist us in attracting and retaining employees and consultants of outstanding competence by providing an incentive that permits the persons responsible for our growth to share directly in that growth and to further the identity of their interests with the interests of our stockholders.

The Board of Directors believes that stockholder approval of the 2015 Incentive Plan is necessary to enable us to maintain an effective compensation program and to provide the flexibility to responsibly address our future compensation needs. Our continued ability to make equity compensation awards is vital to our ability to recruit and retain key employee talent. As discussed elsewhere in this Proxy Statement, equity-based awards are an important element of our overall compensation program both for executive officers as well as other key employees, and we believe that they are an important factor in aligning the interests of recipients with the interests of our stockholders.

Stockholder approval is also requested so that awards under the 2015 Incentive Plan can qualify as performance based compensation under Internal Revenue Code Section 162(m). In addition, the 2015 Incentive Plan contains the following important corporate governance features:

Repricing of stock options and stock appreciation rights is prohibited unless stockholder approval is obtained.

Stock options and stock appreciation rights must be granted with an exercise price that is not less than 100% of the fair market value on the date of grant.

The ability to automatically receive replacement stock options when a stock option is exercised with previously acquired shares of common stock or so-called stock option reloading is not permitted.

No liberal share recycling provisions.

Awards are subject to any Company recoupment or clawback policy in effect at the relevant grant or vesting date. If the Company's stockholders do not approve the 2015 Incentive Plan, the 2004 Incentive Plan and the Directors Stock Plan will still continue in effect until they expire. Once the existing 2004 Incentive Plan and the Directors Stock Plan expire, or once the shares of Common Stock remaining available for issuance under those plans are used, the Compensation Committee will be unable to make equity-based awards. Compensation for the Company's employees (including the executive officers) and directors would then be solely in cash. Paying compensation completely in cash would significantly reduce the alignment of management's interests with those of the Company's stockholders, which is primarily achieved through the issuance of equity-based incentive awards that are available only through a current incentive plan. Moreover, compensating the Company's employees and directors only in cash would reduce the Company's available cash at a time when the Company may

be conserving cash or allocating cash to other business purposes. Finally, without the 2015 Incentive Plan and the incentive awards it makes possible, the Company will have a more difficult time retaining its key personnel and hiring the best available people.

---

**Table of Contents**

**Summary of 2015 Incentive Plan**

*Administration*

The 2015 Incentive Plan will be administered by the Compensation Committee of our Board of Directors or a subcommittee thereof, which consists of at least two directors who are both Non-Employee Directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ). The members of the Compensation Committee hold office at the pleasure of the Board of Directors. The Compensation Committee has the authority to grant awards under the 2015 Incentive Plan and has broad discretion to determine the terms and conditions of such awards, subject to the provisions of the 2015 Incentive Plan. Notwithstanding the foregoing, only the full Board of Directors may grant and administer awards under the 2015 Incentive Plan to non-employee directors. The plan year is the calendar year. See Meetings and Committees of the Board of Directors Compensation Committee.

*Eligibility and Types of Awards under the 2015 Incentive Plan*

The 2015 Incentive Plan permits the granting of restricted stock, restricted stock units, stock options, stock appreciation rights ( SARs ), performance awards and incentive awards. Employees (including employee directors and executive officers) and consultants of the Company and its subsidiaries and affiliates and our non-employee directors will be eligible to participate in the 2015 Incentive Plan.

Accordingly, each non-employee member of the Board of Directors, each executive officer and each person who previously served as an executive officer during fiscal 2014 and remains employed by us has an interest in Proposal Two. As of March 23, 2015, approximately 2,700 employees (including executive officers) would be eligible to participate in the 2015 Incentive Plan. In addition, non-employee directors (currently 8 persons) will be eligible to participate in the 2015 Incentive Plan.

As of the record date for the 2015 Annual Meeting, the per share closing price of our Common Stock as reported on the NYSE was \$27.96.

*Shares Available for Issuance, Dilution and Overhang*

The total number of shares of our Common Stock reserved and available for issuance under the 2015 Incentive Plan is six million three hundred thousand (6,300,000) shares.

In the event of any change in the outstanding shares of Common Stock or other securities then subject to the 2015 Incentive Plan by reason of any stock split, reverse stock split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, or if the outstanding securities of the class then subject to the 2015 Incentive Plan are exchanged for or converted into cash, property or a different kind of security, or if cash, property or securities are distributed in respect of such outstanding securities (other than a regular cash dividend), then, unless the terms of such transaction shall provide otherwise, such equitable adjustments shall be made in the 2015 Incentive Plan and the awards thereunder (including, without limitation, appropriate and proportionate adjustments in (i) the number and type of shares or other securities that may be acquired pursuant to awards theretofore granted under the 2015 Incentive Plan; (ii) the maximum number and type of shares or other securities that may be issued pursuant to awards thereafter granted under the 2015 Incentive Plan; (iii) the number of shares of restricted stock and shares of Common Stock under restricted stock units that are outstanding and the terms thereof; and (iv) individual grant limits (described below)) as the Compensation Committee determines are necessary or appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock available for distribution under the 2015 Incentive Plan.

If any award is cancelled, forfeited, expires or otherwise terminates without the issuance or delivery of nonforfeitable shares of Common Stock, or if any award is settled for cash or otherwise does not result in the issuance of all or a portion of the shares of Common Stock subject to such award, then the shares of Common Stock subject to the award shall, to the extent of such cancellation, forfeiture, expiration, termination, cash settlement or non-issuance, again be available for issuance under the 2015 Incentive Plan.

**Table of Contents**

In the event that (i) any stock option granted under the 2015 Incentive Plan is exercised through the tendering of shares of Common Stock or by the withholding of shares of Common Stock by the Company or (ii) withholding tax liabilities resulting from an award are satisfied by the withholding of shares of Common Stock, then the number of shares tendered or withheld shall not be available for future grants of awards. If Common Stock is issued in settlement of a SAR, the number of shares of Common Stock available under the 2015 Incentive Plan shall be reduced by the number of shares of Common Stock for which the SAR is exercised rather than the number of shares of Common Stock issued in settlement of the SAR.

Recent annual grant levels for the preceding three years have averaged approximately 884,000 full value shares (shares of restricted stock) for an average annual burn rate of approximately 1.81%. The burn rate is the ratio of the number of shares underlying awards granted under all current stock incentive plans during a fiscal year to the number of weighted average shares outstanding at the corresponding fiscal year-end.

Set forth below is the number of shares available for issuance pursuant to outstanding and future equity awards under all of our current equity plans as of March 23, 2015:

Shares reserved for issuance pursuant to outstanding unvested restricted shares/units*	2,798,558
Shares available for issuance pursuant to future equity awards**	246,677
Total shares available for future issuance	3,045,235

\* These shares have not yet vested and remained subject to forfeiture. There are no outstanding options, warrants or rights.

\*\* After giving effect to repurchases or forfeitures of previously granted restricted stock awards.

The above total of 3,045,235 shares represents an overhang, or voting power dilution, of approximately 2.65% based on 111,797,093 outstanding shares as of March 23, 2015. If the 2015 Incentive Plan is approved, the additional 6,300,000 shares available for issuance under the 2015 Incentive Plan would increase the overhang to 7.71%. We calculate overhang as the total of (a) shares underlying outstanding awards plus shares available for issuance under future equity awards, divided by (b) the total number of shares outstanding, shares underlying outstanding awards and shares available for issuance under future equity awards.

When considering the number of shares authorized under the 2015 Incentive Plan, the Compensation Committee reviewed, among other things, the potential dilution to our current stockholders as measured by burn rate and overhang, projected future share usage and projected future forfeitures. The projected future usage of shares for long-term incentive awards under the 2015 Incentive Plan was reviewed under scenarios based on a variety of assumptions.

*Individual Grant Limits*

No participant in the 2015 Incentive Plan may be granted awards during any plan year in excess of any of the following limits: options covering in excess of 500,000 shares; stock appreciation rights covering in excess of 500,000 shares; performance awards (as defined below) in excess of 500,000 shares or incentive awards (as defined below) covering in excess of 500,000 shares or \$3,500,000 if such incentive award is denominated in cash. In addition, non-employee directors may only be granted awards under the 2015 Incentive Plan covering 10,000 or fewer shares per year.

*Awards*

*Restricted Stock.* Restricted stock, i.e., shares of Common Stock that may be subject to vesting requirements, transfer restrictions or both, may be awarded under the 2015 Incentive Plan. Restricted stock may be granted subject to such restrictions and provisions as may be established by the Compensation Committee, consistent with the terms of the 2015 Incentive Plan. The restrictions may be based on performance standards, periods of service, retention by the participant of ownership of specified shares of Common Stock or other criteria.

## **Table of Contents**

The Compensation Committee may condition awards of restricted stock on the participant paying a price set by the Compensation Committee at the time and in the manner prescribed by the Compensation Committee.

A participant will have all of the rights of a stockholder with respect to shares of Common Stock subject to a restricted stock award. Accordingly, the participant will have the right to vote the shares and receive dividends on the shares even during the restriction period. However, if restricted stock is granted in the form of a performance award (described below), dividends on the shares will be accumulated and paid when, and to the extent that, the vesting requirements of the performance award are satisfied.

Restricted stock shall be forfeited and returned to the Company, and all rights of the participant with respect to such restricted stock shall terminate unless the participant continues in the service of the Company, a subsidiary or an affiliate until the expiration of the restricted period for such restricted stock and satisfies any and all other conditions established by the Compensation Committee. The Compensation Committee shall determine the restricted period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any restricted stock.

*Restricted Stock Units.* Restricted stock units, i.e., a notional bookkeeping entry that represents the equivalent of a share of Common Stock, may be granted under the 2015 Incentive Plan. Restricted stock units may be granted subject to such restrictions and provisions, whether based on performance standards, periods of service, retention by the participant of ownership of specified shares of Common Stock or other criteria, not inconsistent with the terms of the 2015 Incentive Plan, as may be established by the Compensation Committee.

Restricted stock units that are earned and vested may be settled in cash or Common Stock, as determined by the Compensation Committee.

Restricted stock units shall be forfeited, and all rights of the participant with respect to such restricted stock units shall terminate unless the participant continues in the service of the Company, a subsidiary or an affiliate until the expiration of the restricted period for such restricted stock unit award and satisfies any and all other conditions established by the Compensation Committee. The Compensation Committee shall determine the restricted period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any restricted stock unit award.

A participant will not have any rights as a stockholder with respect to any restricted stock units. However, the Compensation Committee has the discretion to provide for the payment of dividend equivalents to the participant in connection with restricted stock unit awards. Unless restricted stock units are earned or become vested solely on account of continued employment or service, any dividend equivalents will be accumulated and paid when, and to the extent that, the restricted stock units are earned or become vested.

*Stock Options.* Stock options may be granted under the 2015 Incentive Plan. A stock option entitles the participant to purchase shares of Common Stock from the Company at the option price. Two types of options – incentive stock options ( ISOs ) and nonqualified stock options ( NQSOs ) – may be granted under the 2015 Incentive Plan. The two types of options differ primarily in the tax consequences attending the exercise of an option and the disposition of the shares received upon exercise of an option. The exercise price per share of any stock option granted under the 2015 Incentive Plan will not be less than the fair market value per share of the Company's Common Stock on the date the option is granted. In the case of an ISO granted to a person who owns or is deemed to own more than ten percent of the voting power of the Company, the exercise price per share of the ISO will not be less than 110% of the fair market value per share of the Company's Common Stock on the date the ISO is granted. The maximum term of any stock option will be ten years from the date of grant (except that the maximum term is five years in the case of an ISO granted to a ten percent stockholder). Stock options may be exercised by paying the exercise price (i) in cash, (ii) through a cashless exercise (which will be conducted in a manner acceptable to the Company through a third party broker, and otherwise in compliance with Section 402 of the Sarbanes Oxley Act), (iii) in which the exercise price is subtracted from the value of the shares of Common Stock received by the participant upon exercise of the stock option (based on the fair market value of the Common Stock on the date the option is exercised), or (iv) by the surrender of Common Stock which, if acquired upon the exercise of an award, has been owned by the participant for more than six months on the date of surrender and has a fair market value on the date of surrender that, together with any cash paid, is equal to the aggregate exercise price of the Common Stock as to which said stock option shall be exercised.

## **Table of Contents**

Except as otherwise expressly approved by the Compensation Committee, if a participant terminates employment or service with the Company by reason of death or disability (as defined in the 2015 Incentive Plan), any stock option held by that participant may be exercised by the participant or the participant's beneficiary in the case of death, for the number of shares that the participant was eligible to exercise on the date of such death or disability, until the expiration of twelve months after the date of such death or disability, provided that such stock option was exercisable on such date, but no later than the expiration date of the stock option. Except as otherwise expressly approved by the Compensation Committee, if a participant is terminated without cause (as defined in the 2015 Incentive Plan), retires or resigns from employment or service, any stock option held by that participant will be exercisable, for the number of shares that the participant was eligible to exercise on the date of such termination, retirement or resignation, until the expiration of ninety days from the date of such termination, retirement or resignation, provided that the stock option was exercisable as of such date, but no later than the expiration date of the stock option. Unless otherwise determined by the Compensation Committee, any stock options held by a participant who is terminated for cause will expire immediately, whether or not exercisable on such date.

*Stock Appreciation Rights.* Participants may be granted SARs under the 2015 Incentive Plan. SARs may be granted in tandem with a stock option or may be granted as independent awards. If SARs are granted in tandem with a stock option, then SARs can be exercised only by the surrender of the unexercised option for the number of shares of Common Stock for which the SARs are being exercised. Similarly, the exercise of a related option requires the surrender of an equal number of SARs.

The exercise of a SAR entitles the participant to receive the excess of the fair market value of a share of Common Stock on the date of exercise over the exercise price of the SAR. The exercise price of the SAR is the fair market value of a share of Common Stock on the date the SAR is granted or, if greater, the exercise price of a stock option granted in tandem with the SAR. The Compensation Committee may specify that the exercise of a SAR will entitle the participant to receive a lesser amount than described above.

If the SAR is granted independently of a stock option, the maximum term of the SAR will be ten years. If the SAR is granted in tandem with a stock option, the maximum term of the SAR is the same as the term of the stock option. The Compensation Committee may specify that the term of a SAR will be less than the applicable maximum term.

The amount payable as a result of the exercise of a SAR may be settled in cash, Common Stock or a combination of cash and Common Stock.

Except as otherwise expressly approved by the Compensation Committee, if a participant terminates employment or service with the Company by reason of death or disability (as defined in the 2015 Incentive Plan), any SAR held by that participant may be exercised by the participant or the participant's beneficiary in the case of death, for the number of shares that the participant was eligible to exercise, until the expiration of twelve months after the date of such death or disability, provided that such SAR was exercisable on such date, but no later than the expiration date of the SAR. Except as otherwise expressly approved by the Compensation Committee, if a participant is terminated without cause (as defined in the 2015 Incentive Plan), retires or resigns from employment or service, any SAR held by that participant will be exercisable, for the number of shares that the participant was eligible to exercise on the date of such termination, retirement or resignation, until the expiration of ninety days from the date of such participant's termination, retirement or resignation, provided that such SAR was exercisable on such date, but no later than the expiration date of the SAR. Unless otherwise determined by the Compensation Committee, any unexercised SAR held by a participant who is terminated for cause will be cancelled on the date of such termination, whether or not exercisable on such date.

*Performance Awards.* Section 162(m) of the Internal Revenue Code limits the deduction that the Company may claim for compensation paid to its Chief Executive Officer and its three other highest paid executive officers other than the Chief Financial Officer. Section 162(m) generally provides that the Company cannot claim a compensation deduction of more than \$1 million for each of those officers in a year. Compensation that qualifies as performance based compensation under Section 162(m) is deductible without regard to this limit.

---

**Table of Contents**

Options and SARs granted in accordance with the 2015 Incentive Plan can qualify as performance based compensation under Section 162(m). In addition, awards of restricted stock and restricted stock units that are granted under the 2015 Incentive Plan in the form of performance awards also may qualify as performance based compensation.

Performance awards will vest only upon the achievement of certain performance goals that are specified in advance by the Compensation Committee, and that relate to the following business criteria, either individually or in combination, applied to the participant or to the Company, a subsidiary or an affiliate of the Company as a whole or to individual units thereof, and measured either absolutely or relative to a designated group of comparable companies: (i) cash flow, (ii) earnings per share, (iii) earnings before interest, taxes, depreciation, and amortization (EBITDA), (iv) return on equity, (v) total stockholder return, (vi) return on capital, (vii) return on assets or net assets, (viii) revenue, (ix) income or net income, (x) operating income or net operating income, (xi) operating profit or net operating profit, (xii) operating margin, (xiii) return on operating revenue, (xiv) customer satisfaction, (xv) market share, (xvi) expenses, (xvii) credit rating, (xviii) mergers and acquisitions or divestitures, (xix) product development, (xx) intellectual property, (xxi) manufacturing, production or inventory, (xxii) price/earnings ratio, (xxiii) liquidity, (xxiv) financings, (xxv) cash, (xxvi) cost of goods sold, (xxvii) economic value added, (xxviii) accounts receivable, (xxix) number of customers and (xxx) gross profit margin.

*Incentive Awards.* Incentive awards may be granted under the 2015 Incentive Plan, subject to terms and conditions as may be prescribed by the Compensation Committee. Incentive awards entitle the participant to receive a payment in Common Stock and/or cash if the terms and conditions established by the Compensation Committee are satisfied. Such terms and conditions may include requirements that the participant complete a specified period of employment, or that the Company, or one of its subsidiaries or affiliates, or the participant attain stated objectives or goals, including objectives stated with respect to performance goals listed above as a condition to earning an incentive award. The period for determining whether such requirements are satisfied shall be at least one year.

*Change in Control; Vesting Acceleration*

Unless an outstanding award is assumed by the surviving entity in the event of a Change of Control (as defined in the 2015 Incentive Plan), the Compensation Committee, in its discretion, may provide that (i) a stock option and stock appreciation right shall be fully exercisable thereafter, (ii) restricted stock will become transferable and nonforfeitable thereafter, (iii) restricted stock units shall be earned in their entirety and converted into transferable and nonforfeitable restricted stock, (iv) the performance goals to which the vesting of performance awards are subject shall be deemed to be met at target, such that performance awards immediately become fully vested, and (v) an incentive award shall be earned, in whole or in part.

In the event of a Change in Control, the Compensation Committee, in its discretion and without the need for a participant's consent, may provide that an outstanding award shall be assumed by, or a substitute award granted by, the surviving entity in the Change in Control. Unless an outstanding award is assumed by the surviving entity, in the event of a Change in Control the Compensation Committee, in its discretion and without the need of a participant's consent, may provide that each award shall be cancelled in exchange for a payment.

In addition, in general the Compensation Committee has the discretion to accelerate vesting for outstanding and unvested equity awards.

*Clawback*

Each award granted under the 2015 Incentive Plan is subject to the condition that we may require that such award be returned, and that any payment made with respect to such award must be repaid, if such action is required under the terms of any recoupment or clawback policy of ours as in effect on the date that the payment was made, or on the date the award was granted or exercised or vested or earned as applicable.

## **Table of Contents**

### *Certain Reduction of Parachute Payments*

The benefits that a participant may be entitled to receive under the 2015 Incentive Plan and other benefits that a participant is entitled to receive under other plans, agreements and arrangements, may constitute parachute payments that are subject to the Internal Revenue Code Sections 280G and 4999. The 2015 Incentive Plan provides that such parachute payments will be reduced pursuant to the 2015 Incentive Plan if, and only to the extent that, a reduction will allow a participant to receive a greater net after tax amount than a participant would receive absent a reduction.

### *Amendment and Termination*

The Board of Directors may amend, alter or discontinue the 2015 Incentive Plan at any time and for any reason, provided that (i) no amendment, alteration or discontinuation will be made which would materially impair the rights of a participant in respect of any outstanding award thereunder without such participant's prior consent, and (ii) an amendment will be contingent on approval of our stockholders to the extent stated by the Compensation Committee or required by applicable law or stock exchange listing requirements.

Subject to the above provisions, the Board of Directors will have broad authority to amend the 2015 Incentive Plan to take in to account changes in applicable securities and tax laws and accounting rules, as well as other developments. The 2015 Incentive Plan will become effective upon approval by our stockholders, and will continue in effect until May 19, 2025, unless earlier terminated by the Board of Directors.

The summary of the 2015 Incentive Plan provided above is a summary of the principal features of the 2015 Incentive Plan. This summary, however, does not purport to be a complete description of all of the provisions of the 2015 Incentive Plan. It is qualified in its entirety by references to the full text of the 2015 Incentive Plan, which is included in this proxy statement as Annex A.

### *New Plan Benefits*

All awards to directors, executive officers, employees and consultants are made at the discretion of the Compensation Committee. As discussed in the *Long-Term Equity Compensation* portion of the Compensation Discussion and Analysis in this proxy statement, the Compensation Committee awarded restricted stock to our named executive officers as part of our executive compensation program for 2014. All other future awards to our directors, executive officers, employees and consultants under the 2015 Incentive Plan are discretionary and cannot be determined at this time. As a result, the benefits and amounts that will be received or allocated under the 2015 Incentive Plan are not determinable at this time. We have therefore not included a table that reflects such awards.

### *Federal Income Tax Consequences*

The following is a brief summary of the federal income tax consequences applicable to awards granted under the 2015 Incentive Plan based on federal income tax laws in effect on the date of this Proxy Statement.

This summary is not intended to be exhaustive and does not address all matters that may be relevant to a particular participant based on his or her specific circumstances. The summary expressly does not discuss the income tax laws of any state, municipality, or non-U.S. taxing jurisdiction, or the gift, estate, excise (including the rules applicable to deferred compensation under Internal Revenue Code Section 409A), or other tax laws other than federal income tax law. The following is not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. Because individual circumstances may vary, we advise all participants to consult their own tax advisors concerning the tax implications of awards granted under the 2015 Incentive Plan.

### *Restricted Stock*

A participant will recognize ordinary income on account of an award of restricted stock on the first day that the shares are either transferable or not subject to a substantial risk of forfeiture. The ordinary income that will be recognized will equal the fair market value of the Common Stock on that date, less any amount that the participant paid to acquire the shares.



## **Table of Contents**

If the shares are both nontransferable and subject to a substantial risk of forfeiture on the date of the award, a participant may elect to recognize income, and have his tax consequences determined as of the date of the award. That is accomplished by filing an 83(b) election within thirty days of the award.

The participant's tax basis in the shares received on account of a restricted stock award will be the amount of any ordinary income recognized on account of the award plus any amount paid for the shares. Any gain or loss that a participant realizes upon the sale of Common Stock acquired under the award will be treated as long-term or short-term capital gain or loss, depending on the period the participant holds the shares after the date the participant recognizes ordinary income on account of the restricted stock award.

We may claim a federal income tax deduction equal to the ordinary income recognized by the participant on account of the restricted stock award.

### *Restricted Stock Units*

A participant will not recognize income on account of the grant of restricted stock units. A participant will recognize ordinary income on account of the settlement of restricted stock units. The amount of income recognized by the participant is equal to any cash that is paid and the fair market value of any Common Stock received in settlement of the award.

The participant's tax basis in any Common Stock received on account of the settlement of restricted stock units will be the fair market value of the shares on the date the shares are issued to the participant. Any gain or loss that the participant recognizes on the sale of those shares should be treated as long-term or short-term capital gain or loss, depending on the period that the participant held the shares.

We may claim a federal income tax deduction equal to the amount of ordinary income recognized by the participant on account of the settlement of the restricted stock units.

### *Nonqualified Stock Options and SARs*

A participant generally will not realize taxable income upon the grant of a NQSO or SAR. Upon the exercise of a NQSO, the participant will recognize ordinary income equal to the difference between the fair market value of the Common Stock being purchased and the exercise price. Upon the exercise of a SAR, a participant will recognize ordinary income equal to the amount of any cash and the fair market value of any Common Stock paid under the SAR. We generally will be entitled to take a federal income tax deduction in the amount of ordinary income recognized by the participant. If the participant exercises a NQSO or SAR and subsequently sells the shares acquired under the award, any appreciation will be taxed as capital gain in an amount equal to the excess of the sales proceeds for the shares over the participant's basis in the shares, i.e., the exercise date fair market value of the shares. Such capital gain will be either long- or short-term depending on the period of time that the participant has held such shares following the exercise of the option. We may claim a federal income tax deduction equal to the ordinary income recognized by the participant.

### *Incentive Stock Options*

In general, a participant will have no income tax consequences at the time of grant or exercise of an ISO (except for purposes of computing liability for alternative minimum tax, if any). Upon sale of the underlying stock after satisfying applicable holding period requirements, any amount realized by the participant in excess of the exercise price paid will be taxed to him or her as capital gain. If the holding period requirements are not satisfied, at the time the underlying stock is sold (a disqualifying disposition), the participant generally will recognize ordinary income equal to the excess of the fair market value of the Common Stock at the time of exercise over the exercise price, and also will realize capital gain equal to the excess (if any) of the sales proceeds for the option shares over the participant's basis in the option shares. The participant's basis in the option shares generally will be the exercise price plus the amount included in the participant's ordinary income upon exercise. We will be entitled to a deduction on account of an ISO only if there is a disqualifying disposition. In that case, we will be entitled to a deduction in the amount of ordinary income realized by the participant. The ISO holding period requirements are satisfied if the participant does not sell the shares acquired under the ISO within one year of the exercise or within two years of the grant of the ISO.

**Table of Contents**

*Incentive Awards*

The amount of cash paid (or the fair market value of the shares of Common Stock issued) to settle Incentive Awards is generally subject to ordinary income tax. Cash awards will be taxable income to the recipient at the date of payment. In each of the foregoing cases, we will generally be entitled to a corresponding federal income tax deduction at the same time the participant recognizes ordinary income.

**The Board of Directors unanimously recommends you vote FOR this proposal to approve the 2015 Incentive Plan.**

**Table of Contents****PROPOSAL THREE****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has approved the retention of BDO as our independent registered public accounting firm to examine and report on our financial statements for the year ending December 31, 2015, and the Board of Directors is asking stockholders to ratify this appointment. Although current law, rules and regulations, as well as the Audit Committee charter, require our independent registered public accounting firm to be engaged, retained and supervised by the Audit Committee, the Board of Directors considers the selection of the independent accounting firm to be an important matter of stockholder concern and is submitting the selection of BDO for ratification by stockholders as a matter of good corporate practice. BDO has examined and reported on our financial statements since 2003, and we consider it to be well qualified.

Valid proxies will be voted on this proposal in accordance with the voting directions specified on the proxy or, if no directions are given, will be voted FOR the proposal to ratify the appointment of BDO as our independent registered public accounting firm.

Representatives of BDO are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**The Board of Directors unanimously recommends you vote FOR the proposal to ratify the selection of BDO as our independent registered public accounting firm for 2015.**

**Fees of Independent Registered Public Accounting Firm**

The Audit Committee is responsible for appointing, setting the compensation of and overseeing the work of our independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by BDO. BDO did not perform any non-audit services for us in 2014 or 2013.

The following table sets forth the aggregate fees that BDO billed us for professional services rendered for the years ended December 31, 2014 and 2013.

	2014	2013
	(dollars in thousands)	
Audit fees <sup>(1)</sup>	\$ 1,406	\$ 1,020
Audit-related fees <sup>(2)</sup>	40	56
<b>Total</b>	<b>\$ 1,446</b>	<b>\$ 1,076</b>

(1) Audit fees consisted of audit work performed in the preparation of financial statements as well as fees for services provided in connection with (i) statutory and regulatory filings or engagements, (ii) comfort letters, statutory audits, attest services, consents, assistance with and review of documents filed with the SEC, and (iii) \$339,000 in 2014 and \$64,000 in 2013 relating to acquisitions, and (iv) any other services that only the audit firm could reasonably provide.

(2) Audit-related fees consisted primarily of services related to our employee benefit plans.

## **Table of Contents**

### **Report of the Audit Committee**

The Audit Committee of the Board of Directors is currently composed of three directors, each of whom is independent as defined by the listing standards of the NYSE and is an audit committee financial expert as defined in the regulations of the SEC. See *Audit Committee* above.

#### *Responsibility*

The Audit Committee is responsible for providing independent, objective oversight of our financial reporting processes and internal controls.

Management is responsible for our system of internal controls and its financial reporting processes, including the preparation of its financial statements in conformity with United States generally accepted accounting principles.

BDO, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board ( PCAOB ) and for issuing a report based on this audit expressing its opinion as to whether our financial statements present fairly, in all material respects, our financial position, results of operations and cash flows in conformity with United States generally accepted accounting principles.

The Audit Committee's responsibility is to review and monitor, in an oversight capacity, the financial reporting and auditing processes. The Audit Committee has relied, without independent verification, on management's representations that the financial statements are complete, free of material misstatement and prepared in accordance with United States generally accepted accounting principles, and on the opinion and representations made by BDO in its report on our financial statements, including its representations that BDO is independent and that its audit was performed in accordance with auditing standards generally accepted in the United States. The Audit Committee's oversight does not provide assurance that management's and BDO's opinion and representations referred to above are correct.

#### *2014 Consolidated Financial Statements*

In connection with these responsibilities, the Audit Committee met with management and representatives of BDO to review and discuss the audited consolidated financial statements for the year ended December 31, 2014. The Audit Committee discussed with the representatives of BDO the matters required to be discussed by PCAOB Auditing Standard No. 16, Communications with Audit Committees, which include, among other items, matters relating to the conduct of an audit of our financial statements. The Audit Committee received written disclosures and the letter from BDO required by applicable requirements of the PCAOB regarding the independent auditor communications with the Audit Committee concerning independence, and the Audit Committee discussed with the representatives of BDO that firm's independence. The Audit Committee also pre-approved the services that BDO was engaged to provide during 2014, noted that BDO was not engaged to provide any non-audit services, evaluated and approved the fees charged for engagements that BDO undertook, and considered whether BDO's provision of the services that were provided was compatible with maintaining that firm's independence.

Based upon the Audit Committee's discussions with management and BDO and the Audit Committee's review of the representations of management and BDO, the Audit Committee recommended that the Board of Directors approve including the audited consolidated financial statements for the year ended December 31, 2014 in our Annual Report on Form 10-K for that year for filing with the SEC.

#### *Internal Control Audit*

For the year ended December 31, 2014, the Audit Committee reviewed and monitored, on an oversight basis, management's activities undertaken to comply with our internal control evaluation responsibilities under

## **Table of Contents**

Section 404 of The Sarbanes-Oxley Act of 2002. In connection with this oversight, the Audit Committee met with management and representatives of BDO to review and discuss management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014. Management's assessment is contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

Audit Committee:

William E. Curran, Chairman

Kevin S. Moore

Daniel S. Van Riper

## **EMPLOYEE COMPENSATION AND ATTENDANT RISKS**

We maintain a compensation program for all of our employees that is based upon the following objectives:

to attract employees, and retain current employees, with the skills and attributes that we need to promote the growth and success of our business;

to motivate our employees to achieve our strategic objectives;

to reward performance that benefits our goals and objectives;

to create an identity of interests between our employees and our stockholders; and

to encourage our employees to conduct themselves in accordance with our values and Code of Conduct.

We use the same principles in attracting and retaining our executives.

All of our employees receive either fixed annual salaries or hourly wages for their services. Certain of them, including our executive officers, participate in annual incentive compensation programs that are approved by the Board of Directors or its committees as part of our annual budgeting process, and participants in those programs have fixed incentive compensation targets that are approved in advance. See *Executive Compensation* below. Other employees receive commissions at pre-established rates based on their sales or related customer activities that are intended to provide incentives to their achieving previously approved sales or service objectives.

Our CEO oversees and approves recommendations from the manager to whom each employee reports relating to the compensation of these individuals. After he reviews those recommendations, the CEO modifies each manager's recommendations as he considers to be appropriate and approves the amount of any annual incentive compensation to be awarded to any employee with respect to the preceding calendar year, determines the amount of any adjustments to be made to the annual compensation of each such individual for the current year, and establishes target incentive bonuses for the current calendar year for each employee. He may also adjust compensation for specific individuals at other times during the year when there are significant changes in the responsibilities of such individuals or under other circumstances that he considers appropriate.

As discussed above under *Corporate Governance Matters – Risk Assessment of Compensation Policies and Practices*, we believe that there are no substantial risks associated with our compensation practices and that any such risks that do exist are not reasonably likely to result in a material adverse effect on us. We endeavor to manage any of these risks that may arise through our system of internal financial and operational controls and our Board and management oversight processes.

## **EXECUTIVE COMPENSATION**

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

Our Board of Directors values and encourages constructive dialogue on compensation and other topics of concern to our stockholders at any time. We welcome constructive feedback to our decisions about executive compensation programs as well as any other matter of concern to our stockholders.

The executive officers named in the Summary Compensation Table for 2014 are Abraham N. Reichental, our President and Chief Executive Officer; Damon J. Gregoire, our former Senior Vice President and Chief Financial Officer (through November 10, 2014) and our current Executive Vice President, Mergers &

---

## **Table of Contents**

Acquisitions; Theodore A. Hull, our Executive Vice President and Chief Financial Officer (as of November 11, 2014); Mark A. Wright, our Executive Vice President and Chief Operating Officer (as of October 27, 2014); Andrew M. Johnson, our Executive Vice President and Chief Legal Officer; and Kevin P. McAlea, our Executive Vice President and Chief Operating Officer, Healthcare Services (collectively, our Named Executive Officers or NEOs ).

### **Say-on-Pay**

At the 2014 Annual Meeting, our stockholders provided an advisory vote on the compensation of our NEOs as required by the Dodd-Frank legislation that was enacted in 2010. In that advisory vote, 82% of our shares that voted on this proposal voted favorably, and less than 18% of the shares that voted on this proposal voted negatively. The Compensation Committee considered these results and did not implement changes to our executive compensation program for 2015.

At the 2011 Annual Meeting, an advisory vote was taken on the frequency with which we will ask our stockholders to provide an advisory vote on our executive pay practices in the future. We were pleased that a majority of the our shares that voted on this proposal approved a triennial period for say-on-pay votes. Our Board of Directors subsequently adopted a policy to confirm this advisory vote. Accordingly, at the 2017 Annual Meeting, our stockholders will be provided the next opportunity to vote on the compensation of our NEOs.

### **Compensation Discussion and Analysis**

We have followed a consistent approach to executive compensation for the past several years, and we plan to continue to do so. This approach is guided by focus on the contributions of our NEOs to the accomplishment of our growth strategy. It is also directed toward continuous improvement in our operating results and profitability.

### ***Financial Review***

Our revenue increased by 27.3% in 2014 to \$653.7 million from \$513.4 million in 2013. This primarily reflected growth in demand for 3D printers and materials as well as growth in healthcare products and services.

Our gross profit increased by 18.6% to \$317.4 million from \$267.6 million in 2013 primarily from a higher level of revenue from increases across products, materials and services. Our gross profit margin percentage decreased to 48.6% in 2014 from 52.1% in 2013. Gross profit margin was impacted by current sales mix and timing of sales, manufacturing ramp-up and transitions to new products and new product start-up costs.

Our total operating expenses increased by 55.9% to \$291.1 million in 2014 from \$186.7 million in 2013, reflecting a \$72.5 million increase in selling, general and administrative expenses, which was primarily due to increased sales and marketing expenses, higher staffing due to our expanding portfolio and growing business and increased amortization expense. The increase also reflected a \$31.9 million increase in research and development expenses related to our portfolio expansion, new products developments, and the addition of the engineering team in Wilsonville, Oregon.

Our operating income decreased by \$54.6 million to \$26.3 million in 2014 from \$80.9 million in 2013. This was primarily due to lower gross profit margin and higher operating expenses. Our net income in 2014 decreased to \$11.6 million in 2014 from \$44.1 million in 2013.

A more detailed discussion of our 2014 financial results appears in our 2014 Annual Report on Form 10-K, and we encourage you to review it.

### ***Growth Strategy***

We are pursuing a growth strategy that focuses on strategic initiatives and near-term significant growth opportunities in five key areas:

Manufacturing;

Metals;





---

**Table of Contents**

Medical;

Materials; and

Mainstreet.

We anticipate the ongoing transition of 3D printing from the design and prototyping lab to the factory floor, and we plan to continue to invest in advanced manufacturing applications to enhance and accelerate that shift. In 2014, we launched several new industrial 3D printers with increased speeds, print capabilities, and build areas as well as introduced print materials with improved strength, temperature and durability, all geared towards demanding manufacturing and end-use part applications.

We are continuing development of our continuous, high speed fab-grade manufacturing printer platform with a modular, racetrack design and full color, photo-realistic polymer parts capabilities. This breakthrough product is designed for advanced manufacturing from consumer goods to automotive applications.

In November 2014, we announced our acquisition of Cimatron, a leading CAD/CAM provider, to strengthen our 3D digital design and fabrication portfolio. The acquisition was completed on February 9, 2015. Cimatron adds designed-for-manufacturing CAD/CAM programs, expertise and resellers, which we intend to utilize across our portfolio of solutions and in the path to hybridization of additive and traditional manufacturing.

During 2014, we also continued to expand our Quickparts service capabilities, expertise and global footprint, adding strategic acquisitions within the United States and Latin America.

We enhanced our direct metal printing offering this year through internal developments, including the introduction of the ProX 400 direct metals printer, and the acquisition of LayerWise. LayerWise added a second proprietary direct metals printing technology and expanded the range of materials that we can use to print fully dense, chemically pure metal parts. We view metals as an open-ended opportunity with immediate addressable markets within aerospace, automotive and healthcare.

Healthcare is our fastest growing vertical and in 2014 we made significant investments in personalized medicine. Our acquisitions of Medical Modeling, Simbionix and LayerWise augmented our 3D healthcare portfolio and strengthened our capabilities in 3D printing enabled personalized surgery and patient specific medical and dental devices. These acquisitions expanded our healthcare digital thread from the training room to the operating room.

We believe that ongoing development in print materials is critical to the continued advancement and penetration of 3D printing. To this end, we made significant advances in materials during 2014, including introducing ten new materials including plastics, flexible materials, and high-performance and high temperature materials. Along with new materials, we continue to add and enhance formulations and drive speed improvements, throughput and recyclability. In addition to internal research and development, we also acquired a specialties product line related to our materials business, providing us with vertical integration.

We believe that mainstreaming 3D printing and bringing it to mainstreet are important, both as a current market opportunity and to help drive awareness and longer term adoption of the technology. We have introduced plug and play consumer 3D printers, software, content creation tools and applications at lower price points with simple to use, intuitive formats along with curated collections of home, fashion, hobby and entertainment items. As part of this initiative, we are also partnering with educational organizations to bring 3D printers and curricula to K-12 classrooms and labs, as well as libraries and museums. We believe that democratizing access to 3D printing will accelerate adoption and empowers today's users with tomorrow's design and manufacturing skills.

We are working to accomplish our growth initiatives organically and, as opportunities arise, through selective acquisitions, including those we have already completed. We expect to be able to support organic growth by leveraging our comprehensive technology and solutions, core competencies and experienced management team to scale our business model. As with any growth strategy, there can be no assurance that we will succeed in accomplishing our strategic initiatives.

## **Table of Contents**

### ***Our Executive Compensation Philosophy***

With these objectives and accomplishments in mind, our compensation program continues to consist of the following principal elements:

base annual salaries;

when earned, incentive awards under our annual incentive programs; and

long-term equity compensation under our 2004 Incentive Stock Plan and, if approved by the stockholders, under our planned 2015 Incentive Plan (together, the Plans ).

The Compensation Committee of the Board of Directors is responsible for setting the compensation of all executive officers, including the NEOs. It is also responsible for setting the compensation of any other employees of the Company or our subsidiaries who report directly to our CEO or have base annual salaries of \$300,000 or more. For additional information about the responsibilities of this Committee, see *Corporate Governance Matters Compensation Committee* above.

The compensation we pay to employees is generally subject to the same principles and guidelines that apply to our executive compensation program. Nevertheless, the following is a discussion and analysis of the material elements of our compensation program as it relates to the NEOs.

This discussion focuses on the following elements of our executive compensation program:

the objectives of the program, including the results and behaviors the program is designed to reward;

the process used to determine executive compensation;

each element of compensation;

the reasons why the Committee chooses to pay each element;

how the Committee determines the amount of or the formula used for each element; and

how each element and the Committee's decisions regarding that element fit into the Committee's stated objectives and affect the Committee's decisions regarding other elements.

This discussion is accompanied by disclosure of the compensation that we paid to our NEOs during 2014, 2013 and 2012 and that we expect to pay in 2015. We are providing this information to help you understand the Summary Compensation Table that appears below and its related disclosures as well as the performance objectives that our executive compensation program is designed to compensate.

### ***Determining Executive Compensation***

The Compensation Committee reviews the NEOs' compensation during the first quarter of each year. The purpose of this annual review is:

to determine the amount of any annual incentive compensation to be awarded to each NEO for the preceding calendar year;

to determine any adjustments to be made to the annual salary of each NEO for the current year; and

to approve our incentive compensation program for the current year and establish target incentive bonuses for the current calendar year for each of the NEOs.

As part of this review, our CEO gives the Compensation Committee his recommendation for incentive compensation awards for the prior year, salary adjustments for the current year and target incentive bonuses for the current year for each other NEO. The Committee reviews those recommendations and modifies them to the extent it considers appropriate. As part of this process, the Committee approves the amount of any annual incentive compensation to be awarded to each individual with respect to the preceding calendar year, determines the amount of any adjustments to be made to the annual salary of each such individual for the current year, approves the terms of our incentive compensation program for the current calendar year, and establishes target

---

**Table of Contents**

incentive bonuses for the current year for each of our NEOs and each other individual whose compensation it oversees. The Committee may also adjust compensation for specific individuals at other times during any year when there are significant changes in the responsibilities of such individuals or under other circumstances that the Committee considers appropriate.

Our CEO's compensation is determined under similar principles but follows a different process. This process is designed to comply with applicable law and listing requirements under which, after discussing his self-evaluation with him and receiving the views of other independent directors, the Compensation Committee evaluates his performance, reviews the Committee's evaluation with him, and, based on that evaluation and review, determines his compensation and performance and personal annual incentive objectives. Consistent with the listing standards of the NYSE, our CEO is excused from meetings of the Committee during voting or deliberations regarding his compensation.

***Elements of Executive Compensation***

In reviewing base annual salaries and target annual incentive awards for each NEO, the Compensation Committee also reviews each executive's compensation history with the Company and prior equity awards or grants. The Committee is guided by its own judgment and those sources of information (including, when deemed appropriate, compensation surveys) that the Committee considers relevant. Neither we nor the Committee currently retain or use executive compensation consultants nor do we make compensation decisions by reference to any peer group of companies, whether defined by us or defined by any third party.

The Compensation Committee believes that the prudent use of discretion in determining compensation will generally be in our best interests and those of our stockholders. Accordingly, the Committee does not rely exclusively upon fixed formulas and, from time to time in exercising its discretion, the Committee may approve changes in compensation that it considers to be appropriate to award performance or otherwise to provide incentives toward achieving our objectives.

The Compensation Committee also seeks to strike a balance that it considers to be appropriate in its discretion between fixed elements of compensation, such as base salaries, and variable performance-based elements represented by annual incentive awards and long-term equity compensation. As a general matter, the Committee believes that our executives should have at least 20% of their annual compensation opportunity at risk under variable performance-based elements of our incentive compensation program, including in particular our annual incentive program. In most cases, the portion of our NEOs' compensation opportunity that is at risk in any year exceeds that level. See, e.g., *2014 Incentive Compensation Program* below.

***Base Salaries***

We pay annual salaries to provide executives with a base level of monthly compensation. Salaries are also designed to help achieve our objectives of attracting and retaining executive talent, maintaining their standard of living and rewarding performance and responsibility. Adjustments to base salaries are based principally on the responsibilities of the executives, the Committee's evaluation of the market demand for executives with similar capability and experience, and our corporate performance and the performance of each executive in relation to our strategic objectives.

***Annual Incentive Program***

Our annual incentive compensation program is designed to provide appropriate incentives to reward performance and motivate our executives, including the NEOs, to attain our strategic objectives.

This program is revised and readopted annually, is designed with our strategic objectives in mind, and focuses partly on the achievement of pre-determined corporate financial objectives and partly, for each NEO, on personal objectives. Generally, 55% of each executive's annual incentive compensation target is based on the achievement of pre-approved corporate financial objectives with the remaining 45% based on the achievement of personal objectives. We record an accrual of the amount of incentive compensation that we expect to pay over the course of each year and modify that accrual as circumstances change.

---

## **Table of Contents**

As an overriding condition, a failure to perform in accordance with our Code of Conduct or Code of Ethics may serve as a basis for a participant in this program to not receive an incentive award. We consider this aspect of our incentive compensation program to be consistent with sound principles of corporate governance, and we are pleased that it has not been necessary for us to invoke it with respect to any NEO.

Financial objectives are determined based on our business plan for the year in question. This business plan is developed by management and approved by the Board of Directors. Personal objectives are prepared by each NEO in discussions with the CEO and submitted by the CEO to the Committee for its review and approval. The Committee maintains discretion to adjust performance objectives for extraordinary items and other items as it deems appropriate.

With respect to financial measures, 100% of each NEO's bonus related to each financial measure would generally be deemed to have been earned if the target for that financial measure is fully achieved, and under certain circumstances the Compensation Committee may determine that an NEO's bonus related to a financial measure has been more than fully earned, and as a consequence increased, if the target for that financial measure is exceeded.

For 2014, 25% of each NEO's target incentive award was based on our achievement of a budgeted level of revenue growth target, 15% was based on achievement of an annual gross profit margin target and 15% was based on achievement of a budgeted level of diluted earnings per share. We failed to achieve 100% of these financial targets in 2014 and, therefore as discussed below, we made incentive awards equal to 28% of the total potential achievement.

For 2013 and 2012, 25% of each NEO's target incentive award was based on our achievement of a budgeted level of diluted earnings per share in excess of that which we achieved for the preceding year. An additional 30% was based on our achievement of a budgeted level of cash and cash equivalents at year-end that was also in excess of that which we achieved for the preceding year. We exceeded both of these financial targets in 2012 and we made incentive awards for the attainment of these objectives for 2012. We failed to achieve both of these financial targets in 2013 and, therefore as discussed below, we made no incentive awards relating to these targets for 2013. However, we did make incentive awards with respect to personal achievements in 2013 that are shown in the Summary Compensation Table. The Summary Compensation Table includes the amount awarded to each NEO for the year in question in the Non-Equity Incentive Plan Compensation column.

In each year, the remaining 45% was based on the individual's attainment of his or her pre-approved individual objectives. The Committee considers both quantitative and qualitative factors in determining the extent to which the financial and personal targets and objectives have been achieved, and credit may be awarded for the partial attainment of these objectives.

Individual objectives, which are revised annually and approved by the Compensation Committee, relate to matters such as the individual's execution of projects that fall within our strategic objectives, timely completion of specified projects within budget, enhancements to sales and service productivity and other matters involved in our annual budget and business plans. The types and relative importance of an executive's individual performance objectives varies from year to year depending on the executive's areas of responsibility. We made awards to the NEOs with respect to the attainment of these objectives for 2014, 2013 and 2012, as shown in the Summary Compensation Table.

As part of its goal-setting process, the Compensation Committee establishes current-year target incentive awards for each NEO with the following principles in mind:

Targets are used to determine the amount of any annual incentive that an NEO can expect to receive if we achieve our financial objectives for the year in question and such NEO achieves his or her personal objectives for that year. In setting these target incentive awards, the Committee considers each NEO's level of responsibility and the recommendations of our CEO.

Target incentive awards are set at levels that are designed to link a substantial portion of each NEO's total annual compensation opportunity to attaining the corporate and personal objectives applicable to the year in question. As noted above, in general, more than 20% and in most cases at least one-third of

---

**Table of Contents**

each NEO's annual compensation opportunity is at risk. See *Grants of Plan Based Awards in 2014* below for a summary of target incentive awards for the NEOs applicable to 2014.

No minimum incentive awards are guaranteed to NEOs. The Compensation Committee does have discretion to make awards for performance if less than 100% of the financial target objectives are achieved, as long as at least 50% of the target objective was met.

Base target amounts represent the incentive awards that may be awarded assuming achievement of 100% of the pre-determined financial and individual objectives.

Maximum amounts represent the maximum amount that may generally be awarded to each NEO under the program for the year in question. In most cases, these are the same as the base target amounts, but as noted above the Committee reserves discretion to increase awards for performance that it considers to be exemplary.

For a discussion of bonus awards made for 2014, see the discussion below at *2014 Incentive Compensation Program*. We have also included a discussion of 2015 targets under *2015 Compensation Program* below.

*Long-Term Equity Compensation*

The Compensation Committee administers our 2004 Incentive Stock Plan and if approved by the stockholders, will administer the 2015 Incentive Plan. Under the Plans, the Committee is authorized to grant restricted stock awards, restricted stock units, stock options and other awards that are provided for under the Plans to such of our employees and employees of our subsidiaries as the Committee determines to be eligible for awards. Awards granted to a participant are based upon a number of factors, including the recipient's position, salary and performance as well as our overall corporate performance.

The Plans are intended to provide an effective method of motivating performance from key employees, including our NEOs, and of creating an identity of interests in participants with the interests of our stockholders. Awards are made under these Plans as long-term incentive compensation to NEOs and other key employees when the Committee feels such awards are appropriate. We expect that participants who receive these awards will retain a substantial portion of the shares awarded to them to foster a mutuality of interests with our stockholders, and the failure of a participant to act in accordance with that expectation may adversely affect the decision to make future awards to such participant.

The Compensation Committee makes awards under the 2004 Incentive Stock Plan both to reward short-term performance with equity-based compensation and to motivate the recipient's long-term performance. The Committee does not follow the practice of making annual or other periodic awards to participants who are determined to be eligible to participate in the 2004 Incentive Stock Plan. However, the Committee periodically reviews the stock ownership of key employees and, when it deems appropriate, makes awards under the 2004 Incentive Stock Plan to reflect the contributions of those participants to specific corporate achievements and to provide motivation toward achieving strategic objectives.

As a matter of practice adopted by the Compensation Committee, all awards made to our executive officers under the 2004 Incentive Stock Plan through the date of this Proxy Statement have been restricted stock awards. In 2005, the Compensation Committee began awarding restricted stock units to our employees in foreign jurisdictions.

Restricted stock awards made under the 2004 Incentive Stock Plan require the recipient to pay \$1.00 for each share of Common Stock granted (but not more than 10% of the fair market value of the Common Stock on the date of grant) and awards are subject to forfeiture and an option in our favor for three years after they are awarded, or such other period as may be determined by the Committee, to repurchase the shares upon payment of an amount equal to their per share issue price. We can exercise this option only upon the termination of an employee's employment during the vesting period other than as a result of death or total disability. Such option terminates upon the occurrence of any of the events related to a change of control as specified in the 2004 Incentive Stock Plan.

**Table of Contents**

Shares of restricted stock issued pursuant to the 2004 Incentive Stock Plan may not be sold, transferred or encumbered by the employee while our option to repurchase the shares remains in effect. The compensation associated with these awards is expensed over the vesting period, shares covered by these awards are considered outstanding upon issuance following the acceptance of each award for the purpose of calculating diluted earnings per common share, and holders of shares issued pursuant to such awards are entitled to vote such shares and to receive any dividends declared in respect of our Common Stock.

With our strategic growth initiatives in mind, at meetings on February 4, 2014, October 27, 2014, November 4, 2014, and November 17, 2014, the Compensation Committee made restricted stock awards under the 2004 Incentive Stock Plan to a number of employees, including certain of the NEOs, to reflect the contributions that those individuals have made to the improvement in our operations and financial condition, to provide motivation toward achieving our future strategic objectives and to further align the interests of those individuals with our stockholders. The awards made to these NEOs were as follows:

Name	Number of Shares	Grant Date Fair Value
Abraham N. Reichental	150,000	\$ 5,299,500
Theodore A. Hull	60,000	2,266,800
Mark W. Wright	60,000	2,257,200
Andrew M. Johnson	30,000	2,272,800
Kevin P. McAlea	50,000	1,766,500
Total	350,000	\$ 13,862,800

Mr. Damon J. Gregoire transitioned from Senior Vice President and Chief Financial Officer to Executive Vice President, Mergers & Acquisitions on November 11, 2014 pursuant to a transition agreement and is expected to retire from the Company on December 31, 2015. In connection with such transition and planned retirement, Mr. Gregoire did not receive a restricted stock award in 2014.

During 2013 and 2012, the Compensation Committee also made restricted stock awards under the 2004 Incentive Stock Plan to a number of employees, including certain of the NEOs. See *Summary Compensation Table* below for information concerning those awards that were made to the NEOs.

**2014 Incentive Compensation Program**

Consistent with the principles discussed above, at its meeting on March 11, 2014, with respect to Messrs. Reichental, Gregoire, Johnson and McAlea, the Compensation Committee approved an annual incentive program for 2014 and granted salary increases effective April 1, 2014. Because Mr. Wright commenced his employment with the Company on October 27, 2014 and Mr. Theodore A. Hull commenced his employment with the Company on November 4, 2014, neither Mr. Wright nor Mr. Theodore A. Hull participated in an annual incentive program for 2014. The 2014 target incentive awards for the participating NEOs were set as follows:

for Mr. Reichental, in accordance with the terms of his employment agreement, a base target of 100% of his 2014 annual base salary, discussed below, with a maximum potential incentive award equal to 200% of his annual base salary;

for Mr. Gregoire, a base and maximum target of 50% of his 2014 base annual salary;

for Mr. Johnson, a base and maximum target of 50% of his 2014 base annual salary; and

for Mr. McAlea, a base and maximum target of approximately 40% of his 2014 base annual salary.

The range of these target incentive awards is presented in the section titled *Grants of Plan-Based Awards in 2014* below.

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

The performance objectives established and achieved for the 2014 annual incentive program, as adjusted for acquisitions and other extraordinary or non-recurring items were as follows:

25% of each NEO's base target incentive award was based on the achievement of a budgeted level of annual revenue growth as approved by the Board of Directors. The Compensation Committee



**Table of Contents**

determined that the Company achieved 18% of the possible 25% of this objective and therefore approved a payment of 18% of each NEO's target incentive award in relation to this objective;

15% of each NEO's base target incentive award was based on the achievement of an annual gross profit margin target for 2014 as approved by the Board of Directors. The Compensation Committee determined that the Company achieved 10% of the possible 15% of this objective and therefore approved a payment of 10% of each NEO's target incentive award in relation to this objective;

15% of each NEO's base target incentive award was based on the achievement of a budgeted level of GAAP diluted earnings per share as approved by the Board of Directors. The Compensation Committee determined that the Company achieved less than 50% of such objective and therefore no target incentive award payment for any NEO would be made in relation to this objective; and

the 45% remainder of each NEO's base target incentive award was based upon the achievement of personal objectives for each NEO that were approved by the Compensation Committee.

On February 2, 2015 and March 11, 2015, the Compensation Committee completed its annual compensation review of the NEOs. After reviewing our financial results for 2014 and the NEOs performance of their individual performance objectives for 2014, the Committee made incentive compensation awards to the NEOs that are set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table set forth below. As noted above, partial incentive awards were made respecting the Company's targeted financial objectives since those objectives were not fully achieved in 2014. These incentive awards were as follows:

a \$602,140 cash award to Mr. Reichental, representing achievement of 40% of a possible 45%, equal to 89% achievement, of the personal portion of his base target incentive award, and a total of 68% of his overall base target incentive award for 2014.

In making this award, the Compensation Committee considered Mr. Reichental's leadership and execution of the Company's growth strategy and extending its businesses in key verticals, his initiatives in building a sustainable and scalable organization and infrastructure to support continued growth, operational improvement, leveraged synergies, increased cultural alignment internally and one company identity externally.

a \$141,100 cash award to Mr. Gregoire, representing achievement of 40% of a possible 45%, equal to 89% achievement, of the personal portion of his base target incentive award, and a total of 68% of his overall base target incentive award for 2014.

In making this award, the Compensation Committee considered Mr. Gregoire's overall financial leadership role in the Company, his continued key operating role, his significant contributions to the transitioning of the Company's chief financial officer role, and his decisive execution of strategic acquisition opportunities and their effective integration.

a \$102,000 cash award to Mr. Johnson, representing achievement of 40% of a possible 45%, equal to 89% achievement, of the personal portion of his base target incentive award, and a total of 68% of his overall base target incentive award for 2014.

In making this award, the Compensation Committee considered Mr. Johnson's leadership in the legal and human resources departments including his execution of multiple strategic transactions on behalf of the Company including acquisition opportunities and their effective integration.

a \$93,840 cash award to Mr. McAlea representing achievement of 40% of a possible 45%, equal to 89% achievement, of the personal portion of his base target incentive award, and a total of 68% of his overall base target incentive award for 2014.

In making this award, the Compensation Committee considered Mr. McAlea's contributions to the Company's overall strategic direction, geographic expansion, revenue generation and in integrating and growing the Company's direct metals businesses.



**Table of Contents*****2015 Compensation Program***

At its meeting on February 2, 2015, the Compensation Committee also approved an annual incentive program for 2015.

The 2015 target incentive awards established at that meeting for the NEOs are as follows:

for Mr. Reichental, in accordance with the terms of his employment agreement, a base target of 100% of his 2015 annual base salary, discussed below, with a maximum potential incentive award equal to 200% of his annual base salary;

for Mr. Theodore A. Hull, a base and maximum target of approximately 50% of his 2015 base annual salary;

for Mr. Wright, a base and maximum target of approximately 50% of his 2015 base annual salary;

for Mr. Johnson, a base and maximum target of 50% of his 2015 base annual salary; and

for Mr. McAlea, a base and maximum target of approximately 50% of his 2015 base annual salary.

In addition, pursuant to the terms of his transition agreement, for his 2015 target incentive award, Mr. Gregoire has a base and maximum target of 50% of his 2015 base annual salary.

The range of these 2015 target incentive awards is presented in the following table:

Name	Estimated Future Payouts Under 2015 Incentive Compensation Plan		
	Threshold	Base Target	Maximum
Abraham N. Reichental	\$	\$ 938,630	\$ 1,877,260
Damon J. Gregoire		150,000	150,000
Theodore A. Hull		200,000	200,000
Mark W. Wright		200,000	200,000
Andrew M. Johnson		160,000	160,000
Kevin P. McAlea		187,500	187,500

The performance objectives established for the 2015 annual incentive program are as follows:

25% of each NEO's base target incentive award will be based on the achievement of an annual revenue growth budget;

15% of each NEO's base target incentive award will be based on the achievement of an annual adjusted operating income growth budget;

15% of each NEO's base target incentive award will be based on the achievement of a budgeted level of GAAP and non-GAAP diluted earnings per share; and

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

the 45% remainder will be based upon the achievement of personal objectives for each NEO that have been approved by the Compensation Committee.

The Committee also granted the following salary increases to the NEOs, effective April 1, 2015, as follows:

a 6.0% increase in Mr. Reichental's base salary to \$938,630.

a 6.77% increase in Mr. Johnson's base salary to \$320,000.

Mr. McAlea's base salary was increased 8.7% to \$375,000, and his target incentive award was increased to 50% of annual base salary, effective January 1, 2015, in connection with his promotion to the role of Executive Vice President and Chief Operating Officer, Healthcare Services. The base salary of each of Mr. Theodore A. Hull and Mr. Wright remained at \$400,000 given their recent employment commencement. Pursuant to his transition arrangement, Mr. Gregoire's salary was reduced from \$415,000 to \$300,000 on February 2, 2015. His salary will remain unchanged during the remainder of 2015 until he retires from the Company on December 31, 2015.

---

**Table of Contents**

On February 3, 2015, the Committee granted a restricted stock award of 35,000 shares with a grant date fair value of \$1,001,700 to Mr. Johnson.

***Other Compensation Matters***

***Benefits and Perquisites***

We provide our employees, including the NEOs, with a benefit program that we believe is reasonable, competitive and consistent with the objectives of our compensation program. As a matter of policy, the Compensation Committee does not award personal benefits or perquisites to our NEOs that are unrelated to our business. However, under certain circumstances discussed below, the Committee has approved certain personal benefits or perquisites that are either provided to an NEO by contract or that it deemed to be in our interests in order to induce executives to commence or maintain employment with us. Those amounts are reported in the Summary Compensation Table. All other perquisites for the NEOs amount to less than \$10,000 per person.

Our executives, including the NEOs, are eligible to participate in employee benefit programs that we provide to our employees generally, which include a group insurance program providing group health, dental, vision, life and long-term disability insurance. Other benefits include a Section 401(k) plan, flexible spending accounts, sick leave, holiday time and vacation time.

***Payments and Benefits Upon Termination or Change of Control***

Our CEO is entitled under his employment agreement to severance payments in connection with the occurrence of certain events, including non-renewal of that employment agreement, his death, and termination of his employment by us without cause. We negotiated these provisions, and the Board of Directors approved them, when Mr. Reichental was hired in 2003.

While not triggering severance payments, other events such as a change of control may result in our becoming obligated to otherwise compensate executives through the early vesting of unvested shares of restricted stock or other equity compensation awards that we may make under our 2004 Incentive Stock Plan. For example, a change in control is defined under that Plan as an event that has the effect of:

our being merged or consolidated with another corporation or entity such that less than 70% of the voting securities of the resulting entity are owned by our former stockholders;

our selling all or substantially all of our assets to any other person or entity (other than a wholly-owned subsidiary);

any person becoming the beneficial owner of 30% or more of the voting power of our outstanding securities;

as the result of a solicitation under Rule 14a-11 of the Exchange Act, one or more persons not recommended by one third or more of our Board of Directors being elected to our Board of Directors; or

our becoming subject to dissolution or liquidation.

We have also entered into:

an arrangement with Mr. Chuck Hull, pursuant to which he will become a consultant for a period of four years after his retirement; and

a severance arrangement with Mr. McAlea, pursuant to which he would become entitled to severance payments if his employment is terminated other than for cause.

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

In addition, any share of restricted stock granted to an NEO, as well as other recipients of restricted stock awards, under the 2004 Incentive Stock Plan will no longer be subject to forfeiture or our option to repurchase that share, as described above, if the recipient leaves our employ due to death or disability or, as described above, in the event of a change in control.

## **Table of Contents**

For additional information regarding each of the foregoing arrangements, see *Employment and Other Agreements with NEOs* below.

### *Section 162(m) of the Internal Revenue Code*

Under Section 162(m) of the Internal Revenue Code, we are generally not entitled to deduct for federal income tax purposes non-performance-based compensation paid to our Chief Executive Officer and our three other highest paid executive officers, other than the Chief Financial Officer, to the extent that any such individual's compensation in any year exceeds \$1.0 million. Special rules apply for performance-based compensation, including the pre-approval of performance goals applicable to that compensation.

Certain of the compensation that we pay to our NEOs may be considered to be non-performance based compensation, and in certain instances such compensation may exceed \$1.0 million. However, in order to maintain flexibility in compensating executives in a manner designed to promote our corporate goals, the Compensation Committee has not adopted a policy that all compensation must be deductible for federal income tax purposes.

### *Stock Performance*

While some people consider stock performance to be a significant factor in compensation decisions, we generally consider matters such as total return to our stockholders but we do not consider stock performance as a controlling factor in making compensation decisions. Short-term movements in our stock price and total return to stockholders as reflected in the performance of our stock price are subject to factors, including factors affecting the securities markets generally, that are unrelated to our performance.

Our priorities and the priorities of our management are centered on achieving our strategic objectives, meeting customer needs, new product development, building cash flow, identifying, completing and successfully integrating strategic investments, and promoting operational excellence and innovation in the pursuit of our business. The pursuit of such longer range objectives is not necessarily consistent with producing short-term results to increase our stock price or stockholder return, but we believe that pursuing these longer range objectives should, as we believe was the case in 2014, result in performance that is more likely to maximize total return to our stockholders over time.

Since our executive compensation is based upon factors relating to our growth and profitability and the performance of our business as well as the contributions of each of our executives to achieving our objectives, we believe that we have provided appropriate incentives to align management's interests with our long-term growth and development and the interests of our stockholders. We also believe that there are many ways in which our executives contribute to building a successful company. While our financial statements and stock price reflect the results of some of those efforts, many long-term strategic decisions made in pursuing our growth and development may have little visible impact on our stock price in the short term.

## **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the section titled *Compensation Discussion and Analysis* in relation to the requirements set forth in Item 402(b) of Regulation S-K for a Compensation Discussion and Analysis. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that such section be included in this Proxy Statement and the Annual Report on Form 10-K for the year ended December 31, 2014.

Compensation Committee:

Karen E. Welke, Chair

G. Walter Lowenbaum, II

Daniel S. Van Riper

## **Summary Compensation Table**

The following table sets forth information concerning all compensation paid to the NEOs for services provided to us in all capacities for each of the three years in the period ended December 31, 2014.





## **Table of Contents**

The Summary Compensation Table sets forth the total compensation during 2014, 2013 and 2012 paid to or earned by each of the NEOs. That compensation is explained above.

We have included Notes to this Table to explain various items of compensation in the Table. We also call your attention to the following general matters affecting the Table:

1. Salary is the gross amount of salary paid to each NEO in the year concerned before any deductions or exclusions.
2. Bonus is the gross amount of cash bonus amounts paid to each NEO in the year concerned before any deductions or exclusions. This bonus amount is separate and distinct from any awards with respect to Non-Equity Incentive Plan Compensation. For 2012, these amount included a special bonus paid to the NEOs in connection with certain acquisition activities including the Z Corporation and Vidar transaction. For Mr. Wright, this amount relates to a signing bonus in connection with the commencement of his employment in October 2014.
3. The dollar amounts in the column labeled *Restricted Stock Awards* are the Grant Date Fair Value of awards that we made in 2014, 2013 and 2012, respectively, in accordance with ASC 718, formerly Statement of Financial Accounting Standards No. 123(R), and are presented after deducting the amount paid for each award in accordance with our 2004 Incentive Stock Plan. Each of those awards was a restricted stock award made under our 2004 Incentive Stock Plan. The award agreements for such restricted stock awards require that each recipient pay the lesser of \$1.00 per share or 10% of the fair market value of the shares covered by the award at the time the award is made. Each recipient paid \$1.00 for each share of Common Stock covered by such recipient's award in 2014, 2013 and 2012. The shares covered by each award are subject to forfeiture if the recipient leaves our employ before the third anniversary of the date of the award other than as a result of death or disability. See *Long-Term Equity Compensation* above.
4. With respect to Non-Equity Incentive Plan Compensation, each of the NEOs participates in the annual incentive program described above that provides for an annual target incentive award that is approved by the Compensation Committee. This column shows the amount that was awarded to each NEO for the year concerned. See *Executive Compensation* above.
5. As discussed above, the NEOs also participate in employee benefit programs that we provide to our employees generally. *All Other Compensation* in the table below does not include our cost of providing benefits that are generally available to all of our employees on a non-discriminatory basis or perquisites or personal benefits where the aggregate amount of such perquisites and personal benefits is less than \$10,000 for a particular NEO.

**Table of Contents**

6. Total Compensation for each year equals the sum of the items set forth in each column of the Summary Compensation Table.

Name and Principal Position	Year	Salary	Bonus	Restricted Stock Awards(1)	Non-Equity Incentive Plan Compensation(2)	All Other Compensation(3)	Total
Abraham N. Reichental President and Chief Executive Officer	2014	\$ 863,500	\$	\$ 5,149,500	\$ 602,140	\$ 25,535	\$ 6,640,675
	2013	791,982		9,356,250	724,500	25,751	10,898,483
	2012	743,546	600,000	4,424,000	1,140,000	32,984	6,940,530
Damon J. Gregoire Senior Vice President and Chief Financial Officer	2014	410,904			141,100	5,000	557,004
	2013	389,276		4,776,000	78,000		5,243,276
	2012	351,923	200,000	2,654,400	180,000		3,386,323
Theodore A. Hull Executive Vice President and Chief Financial Officer	2014	52,308		2,206,800		32,719	2,291,827
	2013						
	2012						
Mark W. Wright Executive Vice President and Chief Operating Officer	2014	61,538	100,000	2,197,200		27,617	2,386,355
	2013						
	2012						
Andrew M. Johnson Executive Vice President and Chief Legal Officer	2014	284,981		2,242,800	102,000		2,629,781
	2013	238,269		1,056,780	55,125		1,350,174
	2012	205,423	100,000	346,320	110,000		761,743
Kevin P. McAlea Executive Vice President and Chief Operating Officer, Healthcare Services	2014	353,002		1,716,500	93,840	61,735	2,225,077
	2013	326,994		1,194,000	49,896	80,930	1,651,820
	2012	314,615	30,000	1,327,200	92,000	12,028	1,775,843

(1) During 2014, the Compensation Committee made the following restricted stock awards under the 2004 Incentive Stock Plan.

Name	Feb. 4, 2014 Shares Granted	Oct. 27, 2014 Shares Granted	Nov. 4, 2014 Shares Granted	Nov. 17, 2014 Shares Granted
Abraham N. Reichental				150,000
Theodore A. Hull			60,000	
Mark W. Wright		60,000		
Andrew M. Johnson	30,000			
Kevin P. McAlea				50,000
Total	30,000	60,000	60,000	200,000

As previously announced, the Company and Mr. Gregoire entered into a transition agreement, effective as of March 28, 2014, pursuant to which Mr. Gregoire transitioned from Senior Vice President and Chief Financial Officer to Executive Vice President, Mergers & Acquisitions. Pursuant to such arrangement, Mr. Gregoire did not receive an award of restricted stock in 2014.

Subject to the terms of the 2004 Incentive Stock Plan, these awards will vest in accordance with their terms on February 4, 2017, October 27, 2017, November 4, 2017, and November 17, 2017, respectively. The Grant Date Fair Value of these shares is based on the \$75.76 per share closing price with respect to the shares awarded on February 4, 2014, \$37.62 per share closing price with respect to the shares awarded on October 27, 2014, \$37.78 per share closing price with respect to shares awarded on November 4, 2014 and \$35.33 per share closing price with respect to the shares awarded on November 17, 2014. See *Long-Term Equity Compensation* above.

**Table of Contents**

During 2013, the Compensation Committee made the following restricted stock awards on a split-adjusted basis under the 2004 Incentive Stock Plan.

Name	Feb. 4, 2013 Shares Granted	Nov. 18, 2013 Shares Granted	Dec. 5, 2013 Shares Granted
Abraham N. Reichental			125,000
Damon J. Gregoire		60,000	
Andrew M. Johnson	27,000		
Kevin P. McAlea		15,000	
<b>Total</b>	<b>27,000</b>	<b>75,000</b>	<b>125,000</b>

Subject to the terms of the 2004 Incentive Stock Plan, these awards will vest in accordance with their terms on February 4, 2016, November 18, 2016 and December 5, 2016. The Grant Date Fair Value of these shares is based on the \$39.81 per share closing price with respect to the shares awarded on February 4, 2013, the \$80.60 per share closing price with respect to the shares awarded on November 18, 2013 and the \$75.85 per share closing price with respect to the shares awarded on December 5, 2013, on a split-adjusted basis. See *Long-Term Equity Compensation* above.

During 2012, the Compensation Committee made the following restricted stock awards on a split-adjusted basis under the 2004 Incentive Stock Plan.

Name	May 14, 2012 Shares Granted	Nov. 27, 2012 Shares Granted
Abraham N. Reichental		150,000
Damon J. Gregoire		90,000
Andrew M. Johnson	19,500	
Kevin P. McAlea		45,000
<b>Total</b>	<b>19,500</b>	<b>285,000</b>

Subject to the terms of the 2004 Incentive Stock Plan, these awards will vest in accordance with their terms on May 14, 2015 and November 27, 2015. The Grant Date Fair Value of these shares is based on the \$18.43 per share closing price with respect to the shares awarded on May 14, 2012 and the \$30.16 per share closing price with respect to the shares awarded on November 27, 2012, on a split-adjusted basis. See *Long-Term Equity Compensation* above.

(2) On February 2, 2015 and March 11, 2015, the Compensation Committee approved the annual cash incentive awards for 2014 to the NEOs that are shown in the table above as Non-Equity Incentive Plan Compensation. See *2014 Incentive Compensation Program* above. On March 11, 2014, the Compensation Committee approved the annual cash incentive awards for 2013 to the NEOs that are shown in the table above as Non-Equity Incentive Plan Compensation. Mr. Reichental declined his cash award determined by the Compensation Committee to be \$724,500. However, because the award was granted in February 2014 and earned during 2013, the award is shown in the table.

On February 19, 2013, the Compensation Committee approved the annual cash incentive awards for 2012 to the NEOs that are shown in the table above as Non-Equity Incentive Plan Compensation.



**Table of Contents**

- (3) Mr. Reichental's other compensation in 2014 includes amounts that, in accordance with the terms of his employment agreement, we paid for living expenses and costs for an automobile that we provide for his general use. The living expenses relate to a residence that he maintains in the Rock Hill, South Carolina area, away from his primary residence. Such items were as follows for 2014:

	<b>2014</b>
Living expenses	\$ 20,575
Automobile expenses	4,960
<b>Total</b>	<b>\$ 25,535</b>

For additional information concerning his compensation, see *Employment and Other Agreements with NEOs* below.

Mr. Gregoire's other compensation in 2014 includes amounts paid to Mr. Gregoire as consideration in connection with his transition agreement, effective March 28, 2014.

Mr. McAlea's other compensation in 2014 includes amounts paid to Mr. McAlea for living expenses related to a residence that he maintained in the United Kingdom.

Mr. Theodore A. Hull's other compensation in 2014 includes \$32,719 in relocation benefit payments, which includes benefits grossed up by the Company by \$12,973.

Mr. Wright's other compensation in 2014 includes \$27,617 in relocation benefit payments, which includes benefits grossed up by the Company by \$10,950.

**Grants of Plan-Based Awards in 2014**

The following table sets forth information with respect to plan-based awards granted in 2014, including the amounts of target incentive awards established for each of the NEOs under the 2014 incentive compensation program that the Compensation Committee established on March 11, 2014. The threshold amounts are zero because no minimum awards are guaranteed to NEOs under this program.

In the case of Mr. Reichental, the base target amount represents the incentive award that could have been awarded assuming achievement of 100% of the pre-determined financial and individual performance objectives for 2014 and the maximum amount represents the maximum amount that could have been awarded assuming achievement of 200% or greater of the financial performance measures and individual performance measures for 2014 as provided in his employment agreement. In the case of Messrs. Gregoire, Johnson and McAlea, the base target and maximum amounts represent the incentive awards that could have been awarded assuming achievement of 100% of the pre-determined financial and individual performance objectives for 2014. See *2014 Incentive Compensation Program* above.

**Table of Contents**

The dollar amounts in the column labeled Grant Date Fair Value of Stock Awards are the grant date fair value of the awards in accordance with ASC 718 and are presented before deducting the amount paid for each award in accordance with our 2004 Incentive Stock Plan.

Name	Incentive Plan	Grant Date	Estimated 2014 Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock Awards
			Threshold	Target	Maximum		
Abraham N. Reichental	2014 Incentive Compensation Program	3/11/14	\$ 885,500	\$ 1,771,000			
	2004 Incentive Stock Plan	11/17/14			150,000	\$ 5,299,500	
Damon J. Gregoire	2014 Incentive Compensation Program	3/11/14	207,500	207,500			
Theodore A. Hull	2004 Incentive Stock Plan	11/4/14			60,000	2,266,800	
Mark W. Wright.	2004 Incentive Stock Plan	10/27/14			60,000	2,257,200	
Andrew M. Johnson	2014 Incentive Compensation Program	3/11/14	150,000	150,000			
	2004 Incentive Stock Plan	2/4/14			30,000	2,272,800	
Kevin P. McAlea	2014 Incentive Compensation Program	3/11/14	138,000	138,000			
	2004 Incentive Stock Plan	11/17/14			50,000	1,766,500	

**Employment and Other Agreements with NEOs*****Abraham N. Reichental***

Mr. Reichental became President and CEO and a member of the Board of Directors effective September 19, 2003, and we entered into an employment agreement with him on that date. Pursuant to this agreement, he is entitled to an annual base salary of at least \$450,000 per year, subject to increase at the discretion of the Compensation Committee of the Board of Directors. His current annual base salary is \$885,500 and will be increased to \$938,630 effective April 1, 2015.

In addition to standard employee benefits, under the terms of his employment agreement, as amended, he is also entitled to participate in our annual incentive program, with a target annual incentive award of 100% of his base annual salary with a maximum target incentive award of 200% of his base annual salary, subject to the attainment of the performance objectives set forth in our annual incentive program. He is also entitled to be reimbursed for certain relocation and living expenses.

His employment agreement is renewable automatically for succeeding terms of one year on each September 19, unless either party gives written notice of an intent not to renew. If we give notice to him of our intention not to renew the employment agreement, or if his employment is terminated by reason of death or by us without cause ( cause being defined as conduct involving moral turpitude or gross or habitual neglect of duties during the term of the agreement), he or his estate will be entitled to receive the following severance benefits:

the same health and disability benefits as he receives under the employment agreement for two years or until he obtains other employment providing for these benefits; and

Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

two years of his then current base salary, in the total sum of at least \$1,771,000 (based on his salary in effect at December 31, 2014), together with an incentive award with respect to the year of termination equal to a pro rata amount of the incentive award which he would have received for that year based on our annualized performance up to the date of termination.

**Table of Contents**

In addition, he has been granted restricted stock under our 2004 Incentive Stock Plan. The shares of restricted stock granted under the 2004 Incentive Stock Plan are subject to an option in our favor for three years after they are awarded to repurchase them for the lesser of \$1.00 per share and 10% of their fair market value on the date of grant. This option does not apply, however, if participants under the Plan leave our employ as a result of death or disability, and it will terminate in the event of a change in control (as defined in the 2004 Incentive Stock Plan).

The following table sets forth the estimated post-employment compensation and benefits that would have been payable to Mr. Reichental under his employment agreement and the 2004 Incentive Stock Plan, assuming that each covered circumstance under such arrangements occurred on December 31, 2014.

Benefits and Payments	Non-Renewal by Us of Employment Agreement	Involuntary Termination Without Cause	Change in Control	Death	Disability	Any Other Reasons, Including Voluntary Resignation, Retirement, or Termination For Cause
<b>Upon Termination Compensation:</b>						
Two Years Base Salary <sup>(1)</sup>	\$ 1,771,000	\$ 1,771,000	\$	\$ 1,771,000	\$	\$
Annual Incentive Award <sup>(2)</sup>	602,140	602,140		602,140		
Unvested Restricted Stock <sup>(3)</sup>			13,969,750	13,969,750	13,969,750	
<b>Other Benefits:</b>						
Health, Dental and Vision Insurance <sup>(4)</sup>	33,870	33,870		33,870		
Life Insurance <sup>(5)</sup>	1,320	1,320		1,320		
Disability Insurance <sup>(5)</sup>	1,356	1,356		1,356		
<b>Total:</b>	<b>\$ 2,409,686</b>	<b>\$ 2,409,686</b>	<b>\$ 13,969,750</b>	<b>\$ 16,379,436</b>	<b>\$ 13,969,750</b>	<b>\$</b>

(1) Represents two years of his base salary of \$885,500 for 2014.

(2) Represents the amount of his annual incentive award for 2014.

(3) This amount reflects the value of 425,000 shares of restricted stock held by Mr. Reichental at the end of 2014 based on the closing market price of our Common Stock on December 31, 2014 (\$32.87 per share) on a split-adjusted basis before deducting the purchase price for those shares.

(4) Represents the estimated incremental cost to us of health, dental and vision plan continuation for two years.

(5) Represents the estimated incremental cost for us of such continuing insurance coverage of two years.

**Charles W. Hull**

The Company and Mr. Charles W. Hull have entered into a consulting arrangement pursuant to which, upon Mr. Hull's retirement, he will become a consultant to us for a period of four years at a fixed consulting fee that will decline from \$275,000 in the first year to \$100,000 in the fourth year, and he will remain entitled to continuing life and health insurance coverage.





**Table of Contents**

The following table sets forth the consulting fees and estimated benefits payable under his consulting arrangement, assuming that he retired on December 31, 2014.

**Benefits and Payments**

<b>Upon Termination</b>	<b>Amount</b>
Consulting Fees (4 Years) <sup>(1)</sup>	\$ 625,000
Benefits:	
Health, Dental and Vision Insurance <sup>(2)</sup>	67,739
Life Insurance <sup>(3)</sup>	2,414
<b>Total:</b>	<b>\$ 695,153</b>

(1) Consulting fees payable to Mr. Hull under this consulting arrangement will be \$275,000 for the first year, \$150,000 for the second year and \$100,000 for the third and fourth years.

(2) Represents the estimated incremental cost to us of health, dental and vision plan continuation for four years.

(3) Represents the estimated incremental cost to us of such continuing insurance coverage for two years.

In addition, Mr. Hull has been granted restricted stock under our 2004 Incentive Stock Plan. The shares of restricted stock granted under the 2004 Incentive Stock Plan are subject to an option in our favor for three years after they are awarded to repurchase them for the lesser of \$1.00 per share and 10% of their fair market value on the date of grant. This option does not apply, however, if participants under the Plan leave our employ as a result of death or disability, and it will terminate in the event of a change in control (as defined in the 2004 Incentive Stock Plan). If Mr. Hull had left our employ on December 31, 2014 due to death or disability or if a change of control had occurred on such date, 100,000 shares of restricted stock owned by him (valued at \$3,287,000 based on the closing stock price of \$32.87 as of such date) would have become vested.

**Damon J. Gregoire**

The Company and Mr. Gregoire have entered into a transition agreement, effective on March 28, 2014 pursuant to which Mr. Gregoire transitioned from Senior Vice President and Chief Financial Officer to the role of Executive Vice President, Mergers & Acquisitions on November 11, 2014. The agreement provides that unless terminated sooner by us or Mr. Gregoire, he will serve in the role of Executive Vice President of Mergers & Acquisitions through December 31, 2015, at which time he will retire from the Company and will serve in a non-employee consulting role through December 31, 2016.

Except as otherwise provided in the event of early termination, the transition agreement provides for the continuing vesting of restricted stock awards previously made to Mr. Gregoire. If Mr. Gregoire had left our employ on December 31, 2014 due to death or disability or if a change of control had occurred on such date, 150,000 shares of restricted stock owned by him (valued at \$4,930,500 based on the closing stock price of \$32.87 as of such date) would have become vested.

**Other NEOs**

The Company and Mr. McAlea are parties to a severance arrangement pursuant to which Mr. McAlea would become entitled to severance payments equal to nine months of his then current salary if his employment is terminated other than for cause. If Mr. McAlea had been terminated without cause on December 31, 2014, he would have been entitled to severance payments totaling \$258,750.

Mr. McAlea, Mr. Johnson, Mr. Theodore A. Hull and Mr. Wright each hold restricted stock granted under the 2004 Incentive Stock Plan that is subject to forfeiture if either of the individuals leaves our employ within three years after the date of grant. As described above under *Payments and Benefits Upon Termination or Change of Control*, each share of restricted stock granted to Mr. McAlea, Mr. Johnson, Mr. Theodore A. Hull

and Mr. Wright under the 2004 Incentive Stock Plan will no longer be subject to our option to repurchase that share if any of those individuals leaves our employ due to death or disability or in the event of a change of control.

**Table of Contents**

If Mr. McAlea had left our employ on December 31, 2014 due to death or disability or if a change of control had occurred on such date, 110,000 shares of restricted stock owned by him (valued at \$3,615,700 based on the closing stock price of \$32.87 as of such date) would have become vested. If Mr. Johnson had left our employ on December 31, 2014 due to death or disability or if a change of control had occurred on such date, 76,500 shares of restricted stock owned by him (valued at \$2,514,555 based on the closing stock price of \$32.87 as of such date) would have become vested. If Mr. Theodore A. Hull had left our employ on December 31, 2014 due to death or disability or if a change of control had occurred on such date, 60,000 shares of restricted stock owned by him (valued at \$1,972,200 based on the closing stock price of \$32.87 as of such date) would have become vested. If Mr. Wright had left our employ on December 31, 2014 due to death or disability or if a change of control had occurred on such date, 60,000 shares of restricted stock owned by him (valued at \$1,972,000 based on the closing stock price of \$32.87 as of such date) would have become vested. We do not currently expect any such change in control to occur.

**Outstanding Equity Awards at Year-End 2014**

There were no shares of Common Stock underlying stock options held at the end of 2014 by the NEOs.

The following table sets forth, for each of the NEOs, the number and market value of shares covered by unvested restricted stock awards held at the end of 2014. All information in this table has been presented on a split-adjusted basis.

Name	Outstanding Unvested Restricted Stock Awards	
	Number of Shares or Units of Stock that Have Not Vested(1)	Market Value of Shares or Units of Stock That Have Not Vested(2)
Abraham N. Reichental	425,000	\$ 13,969,750
Damon J. Gregoire	150,000	4,930,500
Theodore A. Hull	60,000	1,972,200
Mark W. Wright	60,000	1,972,200
Andrew M. Johnson	76,500	2,514,555
Kevin P. McAlea	110,000	3,615,700

(1) The shares set forth in this column consist of shares of restricted Common Stock awarded, as a long-term incentive award, on (a) May 14, 2012 that vest on May 14, 2015, (b) November 27, 2012 that vest on November 27, 2015, (c) February 4, 2013 that vest on February 4, 2016, (d) November 18, 2013 that vest on November 18, 2016, (e) December 5, 2013 that vest on December 5, 2016, (f) February 4, 2014 that vest on February 4, 2017, (g) October 27, 2014 that vest on October 27, 2017, (h) November 4, 2014 that vest on November 4, 2017, and (i) November 17, 2014 that vest on November 17, 2017. Each award of restricted stock is subject to forfeiture if the recipient leaves our employ within three years after the date of grant of the award other than as a result of death or disability. See *Security Ownership of Certain Beneficial Owners and Management*.

(2) The amounts set forth in this column were calculated by multiplying the closing market price of our Common Stock on December 31, 2014 (\$32.87 per share) on a split-adjusted basis by the number of shares set forth in the column titled *Number of Shares or Units of Stock that Have Not Vested* and have not been reduced to reflect the amount paid for any of the shares in this column.

**Table of Contents**

The restricted stock reported in the table above has been presented on a split-adjusted basis and was awarded as a long-term incentive award, as follows:

Name	May 14, 2012	Nov. 27, 2012	Feb. 4, 2013	Nov. 18, 2013	Dec. 5, 2013	Feb. 4, 2014	Oct. 27, 2014	Nov. 4, 2014	Nov. 17, 2014
Abraham N. Reichental		150,000			125,000				150,000
Damon J. Gregoire		90,000		60,000					
Theodore A. Hull								60,000	
Mark W. Wright							60,000		
Andrew M. Johnson	19,500		27,000			30,000			
Kevin P. McAlea		45,000		15,000					50,000
<b>Total</b>	<b>19,500</b>	<b>255,000</b>	<b>27,000</b>	<b>75,000</b>	<b>125,000</b>	<b>30,000</b>	<b>60,000</b>	<b>60,000</b>	<b>200,000</b>

**Stock Vested in 2014**

Shares of restricted Common Stock held by the NEOs, a split-adjusted basis, vested as follows during 2014:

Name	Number of Shares Vested	Grant Date Fair Value(1)	Vesting Date Fair Value(2)
Abraham N. Reichental	150,000	\$ 1,663,500	\$ 5,299,500
Damon J. Gregoire	90,000	998,100	3,179,700
Theodore A. Hull			
Mark W. Wright			
Andrew M. Johnson	9,000	95,040	607,950
Kevin P. McAlea	45,000	499,050	1,589,850
<b>Total</b>	<b>294,000</b>	<b>3,255,690</b>	<b>10,677,000</b>

- (1) Mr. Johnson's restricted shares were granted on February 8, 2011. The Grant Date Fair Value of these shares is based on the closing price on that date of \$10.56. Messrs. Reichental and McAlea's restricted shares were granted on November 15, 2011. The Grant Date Fair Value of these shares is based on the closing price on that date of \$11.09.
- (2) Mr. Johnson's restricted shares vested on February 8, 2014. The Vesting Date Fair Value of these shares is based on the closing price on that date of \$67.55 per share. Messrs. Reichental, Gregoire and McAlea's restricted shares vested on November 15, 2014. The Vesting Date Fair Value of these shares is based on the closing price on that date of \$35.33 per share.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our executive officers and directors and any person owning ten percent or more of the outstanding shares of our Common Stock to file reports with SEC to report their beneficial ownership of and transactions in our securities and to furnish us with copies of those reports. Based upon a review of those reports submitted to us, along with written representations from or on behalf of certain executive officers and directors that they were not required to file any reports during 2014, we believe that all of these reports were timely filed during 2014.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

The following table sets forth (a) as of the date indicated in the applicable Schedule 13D or 13G with respect to each person identified as having filed a Schedule 13D or 13G and (b) as of March 23, 2015 with respect to the other persons listed in the table, the number of outstanding shares of Common Stock and the percentage beneficially owned:

by each person known to us to be the beneficial owner of more than five percent of our Common Stock;

**Table of Contents**

by each current director and each of our NEOs; and

by all of our directors and executive officers as a group.

Except as otherwise indicated in the footnotes to the table, and subject to any applicable community property laws, each person has the sole voting and investment power with respect to the shares beneficially owned. The address of each person listed is in care of 3D Systems Corporation, 333 Three D Systems Circle, Rock Hill, South Carolina 29730, unless otherwise noted.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	
	Number of Shares	Percentage Ownership
BlackRock, Inc. 40 East 52 <sup>nd</sup> Street  New York, New York 10022	6,493,552 <sup>(2)</sup>	5.8%
The Vanguard Group. 100 Vanguard Blvd.  Malvern, PA 19355	6,369,969 <sup>(3)</sup>	5.7%
Susquehanna Investment Group Susquehanna Securities 401 E. City Avenue, Suite 220  Bala Cynwyd, PA 19004	5,883,813 <sup>(4)</sup>	5.3%
William E. Curran	43,851 <sup>(5)</sup>	*
Charles W. Hull	436,515 <sup>(6)</sup>	*
Jim D. Kever	402,787 <sup>(7)</sup>	*
G. Walter Loewenbaum, II	2,411,996 <sup>(8)</sup>	2.2%
Kevin S. Moore	1,501,281 <sup>(9)</sup>	1.3%
Abraham N. Reichental	1,620,415 <sup>(10)</sup>	1.4%
Daniel S. Van Riper	44,297 <sup>(11)</sup>	*
Andrew M. Johnson	131,150 <sup>(12)</sup>	*
Kevin P. McAlea	195,000 <sup>(13)</sup>	*
Karen E. Welke	40,941 <sup>(14)</sup>	*
Peter Diamandis	4,730 <sup>(15)</sup>	*
William D. Humes	3,030 <sup>(16)</sup>	*
Theodore A. Hull	60,000 <sup>(17)</sup>	*
Mark W. Wright	60,000 <sup>(18)</sup>	*
Damon J. Gregoire	204,000 <sup>(19)</sup>	*
All directors and executive officers as a group (17 persons)	7,278,493 <sup>(20)</sup>	6.5%

\* Less than one percent

(1) Percentage ownership is based on the number of shares of Common Stock outstanding and entitled to vote as of March 23, 2015, the record date for the Annual Meeting. Common Stock numbers include, with respect to the stockholder in question, Common Stock which the stockholder could acquire within 60 days of the record date.

(2) Blackrock, Inc., a Delaware corporation, filed a Schedule 13G on February 6, 2015 indicating that it has sole voting power over 6,120,920 of these shares and sole dispositive power over all of these shares. Such filing indicates that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, these shares and that none of such persons' interest in these

shares exceeds 5% of our total outstanding shares.



**Table of Contents**

- (3) The Vanguard Group, a Pennsylvania corporation, filed a Schedule 13G on February 10, 2015 indicating that it has sole voting power over 70,261 of these shares, sole dispositive power over 6,308,158 of these shares and shared dispositive power over 61,811 of these shares.
- (4) Susquehanna Investment Group, a Pennsylvania corporation and Susquehanna Securities, a Delaware corporation filed a Schedule 13G on February 13, 2015 indicating that they are affiliated independent broker-dealers and may be deemed a group. The amount beneficially owned by Susquehanna Investment Group is comprised of options to buy 62,300 shares and the amount beneficially owned by Susquehanna Securities includes options to buy 3,659,650 shares. Susquehanna Investment Group has sole voting and dispositive power over 62,300 of these shares and shared dispositive power over 5,883,813 of these shares. Susquehanna Securities has sole voting and dispositive power over 5,821,013 of these shares and shared dispositive power over 5,883,813 of these shares.
- (5) All shares beneficially owned by Mr. Curran were issued under the Directors Stock Plan and are subject to restrictions on transfer. See *Director Compensation* above.
- (6) Consists of (a) 146,500 shares of Common Stock that Mr. Hull holds directly and (b) 310,015 shares of Common Stock held in the Charles William Hull and Charlene Antoinette Hull 1992 Revocable Living Trust for which Mr. and Mrs. Hull serve as trustees. The shares of Common Stock held directly by Mr. Hull include 100,000 shares of Common Stock granted to him under our 2004 Incentive Stock Plan, which are subject to forfeiture in certain circumstances. See *Outstanding Equity Awards at Year-End 2014* above.
- (7) Consists of (a) 304,114 shares of Common Stock that Mr. Kever holds directly, and (b) 98,673 shares of Common Stock held by an irrevocable trust for the benefit of Mr. Kever's minor children. Mr. Kever disclaims beneficial ownership of the shares and other securities held by that trust except to the extent of his pecuniary interest in them. The shares of Common Stock held directly by Mr. Kever include 73,941 shares of Common Stock issued under the Directors Stock Plan, which are subject to restrictions on transfer. See *Director Compensation* above.
- (8) Consists of (a) 914,394 shares of Common Stock that Mr. Loewenbaum holds directly, (b) 215,815 shares held in the name of Mr. Loewenbaum's spouse, (c) 33,279 shares held in the name of The Lillian Shaw Loewenbaum Trust for which Mr. and Mrs. Loewenbaum serve as trustees, (d) 376,441 shares held in the name of The Loewenbaum 1992 Trust for which Mr. and Mrs. Loewenbaum serve as trustees, (e) 60,000 shares held in the name of Wally's Trust u/w/o Joel Simon Loewenbaum for which Mr. Loewenbaum serves as trustee, (f) 5,100 shares held in the name of the Anna Willis Loewenbaum 1993 Trust for which Mr. and Mrs. Loewenbaum serves as trustee, (g) 5,100 shares held in the name of the Elizabeth Scott Loewenbaum 1993 Trust for which Mr. and Mrs. Loewenbaum serves as trustee, (h) 55,565 shares held in the name of Waterproof Partnership, L.P. of which Mr. Loewenbaum and his wife are the general partners, (i) 67,500 shares held in the name of Blanco Cattle & Ranch, LLC, a limited liability company owned 100% by Mr. Loewenbaum, (j) 198,802 shares held in the name of Elizabeth Scott Loewenbaum 2010 Trust for which Mr. Loewenbaum serves as trustee, (k) 180,000 shares held in the name of Anna Loewenbaum Hargrove 2010 Trust for which Mr. Loewenbaum serves as trustee, (l) 100,000 shares held in the name of George Walter Loewenbaum TTEE the GWLDDD 2014 Annuity Trust U/A for which Mr. Loewenbaum serves as trustee, (m) 100,000 shares held in the name of Lillian Shaw Loewenbaum TTEE the LSLDDD 2014 Annuity Trust U/A for which Mrs. Loewenbaum serves as trustee, (n) 50,000 shares held in the name of Lillian Shaw Loewenbaum TTEE the LSL3DS 2014 Annuity Trust U/A/Dtd 11/13/2014 for which Mrs. Loewenbaum serves as trustee, (o) 50,000 shares held in the name of George Walter Loewenbaum TTEE the GWL3DS 2014 Annuity Trust U/A/Dtd 11/13/2014 for which Mr. Loewenbaum serves as trustee. Mr. Loewenbaum disclaims beneficial ownership except to the extent of his pecuniary interest therein of any securities not directly held by him. The shares of Common Stock held directly by Mr. Loewenbaum include 73,941 shares of Common Stock issued under the Directors Stock Plan, which are subject to restrictions on transfer. See *Director Compensation* above.
- (9) Consists of (a) 2,734 shares of Common Stock that Mr. Moore owns directly, (b) 72,157 shares of Common Stock held in the name of Kevin S. Moore, Trustee, The Kevin Scott Moore 2011 Revocable Living Trust dated September 13, 2011, and (c) the 1,426,390 shares beneficially owned by The Clark Estates, Inc., with

**Table of Contents**

- respect to which Mr. Moore disclaims beneficial ownership as well as any pecuniary interest. The shares of Common Stock held directly by Mr. Moore include 57,441 shares of Common Stock issued under the Directors Stock Plan, which are subject to restrictions on transfer. See *Director Compensation* above.
- (10) The shares of Common Stock held directly by Mr. Reichental include (i) 425,000 shares of Common Stock granted to him under our 2004 Incentive Stock Plan, which are subject to forfeiture in certain circumstances, and (ii) 350,000 shares that are pledged to secure a line of credit. See *Outstanding Equity Awards at Year-End 2014* above.
- (11) All shares beneficially owned by Mr. Van Riper were issued under the Directors Stock Plan and are subject to restrictions on transfer. See *Director Compensation* above.
- (12) The shares of Common Stock held directly by Mr. Johnson include (i) 111,500 shares of Common Stock granted to him under our 2004 Incentive Stock Plan, which are subject to forfeiture in certain circumstances, and (ii) 15,650 shares that are pledged to secure a line of credit. See *Outstanding Equity Awards at Year-End 2014* above.
- (13) The shares of Common Stock held directly by Mr. McAlea include 110,000 shares of Common Stock granted to him under our 2004 Incentive Stock Plan, which are subject to forfeiture in certain circumstances. See *Outstanding Equity Awards at Year-End 2014* above.
- (14) All shares beneficially owned by Ms. Welke were issued under the Directors Stock Plan and are subject to restrictions on transfer. See *Director Compensation* above.
- (15) All shares beneficially owned by Dr. Diamandis were issued under the Directors Stock Plan and are subject to restrictions on transfer. See *Director Compensation* above.
- (16) All shares beneficially owned by Mr. Humes were issued under the Directors Stock Plan and are subject to restrictions on transfer. See *Director Compensation* above.
- (17) The shares of Common Stock held by Mr. Hull were granted to him under our 2004 Incentive Stock Plan, and are subject to forfeiture in certain circumstances. See *Outstanding Equity Awards at Year-End 2014* above.
- (18) The shares of Common Stock held by Mr. Wright were granted to him under our 2004 Incentive Stock Plan, and are subject to forfeiture in certain circumstances. See *Outstanding Equity Awards at Year-End 2014* above.
- (19) The shares of Common Stock held directly by Mr. Gregoire include 150,000 shares of Common Stock granted to him under our 2004 Incentive Stock Plan, which are subject to forfeiture in certain circumstances. See *Outstanding Equity Awards at Year-End 2014* above.
- (20) Consists of an aggregate of 7,278,493 shares of outstanding Common Stock beneficially owned, directly or indirectly, by all 17 directors and executive officers as a group. A total of 395,560 of the shares of Common Stock owned directly by such persons are pledged to secure lines of credit. The amounts of these securities beneficially owned by directors and NEOs are referred to in the notes above.

**HOW TO CAST YOUR VOTE IF YOU ARE A STOCKHOLDER OF RECORD**

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

We will send a Notice of Internet Availability of Proxy Materials to all stockholders of record as of the record date for the Annual Meeting. That Notice will give you the opportunity to request a set of printed proxy materials, and you will be sent proxy materials if you request them. That set of printed proxy materials will also include a proxy card.

You are encouraged to review our Proxy Statement and Annual Report before you cast your vote.

You will be entitled to vote:

electronically on the internet;

by mail by using the proxy card and postage-paid return envelope that you receive; or

## **Table of Contents**

by using the toll-free telephone number listed on the proxy card.

You may vote electronically by using a website that provides links to our Proxy Statement and Annual Report. You may access your records on this website by using a control number printed on the Notice of Internet Availability. If you vote on the internet, you do not need to return your proxy card.

If you vote by mail, simply mark, sign and date each proxy card that you receive, and return them in the postage-paid envelopes that you will receive.

If you vote by telephone, easy-to-follow telephone voice prompts should enable you to vote your shares and confirm that your voting instructions have been properly recorded. Our telephone voting procedures are designed to authenticate stockholders by using the individual control numbers provided on each proxy card. Accordingly, please have your proxy card available when you call. If you vote by telephone, you do not need to return your proxy card.

Internet voting and telephone voting on our dedicated site are available 24 hours a day, seven days a week, except that no internet or telephone votes will be accepted after 11:59 P.M., Pacific Daylight Time, on Monday, May 18, 2015, the business day prior to the Annual Meeting. This cut-off time is necessary to enable us to complete a final vote tabulation.

### **HOW TO CAST YOUR VOTE IF YOU ARE A STREET-NAME HOLDER**

Street-name holders should expect to receive a voting instruction form from Broadridge Financial Solutions, Inc. or another firm that is hired by your nominee holder to solicit votes on its behalf. That voting instruction form should give you the opportunity to request a set of printed proxy materials, and you will be sent proxy materials if you request them.

You are encouraged to review our Proxy Statement and Annual Report before you cast your vote.

Street-name holders will also generally be entitled to vote:

electronically on the internet;

by mail by using the voting instruction form and postage-paid return envelope that you receive; or

by using the toll-free telephone number that is included on your voting instruction form.

Street-name holders should be able to vote electronically on the internet by using a control number provided on the instruction form and a website identified on the voting instruction form that provides links to our Proxy Statement and Annual Report. If you vote on the internet, you do not need to return your voting instruction form.

As a street-name holder, if you vote by mail, simply mark, sign and date the voting instruction form, and return it in the postage-paid envelope that is enclosed with it.

If you vote by telephone, you may vote by calling the toll-free number listed on the voting instruction form that you receive. Easy-to-follow telephone voice prompts should enable you to vote your shares and confirm that your voting instructions have been properly recorded. Broadridge's telephone voting procedures are designed to authenticate stockholders by using the individual control numbers provided on each voting instruction form. Accordingly, please have your voting instruction form available when you call. If you vote by telephone, you do not need to return your voting instruction form.

We understand that internet and telephone voting should be available to street-name holders 24 hours a day, seven days a week, except that you should cast any internet or telephone votes prior to 11:59 P.M., Pacific Daylight Time, on Monday, May 18, 2015, the business day prior to the Annual Meeting to allow us adequate time for the final tabulation of votes.



**Table of Contents**

**OTHER VOTING AND STOCKHOLDER MATTERS**

*Voting in Person at the Annual Meeting*

Any stockholder of record may vote in person at the Annual Meeting whether or not he or she has previously voted, and regardless of whether the prior vote was cast by internet, telephone or mail. If you attend the Annual Meeting and vote your shares at that meeting, those shares will be counted as present for quorum purposes.

If you hold your shares in street name, you must obtain a written proxy, executed in your favor, from the nominee holding your shares of record in order to vote your shares in person at the Annual Meeting.

*If You Wish to Revoke Your Proxy*

Regardless of the method you use to vote, you may revoke your proxy at any time before your shares are voted at the Annual Meeting by:

voting electronically by internet at a later time;

voting by telephone at a later time;

submitting a properly signed proxy or voting instruction form with a later date; or

voting in person at the Annual Meeting if you are a stockholder of record (or hold a valid proxy from the nominee who holds your shares in their name).

Please remember that, as described above, there will be no internet or telephone voting available after 11:59 P.M., Pacific Daylight Time, on Monday May 18, 2015, the business day prior to the Annual Meeting.

*Abstentions; Broker Non-Votes*

Any shares for which a valid proxy is granted will be treated as present for the purpose of determining the presence of a quorum at the Annual Meeting. If you or your street-name nominee do not grant a valid proxy on any matter to be considered at the Annual Meeting, your shares will not be considered in determining the presence of a quorum.

If you or your nominee grant a valid proxy but abstain from voting on any of the directors, your shares will count for the purpose of determining the presence of a quorum but will otherwise have no effect on the result of the vote. If you or your nominee grant a valid proxy but abstain from voting on the 2015 Incentive Plan proposal or on the ratification of the appointment of our independent public accountants, your shares will count for the purpose of determining the presence of a quorum and will have the same effect as votes against the proposals.

For street-name holders, as discussed above, your broker or other nominee may exercise its discretion in granting a valid proxy on the ratification of the appointment of our independent public accountants. For the purposes of our Annual Meeting, a broker non-vote will occur when a bank, broker or other nominee holder has not received voting instructions with respect to the election of directors or the 2015 Incentive Plan proposal contained in this Proxy Statement. The rules applicable to the election of directors and the 2015 Incentive Plan proposal require that each stockholder either vote as recommended by our Board of Directors, or vote against the directors or the 2015 Incentive Plan proposal. For purposes of the election of directors and the 2015 Incentive Plan proposal, broker non-votes will count for the purpose of determining the presence of a quorum but will otherwise have no effect on the result of the vote.

*Multiple Accounts*

If you hold shares in more than one account, shares that are registered in different names or shares that are held in street name, you may receive more than one Notice of Internet Availability of Proxy Materials, more than one proxy card or more than one voting instruction form. Each of

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

these Notices, proxy cards or voting instruction forms will likely relate to shares that you own in different accounts, in different names or with different banks, brokerage firms or other nominees.

---

## **Table of Contents**

**Please follow the instructions on each Notice that you receive. We also ask that you please either vote the shares covered by each Notice electronically or by telephone or sign, date and return all proxy cards and voting instruction forms that you receive. This will ensure that all of your shares are represented and voted at the Annual Meeting.**

### *Householding; Delivery of Documents to Security Holders Sharing an Address*

We are making this Proxy Statement, our 2014 Annual Report on Form 10-K and the Notice of Internet Availability of Proxy Materials available to all stockholders of record as of the record date for the Annual Meeting. This includes all financial institutions in which you have been identified to us as holding our shares in street name.

If you and other family members are street-name stockholders residing in the same household, you may receive only one 2014 Annual Report on Form 10-K, one Proxy Statement and one voting instruction form if you have previously made an election with your bank, broker or other nominee holder to deliver only one copy to you. This process of delivering only one set of these materials to multiple security holders sharing an address is called householding. Householding may provide convenience for you and cost savings for us. If you are participating in a householding program, it may continue until one or more of the stockholders within the household provides instructions to the contrary to their nominee.

If you are a street-name stockholder who is receiving multiple copies, you may elect to participate in a householding program. You can do that by requesting that only a single set of materials be sent to you in the future by following the householding instructions on the voting instruction form provided to you by your bank, broker or other nominee holder. Alternatively, if you are a street-name holder whose nominee holder utilizes the services of Broadridge Financial Solutions, Inc. (as indicated on the voting instruction form that you receive), you may send written householding instructions to Householding Department, 51 Mercedes Way, Edgewood, New York 11717 or call (800) 542-1061. The instructions must include your name and account number and the name of the bank, broker or other nominee holder. Otherwise, you should contact your bank, broker or other nominee holder.

If you are a street-name stockholder who has requested printed materials and you participate in a householding program, upon your request to receive separate copies in the future, you will receive an additional copy of the 2014 Annual Report on Form 10-K, the Proxy Statement and the Notice of Internet Availability of Proxy Materials. Instructions to request additional copies of these documents should be provided on the voting instruction form that your bank, broker or other holder of record provides to you.

Copies of this Proxy Statement, our 2014 Annual Report on Form 10-K and the Notice of Internet Availability of Proxy Materials are available upon request by calling (803) 326-4010 or by writing to Investor Relations, 3D Systems Corporation, 333 Three D Systems Circle, Rock Hill, South Carolina 29730 or by emailing to [Investor.Relations@3dsystems.com](mailto:Investor.Relations@3dsystems.com).

### *Stockholder Proposals for the 2015 Annual Meeting*

Under Rule 14a-8 of the Exchange Act, certain stockholder proposals may be eligible for inclusion in our 2016 Proxy Statement and form of proxy. The date by which we must receive stockholder proposals to be considered for inclusion in the Proxy Statement and form of proxy for the 2016 Annual Meeting of Stockholders is December 3, 2015 or (if the date of our 2016 Annual Meeting is changed by more than 30 days from May 19, 2016) a reasonable time before we begin to print and mail the proxy materials for the 2016 Annual Meeting.

Our By-Laws set forth certain procedures that stockholders must follow in order to properly nominate a person for election to the Board of Directors or to present any other business at an annual meeting of stockholders, other than proposals included in our Proxy Statement pursuant to Rule 14a-8. In addition to any other applicable requirements, to properly nominate a person for election to the Board of Directors or for a stockholder to properly bring other business before the 2016 Annual Meeting, a stockholder of record must give timely notice thereof in proper written form to our Corporate Secretary. To be timely, a stockholder's notice to the Corporate Secretary must be received at our principal office between January 20, 2016 and February 19, 2016; provided that, if the 2016 Annual Meeting is more than 30 days before or more than 60 days after the first



---

**Table of Contents**

anniversary of the prior year's annual meeting or if we did not hold an annual meeting in the prior year, then such notice must be received no earlier than the close of business on the 120<sup>th</sup> day prior to the date of the 2016 Annual Meeting and no later than the close of business on the 90<sup>th</sup> day prior to the date of the 2016 Annual Meeting or, if later, the 10<sup>th</sup> day after public disclosure of the date of the 2016 Annual Meeting. The notice also must contain specific information regarding the nomination or the other business proposed to be brought before the meeting, as set forth in our By-Laws. The By-Law provisions relating to advance notice of business to be transacted at annual meetings are contained in Section 2.13 of our By-Laws, which are available on our website and can be viewed by going to [www.3DSystems.com](http://www.3DSystems.com) and clicking on Investor Relations, then Corporate Governance and then selecting the document titled Amended and Restated By-Laws from the list of documents on the web page.

*Stockholder Recommended Nominees to the Board*

Apart from any proposals made pursuant to Rule 14a-8 as discussed above, our Governance Committee will consider director nominees recommended by stockholders in accordance with our Corporate Governance Guidelines and a policy adopted by the Board. Recommendations should be submitted to our Corporate Secretary in writing at our offices in Rock Hill, South Carolina, along with additional required information about the nominee and the stockholder making the recommendation. Copies of our Corporate Governance Guidelines and our stockholder nomination policy are posted on our website, which can be viewed by going to [www.3DSystems.com](http://www.3DSystems.com) and clicking on Investor Relations, then Corporate Governance and then selecting the appropriate document from the list of documents on the web page.

The Governance Committee and the Board have also approved qualifications for nomination to the Board that the Governance Committee will consider, at a minimum, in recommending to the Board potential new Board members or the continued service of existing members. In determining whether to recommend particular individuals to the Board, the Committee will consider, among other factors, a director's ethical character, a director's experience and diversity of background as well as whether a director is independent under applicable listing standards and financially literate. As noted above, a complete copy of our Qualifications for Nomination to the Board is posted on our website at [www.3DSystems.com](http://www.3DSystems.com) under Investor Relations and then Corporate Governance. The process by which the Governance Committee identifies and evaluates nominees for director is the same regardless of whether the nominee is recommended by a stockholder.

When the Board or the Governance Committee has identified the need to add a new Board member with specific qualifications or to fill a vacancy on the Board, the chairman of the Committee will initiate a search, seeking input from other directors and senior management and hiring a search firm, if necessary. The initial list of candidates that satisfy the specific criteria, if any, and otherwise qualify for membership on the Board will be identified by the Governance Committee. At least one member of the Governance Committee (generally the Chairman) and the CEO will interview each qualified candidate. Other directors will also interview the candidate if possible. Based on a satisfactory outcome of those reviews, the Governance Committee will make its recommendation for approval of the candidate to the Board.

**OTHER MATTERS**

This Proxy Statement is being delivered to you on our behalf. We are bearing the expenses of preparing, printing, web hosting and mailing this Proxy Statement and other proxy materials and all other expenses of soliciting proxies. We have retained Georgeson Inc. (Georgeson) to solicit proxies by personal interview, mail, telephone, facsimile, internet or other means of electronic transmission and to request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of the Common Stock held of record by those persons. We agreed to pay Georgeson a fee of \$9,500 for these services and will reimburse it for payments made to brokers and other nominee holders for their expenses in forwarding soliciting material. We have also agreed that Georgeson's fees may increase if certain changes in the scope of its services occur. In addition, our directors, officers and employees may solicit proxies by personal interview, mail, telephone, facsimile, internet or other means of electronic transmission, although they will receive no additional compensation for such solicitation.

**Table of Contents**

We do not know of any matters to be presented at the meeting other than those set forth in this Proxy Statement. However, if any other matters come before the meeting, the proxy holders will vote the shares represented by any proxy granted in their favor in such manner as the Board of Directors may recommend and otherwise in the proxy holders' discretion.

By Order of the Board of Directors

Andrew M. Johnson

*Secretary*

Rock Hill, South Carolina

March 24, 2015

Table of Contents

ANNEX A

**2015 INCENTIVE PLAN**  
**OF 3D SYSTEMS CORPORATION**  
**(Adopted Effective \_\_\_\_\_, 2015)**

**Section 1. Purpose; Effective Date; Definitions**

The purpose of the 3D Systems Corporation 2015 Incentive Plan (the **Plan**) is to assist the Company and its Subsidiaries and Affiliates in attracting and retaining employees and consultants of outstanding competence by providing an incentive that permits the persons responsible for the Company's growth to share directly in that growth and to further the identity of their interests with the interests of the Company's stockholders.

For purposes of the Plan, the following terms shall be defined as set forth below:

- (a) **Affiliate** means any current or future entity other than the Company and its Subsidiaries that is designated by the Board as a participating employer under the Plan.
- (b) **Award** means a grant of a Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, a Performance Award or an Incentive Award under the Plan.
- (c) **Award Agreement** means a written agreement between the Company and a Participant or a written notice from the Company to a Participant specifically setting forth the terms and conditions of an Award granted under the Plan.
- (d) **Beneficiary** means the person designated by the Participant prior to the Participant's death in a form acceptable to the Committee to exercise Awards or receive benefits pursuant to the terms of this Plan. If no beneficiary is designated by the Participant, the Beneficiary shall be the Participant's estate.
- (e) **Board** means the Board of Directors of the Company.
- (f) **Cause** means, but is not limited to, any of the following actions: embezzlement; fraud; nonpayment of any obligation owed to the Company, a Subsidiary or an Affiliate; breach of fiduciary duty; deliberate disregard of the Company's rules resulting in loss, damage or injury to the Company; unauthorized disclosure of any trade secret or confidential information; conduct constituting unfair competition; and the inducement of any customer of the Company to breach a contract with the Company. The determination of whether Cause exists shall be made in the Company's sole discretion.
- (g) **Code** means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended from time to time, and any successor thereto.
- (h) **Committee** means the Committee referred to in Section 2 of the Plan.

Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

- (i) **Common Stock** means the common stock, \$0.001 par value per share, of the Company.
- (j) **Company** means 3D Systems Corporation, a corporation organized under the laws of the State of Delaware, or any successor corporation.
- (k) **Covered Employee** means a covered employee within the meaning of Code Section 162(m).
- (l) **Date of Grant** means the date as of which the Committee grants an Award. If the Committee contemplates an immediate grant to a Participant, the Date of Grant shall be the date of the Committee's action. If the Committee contemplates a date on which the grant is to be made other than the date of the Committee's action, the Date of Grant shall be the date so contemplated and set forth in or determinable from the records of action of the Committee; *provided, however*, that the Date of Grant shall not precede the date of the Committee's action.
- (m) **Detrimental Activity** means: (i) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company; (ii) the disclosure to anyone

A-1

**Table of Contents**

outside the Company, or the use in other than the Company's business, without prior written authorization from the Company, of any confidential information or material relating to the business of the Company, acquired by the Participant either during or after employment with the Company; (iii) the failure or refusal to disclose promptly and to assign to the Company all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research or development work of the Company or the failure or refusal to do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in other countries; (iv) a violation of any rules, policies, procedures or guidelines of the Company; (v) any attempt directly or indirectly to induce any employee of the Company to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company; (vi) the Participant being convicted of, or entering a guilty plea with respect to, a crime, whether or not connected with the Company; or (vii) any other conduct or act determined in the sole discretion of the Committee or the Board to be injurious, detrimental or prejudicial to any interest of the Company.

- (n) **Disability** means disability as determined under procedures established by the Committee for purposes of this Plan.
- (o) **Dividend Equivalent Account** means a bookkeeping account in accordance with Section 18 and related to a grant of Restricted Stock Units that is credited with the amount of any ordinary cash dividends or stock distributions that would be payable with respect to the shares of Common Stock subject to such Awards had such shares been outstanding shares of Common Stock.
- (p) **Exchange Act** means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- (q) **Fair Market Value** means, as of any given date, unless otherwise determined by the Committee in good faith, the closing price of the Common Stock on the principal stock exchange on which the Company's shares are listed on such date.
- (r) **Incentive Award** means an Award granted under Section 8 that, subject to such terms and conditions as may be prescribed by the Committee, entitles the Participant to receive a payment in Common Stock and/or cash from the Company or a Subsidiary or Affiliate.
- (s) **Incentive Stock Option** means any Stock Option designated as an incentive stock option within the meaning of Section 422 of the Code. No Stock Option that is intended to be an Incentive Stock Option shall be invalid for failure to qualify as an Incentive Stock Option.
- (t) **Nonqualified Stock Option** means any Stock Option that is not an Incentive Stock Option.
- (u) **Participant** means a member of the Board, an employee or a consultant who receives an Award under this Plan.
- (v) **Performance Award** means an Award under Section 8 that is based on the level of attainment of performance goals related to objective business criteria.
- (w) **Person** means person as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) of the Exchange Act but excluding the Company, any Subsidiary or any Affiliate, and any employee benefit plan sponsored or maintained by the Company or any Subsidiary or Affiliate (including any trustee of such plan acting in the capacity of trustee).

Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

- (x) **Plan** means this 3D Systems Corporation 2015 Incentive Plan, and any successor thereto, as amended from time to time.
  
- (y) **Plan Year** shall mean the calendar year.
  
- (z) **Restricted Stock** means shares of Common Stock subject to restrictions imposed in connection with an Award granted under Section 7.

A-2

---

**Table of Contents**

- (aa) **Restricted Stock Unit** means a notional bookkeeping entry representing the equivalent of a share of Common Stock, subject to restrictions imposed in connection with an Award granted under Section 7.
- (bb) **Retirement** means the Termination of the Participant on or after the Participant's attainment of age 65.
- (cc) **Section 409A** means Section 409A of the Code.
- (dd) **Stock Appreciation Right** or **SAR** means a right granted under Section 6 to receive payment, in cash and/or Common Stock, equal in value to the excess of the Fair Market Value of the specified number of shares of Common Stock on the date the Stock Appreciation Right is exercised over the grant price of the Stock Appreciation Right, as determined in accordance with Section 6(a).
- (ee) **Stock Option** or **Option** means any option to purchase shares of Common Stock (including Restricted Stock, if the Committee so determines) granted pursuant to Section 5.
- (ff) **Subsidiary** means 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 fifty percent (50%) or more interest in the capital account or earnings.
- (gg) **Termination** means the complete cessation of services with the Company, a Subsidiary, or an Affiliate with no anticipated resumption of services by the Company, a Subsidiary, or an Affiliate in the capacity as an employee or independent contractor. A Participant's employment or services relationship with the Company shall be treated as continuing intact while the individual is on military leave, sick leave, or other bona fide Company-approved leave of absence if the period of leave does not exceed three (3) months, or if longer, so long as the individual retains a right to reemployment with the Company under an applicable statute or by agreement. If the period of leave exceeds three (3) months, and the Participant's right to reemployment is not provided either by statute or by contract, the Participant shall be treated for purposes of this Plan as having experienced a Termination of the Participant's employment or services relationship with the Company on the first day immediately following such three-month period.

**Section 2. Administration**

The Plan shall be administered by the Compensation Committee, or a subcommittee thereof (the Committee), which consists of two or more members of the Board, each of whom shall be both a Non-Employee Director, as that term is defined in Rule 16b-3(b)(3)(i) of the Exchange Act, and an outside director within the meaning of Section 162(m) of the Code, but the failure of a Committee member to satisfy such requirements shall not affect any actions taken by the Committee.

The Committee shall have full authority to grant, pursuant to the terms of the Plan, Awards to employees and consultants eligible under Section 4. The Board shall have full authority to grant, pursuant to the terms of the Plan, Awards to members of the Board.

In particular the Committee shall have the authority, without limitation:

- (i) to select the employees and consultants to whom Awards may be granted hereunder, separately or in tandem, from time to time;
- (ii) subject to the provisions of Sections 3 and 9, to determine the number of shares of Common Stock to be covered by each such Award granted hereunder;

## Edgar Filing: 3D SYSTEMS CORP - Form DEF 14A

- (iii) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, which terms and conditions are not required to be the same in respect of each Participant;
  
- (iv) to designate the Corporate Secretary of the Company, other officers or employees of the Company or competent professional advisors to assist the Committee in the administration of the Plan, and to grant authority to such persons to execute agreements or other documents on its behalf;

A-3



---

**Table of Contents**

- (v) as it pertains to Awards granted to employees and consultants residing in foreign jurisdictions, to adopt such supplements or subplans to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such laws;
- (vi) to approve forms of agreements for use under the Plan;
- (vii) to correct administrative errors; and
- (viii) to allow Participants to satisfy Withholding Tax Obligations as such manner as may be determined by the Committee in accordance with the terms of the Plan.

The Committee shall have the authority to adopt, alter, and repeal such rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement relating thereto); and to otherwise supervise the administration of the Plan.

All decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and Participants.

The Committee may delegate to officers of the Company its duties, powers, and authority under this Plan pursuant to such conditions and limitations as the Committee may establish, except that only the Committee may administer the Plan and Awards to Participants who are subject to Section 16 of the Securities Exchange Act of 1934 or to officers who are or reasonably may become Covered Employees. In the event of such delegation of authority, any reference in this Plan to Committee shall be to the officer(s) to whom the Committee has delegated authority to administer the Plan.

The Company agrees to indemnify and to defend to the fullest extent permitted by law each member of the Committee against all liabilities, damages, costs and expenses (including attorney's fees and amounts paid in settlement of any claims approved by the Company) occasioned by any act or omission to act in connection with the Plan or any Award Agreement, if such act or omission is in good faith and not due to willful misconduct or gross negligence. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation, Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

**Section 3. Common Stock Subject to Plan**

- (a) *Number of Shares Available for Award.* The total number of shares of Common Stock reserved and available for distribution under the Plan and the total number of shares of Common Stock that can be issued under Stock Options shall be six million three hundred thousand (6,300,000) shares.

If any Award is cancelled, forfeited, expires or otherwise terminates without the issuance or delivery of nonforfeitable shares of Common Stock, or if any Award is settled for cash or otherwise does not result in the issuance of all or a portion of the shares of Common Stock subject to such Award, then the shares of Common Stock subject to the Award shall, to the extent of such cancellation, forfeiture, expiration, termination, cash settlement or non-issuance, again be available for issuance under the Plan.

In the event of any change in the outstanding shares of Common Stock or other securities then subject to the Plan by reason of any stock split, reverse stock split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, or if the outstanding securities of the class then subject to the Plan are exchanged for or converted into cash, property or a different kind of security, or if cash, property or securities are distributed in respect of such outstanding securities (other than a regular cash dividend), then, unless the terms of such transaction shall provide otherwise, such equitable adjustments shall be made in the Plan and the Awards thereunder (including, without limitation, appropriate and proportionate adjustments in (i) the

---

**Table of Contents**

number and type of shares or other securities that may be acquired pursuant to Awards theretofore granted under the Plan; (ii) the maximum number and type of shares or other securities that may be issued pursuant to Awards thereafter granted under the Plan; (iii) the number of shares of Restricted Stock and shares of Common Stock under Restricted Stock Units that are outstanding and the terms thereof; and (iv) the maximum number of shares or other securities with respect to which Awards may thereafter be granted to any Participant in any Plan Year) as the Committee determines are necessary or appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock available for distribution under the Plan as set forth in this Section 3. Such adjustments shall be conclusive and binding for all purposes of the Plan.

In the event that (i) any Stock Option granted under the Plan is exercised through the tendering of shares of Common Stock (either actually or by attestation) or by the withholding of shares of Common Stock by the Company or (ii) withholding tax liabilities resulting from an Award are satisfied by the withholding of shares of Common Stock, then the number of shares tendered or withheld shall not be available for future grants of Awards. If Common Stock is issued in settlement of a Stock Appreciation Right, the number of shares of Common Stock available under the Plan shall be reduced by the number of shares of Common Stock for which the Stock Appreciation Right is exercised rather than the number of shares of Common Stock issued in settlement of the Stock Appreciation Right.

- (b) *Limitation on Shares Subject to Stock Options and Stock Appreciation Rights.* Subject to adjustment from time to time pursuant to Section 3(a) above, not more than five-hundred thousand (500,000) shares of Common Stock, in the aggregate, may be made subject to Stock Options or Stock Appreciation Rights under the Plan in respect of any one Participant during any Plan Year.
  
- (c) *Limitation on Awards to Members of the Board.* Subject to adjustment from time to time pursuant to Section 3(a) above, not more than ten thousand (10,000) shares of Common Stock, in the aggregate, may be made subject to Awards under the Plan in respect of any one non-employee member of the Board during any Plan Year.

**Section 4. Eligibility**

Any person who is member of the Board, an employee of or consultant to the Company, a Subsidiary or an Affiliate shall be eligible to be considered for the grant of an Award under the Plan other than an Incentive Stock Option. Any person who is a common law employee of the Company shall be eligible to be considered for the grant of an Incentive Stock Option.

Each Award granted under the Plan shall be evidenced by a written Award Agreement in such form as the Committee shall approve from time to time. Award Agreements shall comply with the terms and conditions of the Plan. In the case of an Incentive Stock Option, the Award Agreement shall contain all of the required provisions and otherwise conform to the requirements under Code Section 422. Award Agreements may be evidenced by an electronic transmission (including an e-mail or reference to a website) sent to the Participant. As a condition to receiving an Award, the Committee may require the proposed Participant to affirmatively accept the Award and agree to the terms and conditions set forth in the Award Agreement by physically and/or electronically executing the Award Agreement or by otherwise physically and/or electronically acknowledging acceptance and agreement. With or without such affirmative acceptance, however, the Committee may prescribe conditions (including the exercise or attempted exercise of any benefit conferred by the Award) under which the proposed Participant may be deemed to have accepted the Award and agreed to the terms and conditions set forth in the Award Agreement.

**Section 5. Stock Options**

Stock Options granted under the Plan may be of two types: Incentive Stock Options that, in addition to being subject to applicable terms, conditions and limitations established by the Committee, comply with Section 422 of the Code and Nonqualified Stock Options. Any Stock Option shall be in such form as the

---

**Table of Contents**

Committee may from time to time approve; shall be subject to the following terms and conditions; and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, that are set forth in the Award Agreement as the Committee shall deem desirable:

- (a) *Exercise Price.* The exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee on the Date of Grant but shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the Date of the Grant, *provided, however*, that the exercise price per share of Common Stock purchasable under an Incentive Stock Option that is granted to an individual who, on the Date of Grant, owns or is deemed to own stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, shall not be less than one hundred and ten percent (110%) of the Fair Market Value of the Common Stock on the Date of Grant. Except as provided in Section 3, without the approval of stockholders (i) the Committee may not reduce, adjust or amend the exercise price of an outstanding Stock Option, whether through amendment, cancellation, replacement grant or any other means and (ii) no payment may be made to cancel an outstanding Stock Option if on the date of such amendment, cancellation, replacement grant or payment the exercise price exceeds Fair Market Value.
  
- (b) *Option Term and Exercisability.* The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten (10) years after the Date of Grant; *provided, however*, that no Incentive Stock Option that is granted to an individual who, on the Date of Grant, owns or is deemed to own Common Stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, shall be exercisable more than five (5) years after the Date of Grant of such Incentive Stock Option. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in the applicable Award Agreement.
  
- (c) *Method of Exercise.* Stock Options may be exercised in whole or in part subject to the terms of the applicable Award Agreement by giving written notice of exercise to the Company, or its designated representative, specifying the number of shares to be purchased.

Such notice shall be accompanied by payment in full of the exercise price by check, note or such other instrument as the Committee may accept and, in the case of Nonstatutory Stock Options, payment in full of the Withholding Tax Obligation. As determined by the Committee, in its sole discretion, payment of the exercise price in full or in part also may be made through (a) a cashless exercise (which will be conducted in a manner acceptable to the Company through a third party broker, and otherwise in compliance with Section 402 of the Sarbanes-Oxley Act) or in which the exercise price (and any interest thereon) is subtracted from the number of shares of Common Stock received by the Participant upon exercise of the Stock Option (based on the Fair Market Value of the Common Stock on the date the Option is exercised); or (b) the surrender of other Common Stock which (i) in the case of Common Stock acquired upon the exercise of an Award, has been owned by the Participant for more than six months on the date of surrender; and (ii) has a Fair Market Value on the date of surrender that, together with any cash paid, is equal to the aggregate exercise price of the Common Stock as to which said Stock Option shall be exercised.

No shares of Common Stock shall be issued until full payment has been made. No Participant shall have 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 and, if requested, has given the representation described in Section 15.

- (d) *Termination by Reason of Death or Disability.* Except as otherwise expressly approved by the Committee and set forth in the applicable Award Agreement, if a Participant has a Termination of employment by or service with the Company, a Subsidiary or an Affiliate by reason of death or Disability, any Stock Option held by such Participant thereafter may be exercised by the Participant or

**Table of Contents**

the Participant's Beneficiary in the case of death, for the number of shares that the Participant was eligible to exercise on the date of Termination, until the expiration of twelve (12) months after the date of such Termination, provided such Stock Option was exercisable on such date of Termination, but no later than the expiration date of the Stock Option.

- (e) *Termination by the Company without Cause, Retirement, Resignation.* Except as otherwise expressly approved by the Committee and set forth in the applicable Award Agreement, if a Participant has a Termination of employment by or service with the Company, a Subsidiary or an Affiliate (other than as provided in subsection (d) above) by the Company without Cause, by reason of Retirement, or on account of voluntary resignation provided that it is determined by the Committee that Cause did not exist as of the time of resignation, any Stock Option held by such Participant thereafter may be exercised, for the number of shares that the Participant was eligible to exercise on the date of Termination, until the expiration of ninety (90) days after the date of such Termination, provided such Stock Option was exercisable on such date of Termination, but no later than the expiration date of the Stock Option.
- (f) *Other Termination.* Unless otherwise determined by the Committee, if a Participant's employment by or service with the Company, a Subsidiary or an Affiliate is terminated for any reason other than as specified in subsections (d) and (e) above, including Termination with Cause, any unexercised Stock Option granted to such Participant shall be cancelled on the date of such termination, whether or not exercisable on such date.
- (g) *Incentive Stock Options.* Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, without the consent of the Participant(s) affected, to disqualify any Incentive Stock Option under Section 422 of the Code. If an Incentive Stock Option is exercised other than in accordance with the exercise periods that apply for purposes of Section 422 of the Code or if the aggregate Fair Market Value of the Common Stock with respect to which the Incentive Stock Options are exercisable for the first time during any calendar year (under all plans of the Company and any Subsidiary) exceeds U.S. \$100,000, such Stock Option thereafter will be treated as a Nonqualified Stock Option, notwithstanding the Incentive Stock Option designation in the Award Agreement.

**Section 6. Stock Appreciation Rights**

The Committee may, in its discretion, grant a Stock Appreciation Right either singly or in combination with an underlying Stock Option granted hereunder. Such Stock Appreciation Right shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe in the Award Agreement:

- (a) *Exercise Price.* The exercise price per share of Common Stock under a Stock Appreciation Right shall be determined by the Committee on the Date of Grant but shall be not less than the greater of (a) one hundred percent (100%) of the Fair Market Value of the Common Stock on the Date of the Grant or (b) the exercise price per share of Common Stock purchasable under a underlying Stock Option with respect to which the Stock Appreciation Right is granted. Except as provided in Section 3, without the approval of stockholders (i) the Committee may not reduce, adjust or amend the exercise price of an outstanding Stock Appreciation Right, whether through amendment, cancellation, replacement grant or any other means and (ii) no payment may be made to cancel an outstanding Stock Appreciation Right if on the date of such amendment, cancellation, replacement grant or payment the exercise price exceeds Fair Market Value.
- (b) *Time and Period of Grant.* If a Stock Appreciation Right is granted with respect to an underlying Stock Option, it must be granted at the time of the Stock Option grant. If a Stock Appreciation Right is granted with respect to an underlying Stock Option, at the time the Stock Appreciation Right is granted, the Committee may limit the exercise period for such Stock Appreciation Right, after which period the Stock Appreciation Right shall not be exercisable. In no event shall the exercise period for a

**Table of Contents**

Stock Appreciation Right granted with respect to an underlying Stock Option exceed the exercise period for such Stock Option. If a Stock Appreciation Right is granted without an underlying Stock Option, the Stock Appreciation Right shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and set forth in the applicable Award Agreement but the Stock Appreciation Right shall not be exercisable more than ten years after its Date of Grant. No Stock Appreciation Right may provide that, upon the exercise of the Stock Appreciation Right, a new Stock Appreciation Right automatically will be granted.

- (c) *Value of Stock Appreciation Right.* If a Stock Appreciation Right is granted with respect to an underlying Stock Option, the grantee will be entitled to surrender the Stock Option which is then exercisable and receive in exchange therefore and on account of the exercise of the Stock Appreciation Right an amount equal to the excess of the Fair Market Value of the Common Stock on the date the election to surrender is received by the Committee in accordance with exercise procedures established by the Committee over the Stock Appreciation Right exercise price (the Spread ) multiplied by the number of shares covered by the Stock Option which is surrendered. If a Stock Appreciation Right is granted without an underlying Stock Option, the grantee will receive upon exercise of the Stock Appreciation Right the Spread multiplied by the number of shares covered by the exercise of the Stock Appreciation Right. Notwithstanding the foregoing, at the time it grants a Stock Appreciation Right, the Committee, in its sole discretion, may provide that the Spread covered by such Stock Appreciation Right may not exceed a specified amount. At the Committee's discretion, the amount payable as a result of the exercise of a Stock Appreciation Right may be settled in cash, Common Stock or a combination of cash and Common Stock. A fractional share shall not be deliverable upon the exercise of a Stock Appreciation Right but a cash payment will be made in lieu thereof.
- (d) *Method of Exercise.* Stock Appreciation Rights may be exercised in whole or in part subject to the terms of the applicable Award Agreement by giving written notice of exercise to the Company, or its designated representative, specifying the number of shares that are subject to exercise.

No Participant shall have 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 subject to a Stock Appreciation Right 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 and, if requested, has given the representation described in Section 15.

- (e) *Termination by Reason of Death or Disability.* Except as otherwise expressly approved by the Committee and set forth in the applicable Award Agreement, if a Participant has a Termination of employment by or service with the Company, a Subsidiary or an Affiliate by reason of death or Disability, any Stock Appreciation Right held by such Participant thereafter may be exercised by the Participant or the Participant's Beneficiary in the case of death, for the number of shares that the Participant was eligible to exercise on the date of Termination, until the expiration of twelve (12) months after the date of such Termination, provided such Stock Appreciation Right was exercisable on such date of Termination, but no later than the expiration date of the Stock Appreciation Right.
- (f) *Termination by the Company without Cause, Retirement, Resignation.* Except as otherwise expressly approved by the Committee and set forth in the applicable Award Agreement, if a Participant has a Termination of employment by or service with the Company, a Subsidiary or an Affiliate (other than as provided in subsection (e) above) by the Company without Cause, by reason of Retirement, or on account of voluntary resignation provided that it is determined by the Committee that Cause did not exist as of the time of resignation, any Stock Appreciation Right held by such Participant thereafter may be exercised, for the number of shares that the Participant was eligible to exercise on the date of Termination, until the expiration of ninety (90) days after the date of such Termination, provided such Stock Appreciation Right was exercisable on such date of Termination, but no later than the expiration date of the Stock Appreciation Right.

---

**Table of Contents**

- (g) *Other Termination.* Unless otherwise determined by the Committee, if a Participant's employment by or service with the Company, a Subsidiary or an Affiliate is terminated for any reason other than as specified in subsections (e) and (f) above, including Termination with Cause, any unexercised Stock Appreciation Right granted to such Participant shall be cancelled on the date of such termination, whether or not exercisable on such date.

**Section 7. Restricted Stock and Restricted Stock Units**

- (a) *Grant of Restricted Stock and Restricted Stock Units.* The Committee may grant to any Participant one or more Awards of Restricted Stock or Restricted Stock Units on such terms and subject to such conditions as may be established by the Committee that are set forth in the Award Agreement. Restricted Stock or Restricted Stock Units may be granted subject to such restrictions and provisions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, not inconsistent with the terms of this Plan, as may be established by the Committee. Each Award of Restricted Stock or Restricted Stock Units may be subject to a different restricted period and additional restrictions; however, a Participant's Restricted Stock or Restricted Stock Unit Award shall not be contingent on any payment by or consideration from the Participant other than the rendering of services, except as the Committee may otherwise expressly determine. Neither Restricted Stock nor Restricted Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the restricted period or prior to the satisfaction of any other applicable restrictions.
- (b) *Recordkeeping of Award; Lapse of Restrictions.* As soon as practicable after the Date of Grant of Restricted Stock or a Restricted Stock Unit by the Committee, the Company shall:
- (i) for Restricted Stock Awards, cause to be transferred on the books of the Company or its agent, shares of Common Stock, registered on behalf of the Participant, evidencing the Restricted Stock covered by the Award, subject to forfeiture to the Company as of the Date of Grant if an Award Agreement with respect to the Restricted Stock covered by the Award is not duly executed by the Participant and timely returned to the Company. Until the lapse or release of the restrictions applicable to the shares subject to an Award of Restricted Stock, the share certificates representing such Restricted Stock may be held in custody by the Company or its designee, in physical or book entry form, or, if the certificates bear a restrictive legend, by the Participant. Upon the lapse or release of all restrictions with respect to an Award as described in Section 7(e)(i), one or more share certificates, registered in the name of the Participant, for an appropriate number of shares as provided in Section 7(e)(i), free of any restrictions set forth in the Plan and the related Award Agreement, or a statement from the Company representing such shares in book entry form free of any restrictions set forth in the Plan and the related Award Agreement, shall be delivered to the Participant as provided in Section 7(e);
  - (ii) for Restricted Stock Unit Awards, cause to be entered upon its books a notional account for the Participant's benefit indicating the number of Restricted Stock Units awarded, subject to forfeiture as of the Date of Grant if an Award Agreement with respect to the Restricted Stock Units covered by the Award is not duly executed by the Participant and timely returned to the Company. Until the lapse or release of the restrictions applicable to the shares subject to a Restricted Stock Unit Award, no shares of Common Stock shall be issued in respect of such Awards and, as further described in Section 7(d), no Participant shall have any rights as a stockholder of the Company with respect to the shares of Common Stock covered by such Restricted Stock Unit Award.
- (c) *Rights of Holders of Restricted Stock.* Beginning on the Date of Grant of a Restricted Stock Award and subject to execution of the related Award Agreement as provided in Section 7(b)(i), and except as otherwise provided in such Award Agreement, the Participant shall become a stockholder of the Company with respect to all shares subject to a Restricted Stock Award Agreement and shall have all of the rights of a stockholder, including, but not limited to, the right to vote such shares and the right to receive dividends; *provided, however,* that any shares of Common Stock or other securities distributed

**Table of Contents**

as a dividend or otherwise with respect to any Restricted Stock as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Restricted Stock and held or restricted as provided in Section 7(b)(i), and provided further that for any such Restricted Stock that are part of a Performance Award any such dividends shall be earned by the Participant only when and to the extent the underlying Award is earned.

(d) *Rights of Holders of Restricted Stock Units.*

- (i) *Settlement of Restricted Stock Units.* Restricted Stock Units may be settled in cash or Common Stock, as determined by the Committee and set forth in the Award Agreement. The Award Agreement shall also set forth whether the Restricted Stock Units shall be settled (1) within the time period specified for short-term deferrals under Section 409A or (2) in compliance with the requirements of Section 409A, in which case the Award Agreement shall specify the date (or event) upon which such Restricted Stock Units shall be settled.
- (ii) *Voting and Dividend Rights.* Holders of Restricted Stock Units shall not have rights as stockholders of the Company with respect to the shares of Common Stock covered by such Restricted Stock Unit Award, including the right to vote such shares and the right to receive dividends; *provided, however*, that the Committee may, in its sole discretion, award a Participant dividend equivalents with respect to a Restricted Stock Unit Award in accordance with Section 18 of the Plan.
- (iii) *Creditor's Rights.* A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

(e) *Delivery of Award*

- (i) *Restricted Stock.* Upon expiration or earlier termination of the restricted period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under Section 7(g), the restrictions applicable to the Restricted Stock shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of Section 13 (regarding tax withholding), the Company shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, one or more share certificates for the appropriate number of shares of Common Stock, or a statement from the Company representing that such shares have been issued, are in book entry form and are free of all such restrictions, except for any restrictions that may be imposed by law.
- (ii) *Restricted Stock Units.* Upon expiration or earlier termination of the restricted period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under Section 7(g), the restrictions applicable to the Restricted Stock Units shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of Section 13 (regarding tax withholding), but no later than ninety (90) days following such event the Company shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, (1) a cash payment equal to the number of Restricted Stock Units as to which such restrictions have lapsed multiplied by the Fair Market Value of a share of Common Stock as of the date the restrictions lapsed, (2) solely in the Committee's discretion, one or more share certificates registered in the name of the Participant, for the appropriate number of shares of Common Stock, or a statement from the Company representing that such shares have been issued, are in book entry form and are free of all restrictions, except for any restrictions that may be imposed by law, or (3) any combination of cash and shares of Common Stock.
- (f) *Forfeiture.* Restricted Stock shall be forfeited and returned to the Company, and Restricted Stock Units shall be forfeited, and all rights of the Participant with respect to such Restricted Stock or Restricted Stock Units shall terminate unless the Participant continues in the service of the Company, a Subsidiary or an Affiliate until the expiration of the restricted period for such Restricted

Stock or

A-10



**Table of Contents**

Restricted Stock Unit Award and satisfies any and all other conditions set forth in the Award Agreement. The Committee shall determine the restricted period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Stock or Restricted Stock Unit Award, which shall be set forth in the Award Agreement.

- (g) *Committee Discretion.* Notwithstanding anything contained in this Section 7 to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including, but not limited to, the death, Disability or Retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of the Restricted Stock or Restricted Stock Units) as the Committee shall deem appropriate.

**Section 8. Performance Awards and Incentive Awards**

- (a) *Performance Goals.* Notwithstanding anything else contained in the Plan to the contrary, the Committee may determine on the Date of Grant, that any Restricted Stock or Restricted Stock Unit granted to a Participant shall be a Performance Award and shall vest only upon the determination by the Committee that Performance Goals established by the Committee have been attained, in whole or in part. Such performance goals, the business criteria upon which they are based, and the weights or other formulas to be applied to any such business criteria shall be set forth in writing by the Committee not later than ninety (90) days after the start of each Plan Year; *provided, however*, that if the performance goals are to be measured over a period shorter than the Plan Year, the above items are to be set forth in writing by the Committee before twenty-five percent (25%) of the measurement period has elapsed. A Performance Goal means a performance objective that is stated with respect to one or more of the following business criteria, either individually or in combination, applied to the Participant or to the Company, a Subsidiary or an Affiliate as a whole or to individual units thereof, and measured either absolutely or relative to a designated group of comparable companies: (i) cash flow, (ii) earnings per share, (iii) earnings before interest, taxes, depreciation, and amortization (EBITDA), (iv) return on equity, (v) total stockholder return, (vi) return on capital, (vii) return on assets or net assets, (viii) revenue, (ix) income or net income, (x) operating income or net operating income, (xi) operating profit or net operating profit, (xii) operating margin, (xiii) return on operating revenue, (xiv) customer satisfaction, (xv) market share, (xvi) expenses, (xvii) credit rating, (xviii) mergers and acquisitions or divestitures, (xix) product development, (xx) intellectual property, (xxi) manufacturing, production or inventory, (xxii) price/earnings ratio, (xxiii) liquidity, (xxiv) financings, (xxv) cash, (xxvi) cost of goods sold, (xxvii) economic value added, (xxviii) accounts receivable, (xxix) number of customers and (xxx) gross profit margin. The Participant's rights in the Performance Award shall become exercisable, transferable or nonforfeitable only to the extent that the Committee certifies in writing that such objectives have been achieved. A Performance Goal may be expressed on an absolute basis or relative to the performance of one or more similarly situated companies or a published index. When establishing Performance Goals, the Committee may exclude any or all special, unusual or extraordinary items as determined under U.S. generally accepted accounting principles, including, without limitation, the charges or cost associated with restructurings of the Company, discontinued operations, other unusual or non-recurring items and the cumulative effects of accounting changes. To the extent permitted under Section 162(m) of the Code, the Committee may also adjust Performance Goals as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles or such other factors as the Committee may determine.
- (b) *Maximum Performance Award.* The maximum, aggregate amount that can be awarded to any one Participant pursuant to Performance Awards in one (1) Plan Year is five hundred thousand (500,000) shares of Common Stock.
- (c) *Interpretation of Performance Awards.* If a Performance Award is intended to constitute performance-based compensation under Section 162(m) of the Code, the Performance Award shall

**Table of Contents**

be designed, interpreted and administered consistent with such intent. In that regard, any discretion exercised by the Committee with respect to the vesting of the Performance Award may reduce, but may not increase, the amount earned based on attainment of the applicable pre-established, objective performance goals.

- (d) *Incentive Awards.* The Committee shall designate Participants to whom Incentive Awards are made for incentive compensation opportunities. All Incentive Awards shall be finally determined exclusively by the Committee under the procedures established by the Committee.
- (e) *Terms And Conditions Of Incentive Awards.* The Committee, at the time an Incentive Award is made, shall specify the terms and conditions which govern the award. Such terms and conditions may include, by way of example and not of limitation, requirements that the Participant complete a specified period of employment with the Company or a Subsidiary or Affiliate, or that the Company, a Subsidiary or Affiliate, or the Participant attain stated objectives or goals, including objectives stated with respect to Performance Goals as a condition to earning an Incentive Award. The period for determining whether such requirements are satisfied shall be at least one year. The maximum, aggregate amount that can be awarded to any one Participant for Incentive Awards denominated in shares of Common Stock in one Plan Year is five hundred thousand (500,000) shares of Common Stock and the maximum, aggregate amount that can be awarded to any one Participant under one or more Incentive Awards denominated in cash in one Plan Year is three million five hundred thousand dollars (\$3,500,000).
- (f) *Incentive Awards not subject to Liability.* No right or interest of a Participant in an Incentive Award shall be liable for, or subject to, any lien, obligation, or liability of such Participant.
- (g) *Settlement of Incentive Awards.* An Incentive Award that is earned shall be settled with a single lump sum payment which may be in cash, shares of Common Stock or a combination of cash of Common Stock, as determined by the Committee.
- (h) *Stockholder Rights.* No Participant shall, as a result of receiving an Incentive Award, have any rights as a stockholder of the Company until the date that the Incentive Award is settled and then only to the extent that the Incentive Award is settled by the issuance of Common Stock.
- (i) *Employee Status for Performance Awards and Incentive Awards.* Notwithstanding Section 1(ff), if the terms of an Incentive Award or a Performance Award provide that a payment will be made thereunder only if the Participant completes a stated period of employment or continued service the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service.

**Section 9. Change in Control**

- (a) Change in Control means:
  - (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 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 Exchange Act and such securities so beneficially owned, directly or indirectly, by a party to such merger or consolidation), provided however, that Company securities acquired directly from the Company shall be disregarded for this purpose,

- (ii) the Company shall sell all or substantially all of its assets to any other person or entity (other than a wholly-owned subsidiary),

A-12

**Table of Contents**

- (iii) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the beneficial owner (as defined in Rule 13d-3 under the 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, provided however, that Company securities acquired directly from the Company shall be disregarded for this purpose,
- (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (ii), (iii) or (v) of this Section 9(a) and other than a director initially elected or nominated as a result of an actual or threatened election contest with respect to directors) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of a majority of the directors then still in office who either (x) were directors at the beginning of such period or (y) were so elected or nominated with such approval, cease for any reason to constitute at least a majority of the Board, or
- (v) the Company shall become subject for any reason to a voluntary or involuntary dissolution or liquidation.

In addition, if a Change in Control (as defined in clauses (i), (ii), (iii), (iv) or (v) above) constitutes a payment event with respect to any Stock Option, Stock Appreciation Right, Performance Award, Restricted Stock Unit award, Incentive Award or Restricted Stock that provides for the deferral of compensation and is subject to Section 409A of the Code, no payment will be made under that award on account of a Change in Control unless the event described in clause (i), (ii), (iii), (iv) or (v) above, as applicable, constitutes a change in control event as defined in Treasury Regulation Section 1.409A-3(i)(5).

- (b) **Control Change Date** means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the Control Change Date is the date of the last of such transactions.
- (c) **Impact Of Change In Control.** Unless an outstanding award is assumed in accordance with Section 9(d) and notwithstanding any other provision of the Plan, upon a Control Change Date, the Committee is authorized to, and in its discretion, may provide that (i) a Stock Option and Stock Appreciation Right shall be fully exercisable thereafter, (ii) Restricted Stock will become transferable and nonforfeitable thereafter, (iii) Restricted Stock Units shall be earned in their entirety and converted into transferable and nonforfeitable Restricted Stock, (iv) the performance goals to which the vesting of Performance Awards are subject shall be deemed to be met at target, such that Performance Awards immediately become fully vested, and (v) an Incentive Award shall be earned, in whole or in part, in accordance with the terms of the applicable Agreement.
- (d) **Assumption Upon Change In Control.** In the event of a Change in Control the Committee, in its discretion and without the need for a Participant's consent, may provide that an outstanding Stock Option, Stock Appreciation Right, award of Restricted Stock, Restricted Stock Unit, Performance Award or Incentive Award shall be assumed by, or a substitute award granted by, the surviving entity in the Change in Control. Such assumed or substituted award shall be of the same type of award as the original Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award or Incentive Award being assumed or substituted. The assumed or substituted award shall have a value, as of the Control Change Date, that is substantially equal to the value of the original award (or the difference between the Fair Market Value and the exercise price in the case of Stock Options and Stock Appreciation Rights) as the Committee determines is equitably required and such other terms and conditions as may be prescribed by the Committee.

---

**Table of Contents**

- (e) *Cash-Out Upon Change In Control.* Unless an outstanding award is assumed in accordance with Section 9(d), in the event of a Change in Control the Committee, in its discretion and without the need of a Participant's consent, may provide that each Stock Option, Stock Appreciation Right, Performance Award, Incentive Award, award of Restricted Stock and Restricted Stock Unit shall be cancelled in exchange for a payment. The payment may be in cash, shares of Common Stock or other securities or consideration received by Company stockholders in the Change in Control transaction. The amount of the payment shall be an amount that is substantially equal to (i) the amount by which the price per share received by Company stockholders in the Change in Control exceeds the Stock Option exercise price in the case of a Stock Option and Stock Appreciation Right, or (ii) the price per share received by stockholders for each share of Common Stock subject to an award of Restricted Stock or Restricted Stock Units or an Incentive Award.

**Section 10. Transferability; Successors**

Awards granted under the Plan may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. Any act in violation of this Section 10 shall be void. Notwithstanding the foregoing, the Committee may permit further transferability of Awards other than Incentive Stock Options, on a general or specific basis, and may impose conditions and limitations on any permitted transferability.

The provisions of the Plan shall be binding upon and inure to the benefit of all successors of any person receiving Common Stock of the Corporation 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 11. Amendments and Termination**

The Board may amend, alter or discontinue the Plan at any time, provided that (i) no amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant in respect of any outstanding Award hereunder without such Participant's prior consent; and (ii) an amendment shall be contingent on approval of the Company's stockholders to the extent stated by the Committee or required by applicable law or stock exchange listing requirements.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take in to account changes in applicable securities and tax laws and accounting rules, as well as other developments.

**Section 12. Company's Right to Terminate Retention; Exclusivity**

Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements or modifying existing compensation arrangements for Participants, subject to stockholder approval if such approval is required by applicable statute, rule or regulation; and such arrangements either may be generally applicable or applicable only in specific cases. Neither the adoption of the Plan nor a grant to a Participant of any Award shall confer upon any Participant any right to continued employment or service with the Company.

**Section 13. Tax Withholding**

The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local or other applicable taxes (including the Participant's FICA obligation or other social taxes) required by law to be withheld (collectively, the Withholding Tax Obligation) (i) with respect to the vesting of or other lapse of restrictions applicable to an Award, (ii) upon the exercise of a Stock Option or Stock Appreciation Right, or (iii) otherwise due in connection with an Award.

At the time of such vesting, lapse, or exercise, the Participant shall pay to the Company any amount that the Company may reasonably determine to be necessary to satisfy the Withholding Tax Obligation. The Committee,

---

## **Table of Contents**

in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit the Participant to elect to satisfy the Withholding Tax Obligation, in whole or in part, by (a) paying the Company cash; (b) having the Company withhold shares of Common Stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction; and/or (c) tendering previously acquired, unencumbered shares of Common Stock having an aggregate Fair Market Value equal to the minimum statutory total tax which could be imposed on the transaction. All such elections shall be irrevocable, made in writing (including by electronic mail), and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

If the Participant fails to make an election with respect to the method by which the Withholding Tax Obligation shall be satisfied or fails to pay the Withholding Tax Obligation, in whole or in part, by means of the elected method, the Company may cause the Withholding Tax Obligation to be satisfied by the Company withholding shares of Common Stock otherwise deliverable in connection with the Award that have a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction.

### **Section 14. Choice of Law**

The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

### **Section 15. Governmental 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 shares of Common Stock issuable in connection with this Plan to be registered under the Securities Act of 1933, as amended (the **Securities Act**), but shall otherwise be under no obligation to register any shares of Common Stock issued under the Plan under the Securities Act or otherwise. If, at the time any 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 Participant 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 Participant has had access or will, by reason of such person's employment or service with 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 the Company's Common Stock pursuant to the Plan, (ii) such Participant 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 Participant to acquire and hold such shares for investment and not for the resale or distribution thereof, (iv) such Participant will comply with the Securities Act and the Exchange Act with respect to such shares, and (v) such Participant 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 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 10, shares of Common Stock acquired pursuant to the Plan shall not be sold, transferred or otherwise disposed of unless and until (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 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.

**Table of Contents**

- (d) *Legend on Certificates.* The Company may require that any certificate 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 measure.

**Section 16. Election With Respect to Restricted Property**

A Participant who receives an award of Restricted Stock including Restricted Stock granted as a Performance Award (but not Restricted Stock Units) shall be entitled to make, at his or her discretion, within thirty (30) days of receipt of such restricted property and in accordance with applicable laws and regulations, the election provided for under Section 83(b) of the Code to be taxed on the fair market value of such restricted property at the time it is received. Participants should consult their individual tax advisors as to the tax consequences to them of the election under Section 83(b).

**Section 17. Section 409A**

The Plan is intended to provide either stock-based compensation that is not governed by Section 409A or for the deferral of compensation pursuant to a nonqualified deferred compensation plan that complies with the requirements of Section 409A. With respect to any Awards granted under this Plan that provide for the deferral of compensation that is governed by Section 409A, the Plan shall be interpreted in a manner consistent with Section 409A and in the event that any provision that is necessary for the Plan to comply with Section 409A is determined by the Committee, in its sole discretion, to have been omitted, such omitted provision shall be deemed included herein and is hereby incorporated as part of the Plan. Any payments described in the Plan that are due within the short-term deferral period as defined in Section 409A shall not be treated as deferred compensation unless applicable laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Participant's separation from service as defined in Section 409A shall instead be paid on the first payroll date after the six-month anniversary of the Participant's separation from service (or the Participant's death, if earlier). In addition, and notwithstanding any provision of the Plan to the contrary, the Company reserves the right to amend the Plan or any Award granted under the Plan, by action of the Committee, without the consent of any affected Participant, to the extent deemed necessary or appropriate for purposes of maintaining compliance with Section 409A and the regulations promulgated thereunder. Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Participant under Section 409A and neither the Company nor the Committee will have any liability to any Participant for such tax or penalty.

**Section 18. Dividend Equivalents**

For any Restricted Stock Units granted under the Plan, the Committee shall have the discretion, upon the Date of Grant or thereafter, to provide for the payment of dividend equivalents to the Participant in connection with such Award or to establish a Dividend Equivalent Account with respect to the Award, and the applicable Award Agreement or an amendment thereto shall confirm the terms of such arrangement. For purposes of payment of dividend equivalents or settlement of any Dividend Equivalent Account, the amount to be paid or otherwise settled (if expressed in cash) shall be rounded to the nearest cent (\$0.01). If a Dividend Equivalent Account is established, the following terms shall apply:

- (i) Dividend Equivalent Accounts shall be subject to such terms and conditions as the Committee shall determine and as shall be set forth in the applicable Award Agreement. Such terms and conditions may include, without limitation, for the Participant's Account to be credited as of the record date of each cash dividend on the Common Stock with an amount (expressed either in cash or shares of Common Stock of equivalent Fair Market Value) equal to the cash dividends which would be paid with respect to the number of shares of Common Stock then covered by the related Award if such shares of Common Stock had been owned of record by the Participant on such record date.

---

**Table of Contents**

- (ii) Dividend Equivalent Accounts shall be established and maintained only on the books and records of the Company and no assets or funds of the Company shall be set aside, placed in trust, removed from the claims of the Company's general creditors, or otherwise made available until such amounts are actually payable as provided hereunder.
  
- (iii) Dividend equivalents and amounts credited to a Dividend Equivalent Account with respect to any Performance Award or Restricted Stock Unit that does not vest solely on continued employment or service shall be earned by the Participant only when and to the extent the underlying Award is earned.
  
- (iv) Notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on the number of shares underlying the Award may not be contingent, directly or indirectly, on the exercise of the Award, and any Award providing a right to dividend equivalents must comply with or qualify for an exemption from Section 409A.

**Section 19. Cancellation and Rescission of Awards**

The Committee or the Board of Directors may cancel, rescind, suspend or otherwise limit or restrict any unexpired Award at any time if a Participant engages in Detrimental Activity.

**Section 20. Certain Reduction of Parachute Payments**

The benefits that a Participant may be entitled to receive under this Plan and other benefits that a Participant is entitled to receive under other plans, agreements and arrangements (which, together with the benefits provided under this Plan, are referred to as Payments), may constitute Parachute Payments that are subject to Code Sections 280G and 4999. As provided in this Section 20, the Parachute Payments will be reduced pursuant to this Section 20 if, and only to the extent that, a reduction will allow a Participant to receive a greater Net After Tax Amount than a Participant would receive absent a reduction.

The Accounting Firm will first determine the amount of any Parachute Payments that are payable to a Participant. The Accounting Firm also will determine the Net After Tax Amount attributable to the Participant's total Parachute Payments.

The Accounting Firm will next determine the largest amount of Payments that may be made to the Participant without subjecting the Participant to tax under Code Section 4999 (the Capped Payments). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

The Participant will receive the total Parachute Payments or the Capped Payments, whichever provides the Participant with the higher Net After Tax Amount. If the Participant will receive the Capped Payments, the total Parachute Payments will be adjusted by first reducing the amount of any benefits under this Plan or any other plan, agreement or arrangement that are not subject to Section 409A of the Code (with the source of the reduction to be directed by the Committee) and then by reducing the amount of any benefits under this Plan or any other plan, agreement or arrangement that are subject to Section 409A of the Code (with the source of the reduction to be directed by the Committee) in a manner that results in the best economic benefit to the Participant (or, to the extent economically equivalent, in a pro rata manner). The Accounting Firm will notify the Participant and the Company if it determines that the Parachute Payments must be reduced to the Capped Payments and will send the Participant and the Company a copy of its detailed calculations supporting that determination.

As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Section 20, it is possible that amounts will have been paid or distributed to the Participant that should not have been paid or distributed under this Section 20 ( Overpayments ), or that additional amounts should be paid or distributed to the Participant under this Section 20 ( Underpayments ). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Participant must repay to the Company, without interest; provided, however, that no loan will be deemed to have been made and no amount will be payable by the Participant to the Company unless, and then



**Table of Contents**

only to the extent that, the deemed loan and payment would either reduce the amount on which the Participant is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Participant and the Company of that determination and the amount of that Underpayment will be paid to the Participant promptly by the Company.

For purposes of this Section 20, the term **Accounting Firm** means the independent accounting firm engaged by the Company immediately before the Control Change Date. For purposes of this Section 20, the term **Net After Tax Amount** means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Participant on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment. For purposes of this Section 20, the term **Parachute Payment** means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.

Nothing in this Section 20 shall limit or otherwise supersede the provisions of any other agreement or plan which provides that a Participant cannot receive Payments in excess of the Capped Payments.

**Section 21. Return of Awards; Repayment**

Each Award granted under this Plan is subject to the condition that the Company may require that such award be returned, and that any payment made with respect to such award must be repaid, if such action is required under the terms of any Company recoupment or **clawback** policy as in effect on the date that the payment was made, on the date the award was granted or the date the Stock Option or Stock Appreciation Right was exercised or the date any Restricted Stock, Restricted Stock Unit or Performance Award or Incentive Award became vested or earned.

**Section 22. Term of Plan**

This Plan shall be effective upon its approval by the stockholders of the Company (the **Effective Date** ). It shall continue in effect until May 19, 2025. Awards granted on or before that date shall remain valid in accordance with their terms, notwithstanding the expiration of the Plan.

**Table of Contents**

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. x

**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 11:59 P.M., P.D.T., on May 18, 2015.**

**Vote by Internet**

Go to **[www.envisionreports.com/DDD](http://www.envisionreports.com/DDD)**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

**q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q**

**A Proposals** The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2 3.

of Directors: For Against Abstain			For Against Abstain			For Against Abstain				
am E.	..	..	..	02 - Peter H. Diamandis	..	..	..	03 - Charles W. Hull	..	..
am D.	..	..	..	05 - Jim D. Keever	..	..	..	06 - G. Walter Loewenbaum, II	..	..
n S. Moore	..	..	..	08 - Abraham N. Reichental	..	..	..	09 - Daniel S. Van Riper	..	..
n E. Welke	..	..	..							

	For	Against	Abstain		For	Against	Abstain
2. Approval of the 2015 Incentive Plan.	..	..	..	3. Ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the year ending December 31, 2015.	..	..	..

**B Non-Voting Items**

**Change of Address** Please print your new address below. **Comments** Please print your comments below. **Meeting Attendance** Mark the box to the right if you plan to attend the Annual Meeting.

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below** Please sign EXACTLY as name(s) appears hereon. When signing on behalf of a corporation, estate, trust or other stockholder, please give its full name and state your full title or capacity or otherwise indicate that you are authorized to sign.

(mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.  
/ /

**Table of Contents**

**q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q**

**Proxy 3D SYSTEMS CORPORATION**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF**

**3D SYSTEMS CORPORATION**

The undersigned hereby appoints Abraham N. Reichental and Andrew M. Johnson, or either of them, proxies and attorneys-in-fact, with full power of substitution, on behalf and in the name of the undersigned, to represent the undersigned and, to vote the shares of the undersigned which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of 3D Systems Corporation (the 2015 Annual Meeting ) to be held at 11:00 a.m., P.D.T., on May 19, 2015 at the offices of the Company at 26600 SW Parkway Ave, Building 60, Wilsonville, Oregon 97070 and at any adjournments or postponements thereof.

THE PROXY HOLDERS WILL VOTE AS RECOMMENDED BY THE BOARD OF DIRECTORS ON ANY OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF OR, IN THE ABSENCE OF A BOARD RECOMMENDATION ON ANY SUCH OTHER PROPER MATTERS, IN THE PROXY HOLDERS DISCRETION.

The undersigned hereby revokes all proxies previously given by the undersigned to vote at the 2015 Annual Meeting and any adjournments or postponements thereof and acknowledges receipt of 3D Systems Corporation s Proxy Statement dated April 1, 2015 and Notice for the 2015 Annual Meeting.

**This proxy will be voted as directed, or, if no contrary direction is indicated, will be voted FOR the Election of all of the Director Nominees and FOR Proposals No. 2 and No. 3 and as recommended by the Board of Directors on any other matters that may come before the Annual Meeting or any adjournments or postponements thereof or, in the absence of a board recommendation on any such other proper matters, in the proxy holders discretion.**

**SEE REVERSE SIDE**

Your vote is important. Please vote Today!

Please mark, sign, date and return your proxy form in the envelope provided.

Address Change/Comments (Mark the corresponding box on the reverse side)