3D SYSTEMS CORP
Form S-1/A
April 06, 2004

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As filed with the Securities and Exchange Commission on April 6, 2004

Registration No. 333-108418

United States Securities and Exchange Commission

Washington, D.C. 20549

AMENDMENT NO. 2 TO FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

3D SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**7372**	**95-4431352**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

26081 Avenue Hall
Valencia, California 91355
(661) 295-5600

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Robert M. Grace, Jr.
Vice President, General Counsel and Secretary
3D Systems Corporation
26081 Avenue Hall
Valencia, California 91355
(661) 295-5600

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

With a copy to:

Peter F. Ziegler, Esq.
Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, California 90071-3197
Telephone: (213) 229-7000
Facsimile: (213) 229-7520

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ý

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value	5,162,757 shares	$11.69	$60,352,629.33	$7,646.68

(1) This prospectus covers the offer and sale of (a) 1,670,407 shares of outstanding common stock, (b) 833,334 shares of common stock underlying our 7% convertible subordinated debentures, (c) 2,634,016 shares of common stock issuable upon conversion of shares of our Series B Convertible Preferred Stock, (d) 25,000 shares of common stock reserved for issuance upon exercise of stock options and (e) pursuant to Rule 416 promulgated under the Securities Act of 1933, as amended, an indeterminate number of additional shares of common stock that may be issuable to prevent dilution resulting from stock splits, stock dividends or other events affecting the shares to be offered by the selling stockholders named herein.

(2) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended,based on the average of the high and low sale prices of the registrant's common stock reported on the Nasdaq National Market on April 5, 2004.

(3) Of this amount, the registrant paid $4,714 on August 29, 2003 in connection with the initial filing of this registration statement and paid an additional $2,461 on January 21, 2004 in connection with the first amendment hereto.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 6, 2004

PROSPECTUS

3D SYSTEMS CORPORATION
5,162,757 SHARES OF COMMON STOCK

This prospectus relates to the resale of up to 5,162,757 shares of common stock by the selling stockholders named in this prospectus.

The selling stockholders may offer for resale the shares of common stock covered by this prospectus from time to time directly to purchasers or through underwriters, broker-dealers or agents, in public or private transactions, at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices.

We will not receive any proceeds from the resale of our common stock by the selling stockholders.

Our common stock is quoted on The Nasdaq Stock Market's National Market under the symbol "TDSC." The last reported sale price of our common stock on April 5, 2004 was $11.37 per share.

You should read this prospectus carefully before you invest.

Investing in these securities involves significant risks. See "Risk Factors" beginning on page 2.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2004.

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PROSPECTUS SUMMARY

This summary highlights and refers to information contained elsewhere in this prospectus. It is not complete and does not contain all of the information you should consider before investing in the shares. You should read this summary together with the entire prospectus, and you should consider the information set forth under "Risk Factors," as well as the information incorporated by reference. This prospectus summary contains forward-looking statements describing our plans, goals, strategies, intentions, expectations and anticipated events. You should read the section entitled "Forward-Looking Statements" starting on page 2 for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this prospectus.

3D Systems Corporation

3D Systems Corporation, operating through our subsidiaries in the United States, Europe and the Asia-Pacific region, designs, develops, manufactures, markets and services solid imaging systems and related products and materials that allow complex three-dimensional objects to be manufactured directly from computer data without tooling, greatly reducing the time and cost to produce prototypes or limited-run production parts. Our solid imaging systems rapidly produce physical objects from digital data using computer-aided design and manufacturing, or CAD/CAM, software utilities and related computer applications. We market our systems as an integrated package that combines equipment and related software, materials and service to offer our customersone of the widest ranges of solid imaging solutions in the world.

Our systems are used for applications that include rapid prototyping, concept modeling, three-dimensional printing and "instant manufacturing." In rapid prototyping applications our systems are used, in among other ways, to generate product concept models, functional prototypes and master-casting and tooling patterns that are often used as an efficient, cost-effective means of evaluating product designs. In concept-modeling and three-dimensional printing applications, our systems are used to produce three-dimensional shapes, primarily for visualizing and communicating mechanical design applications as well as for other applications, including supply-chain management, architecture, art, surgical medicine and entertainment. In instant manufacturing applications, our systems are used to manufacture end-use parts.

We are incorporated under the laws of Delaware. Our corporate headquarters are located at 26801 Avenue Hall, Valencia, California 91355. Our telephone number is (661) 295-5600.

In this prospectus, we refer to 3D Systems Corporation and its consolidated subsidiaries as "we," "our" and "us" when we do not need to distinguish among these entities or their predecessors or when any such distinction is clear from the context.

The Offering

This prospectus relates to the resale of up to an aggregate of 5,162,757 shares of common stock by the selling stockholders named in this prospectus. Information regarding such selling stockholders is contained in the section entitled "Selling Stockholders" starting on page 64, and information regarding the plan of distribution of the shares of common stock subject to this prospectus is contained in the section entitled "Plan of Distribution" starting on page 71. Information relating to our capital stock, including our common stock, is contained in the section entitled "Description of Capital Stock" starting on page 74.

The selling stockholders may offer for resale the shares covered by this prospectus from time to time directly to purchasers or through underwriters, broker-dealers or agents, in public or private transactions, at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices.

We will not receive any proceeds from any resale of our common stock by the selling stockholders. We may receive cash from certain selling stockholders who exercise options relating to shares of common stock to be sold under this prospectus. Any such cash received from the exercise of stock options will be used for general corporate purposes.

* * * * *

RISK FACTORS

Before deciding whether to invest in our common stock, you should understand the high degree of risk involved. You should carefully consider the risks and uncertainties described below and the other information in this prospectus, including our historical consolidated financial statements and related notes. Our most significant risks and uncertainties are described below. If any of the following risks actually occur, our business, financial condition and results of operations could suffer. As a result, the trading price of our common stock could decline and you could lose part or all of your investment. The risks discussed below may include forward-looking statements, and our actual results may differ substantially from those discussed in such forward-looking statements. You should read the section entitled "Forward-Looking Statements" immediately following these risk factors for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this prospectus.

Our debt level could adversely affect our financial health and affect our ability to run our business.

As of December 31, 2003, our debt was $36.8 million. This debt included $32.7 million of convertible subordinated debt and $4.1 million of industrial development bonds, $0.2 million of which were current. In addition, we had outstanding $15.8 million of Series B Convertible Preferred Stock, which is mandatorily redeemable in 2013. This level of debt and preferred stock could have important consequences to you as a holder of our shares. We have identified below some of the material potential consequences resulting from this significant amount of debt and preferred stock:

- We may be unable to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes.
- Our ability to adapt to changing market conditions may be hampered. We may be more vulnerable in a volatile market and at a competitive disadvantage to our competitors that have less debt.
- Our operating flexibility may be limited by restrictive covenants contained in credit documents such as restrictions on incurring additional debt, creating liens on properties, making acquisitions and paying dividends and requirements that we satisfy certain financial covenants, such as the maintenance of certain levels of net worth, interest coverage ratios, fixed-charge coverage ratios or other financial covenants.
- We may be subject to the risks that interest rates, interest expense and fixed charges will increase.
- Our ability to plan for, or react to, changes in our business may be more limited.

For additional information, please see Notes 15, 16 and 17 to the Consolidated Financial Statements.

Our operating results may be insufficient to achieve compliance with financial covenants in financing documents, thereby causing acceleration of outstanding debt.

Our reimbursement agreement with Wells Fargo Bank, N.A. related to a letter of credit supporting $4.1 million of industrial development bonds outstanding on December 31, 2003, contains two financial covenants. One covenant requires us to maintain a fixed-charge coverage ratio (as defined) of 1.25. At December 31, 2003, our fixed-charge coverage ratio was 2.58. The other covenant requires us to maintain tangible net worth (as defined) of $23 million plus 50% of net income subsequent to July 1, 2002. Because we have incurred losses since July 1, 2002, the covenant requirement was $23 million at December 31, 2003, and our calculated tangible net worth at that date was $27.1 million.

Future losses could cause us to breach either or both of these covenants. Although we were in compliance with the covenants at December 31, 2003, we have previously received waivers from Wells Fargo Bank, N.A. when we breached the fixed charge coverage ratio as of the end of 2002 and the third quarter of 2003. For further discussion of these matters, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources *Outstanding debt.*"

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

Notwithstanding the private placement of our 6% convertible subordinated debentures discussed below, we cannot assure you that during 2004 or thereafter we will generate funds from operations or that capital will be available from external sources such as debt or equity financings or other potential sources to fund future operating costs, debt-service obligations and capital requirements. Our operations were not profitable in the three-year period ended December 31, 2003. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise equity or debt financing would force us to substantially curtail or cease operations and would, therefore, have a material adverse effect on our business. Further, we cannot assure you that any necessary funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on our existing stockholders. If our financial condition worsens and we are unable to attract additional equity or debt financing or other strategic transactions, we may become insolvent or be forced to declare bankruptcy.

Our balance sheet contains several categories of intangible assets totaling $58.1 million that we may be required to write off or write down based on the impairment of certain of those assets and our future performance, which may adversely impact our future earnings and stock price, our ability to obtain financing and adversely affect our customer relationships.

As of December 31, 2003, we had $13.2 million of unamortized intangible assets, consisting of licenses, patents, acquired technology and other intangibles that we amortize over time. Any material impairment to any of these items could reduce our net income and may adversely affect the trading price of our common stock.

At December 31, 2003, we had $44.9 million in goodwill capitalized on our balance sheet. SFAS No. 142, "Goodwill and Other Intangible Assets," requires, among other things, the discontinuance of the amortization of goodwill and certain other intangible assets that have indefinite useful lives and the introduction of impairment testing in its place. Under SFAS No. 142, goodwill and some indefinite-lived intangibles will not be amortized into results of operations, but instead will be tested for impairment at least annually, with impairment being measured as the excess of the carrying value of the goodwill or intangible asset over its fair value. In addition, goodwill and intangible assets will be tested more often for impairment as circumstances warrant, and may result in write-downs of some of our goodwill and indefinite-lived intangibles. Accordingly, we could, from time to time, incur impairment charges, which will be recorded as operating expenses and will reduce our net income and adversely affect our operating results.

For additional information, see Notes 9 and 10 to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Significant Estimates *Goodwill and intangible and other long-lived assets*."

The mix of products that we sell could cause significant quarterly fluctuations in our gross margins and net income.

We work to expand continuously our product offerings, including our systems, materials and services, the number of geographic areas in which we operate and the distribution channels we use to reach various target product applications and customers. This variety of products, applications and channels results in a range of gross margins and operating income which can cause substantial quarterly fluctuations depending upon the mix of product shipments from quarter to quarter. We may experience significant quarterly fluctuations in gross margins or net income due to the impact of the mix of products, channels or geographic areas in which we sell our products from period to period. More recently, our mix of products sold has reflected increased sales of our lower-cost and smaller-frame systems, which have reduced gross margins compared to high-end stereolithography systems. If this trend continues over time, we may experience lower average gross margins and returns.

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

Products as complex as those we offer may contain undetected defects or errors when first introduced or as enhancements are released that, despite testing, are not discovered until after the product has been installed and used by customers. This could result in delayed market acceptance of the product or damage to our reputation and business. We attempt to include provisions in our agreements with customers that are designed to limit our exposure to potential liability for damages arising from defects or errors in our products. However, the nature and extent of these limitations vary from customer to customer, and it is possible that these limitations may not be effective as a result of unfavorable judicial decisions or laws enacted in the future. The sale and support of our products entails the risk of product liability claims. Any product liability claim brought against us, regardless of its merit, could result in material expense to us, diversion of management time and attention and damage to our business reputation and our ability to retain existing customers or to attract new customers.

Political and economic events and the uncertainty resulting from them may have a material adverse effect on our market opportunities and operating results.

The terrorist attacks that took place in the United States on September 11, 2001, along with the U.S. military campaigns against terrorism in Iraq, Afghanistan and elsewhere and continued violence in the Middle East have created many economic and political uncertainties, some of which may materially harm our business and revenues. The disruption of our business as a result of these events, including disruptions and deferrals of customer purchasing decisions, had an immediate adverse impact on our business. Since September 11, 2001, some economic commentators have indicated that spending on capital equipment of the type that we sell has been weaker than spending in the economy as a whole, and many of our customers are in industries that also are viewed as under-performing the overall economy, such as the automotive and telecommunication industries. The long-term effects of these events on our customers, the market for our common stock, the markets for our services and the U.S. economy as a whole are uncertain. The consequences of any additional terrorist attacks or of any expanded armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our market opportunities or our business.

We face significant competition in many aspects of our business, which could cause our revenues and gross margins to decline.

The competition in our industry could cause us to reduce sales prices or incur additional marketing or related costs of production, which could result in decreased revenues, increased costs and reduced margins. We compete for customers with a wide variety of producers of equipment for models,

prototypes and other three-dimensional objects as well as producers of materials and services for this equipment. Some of our existing and potential competitors are researching, designing, developing and marketing other types of competitive equipment, materials and services. Many of these competitors have financial, marketing, manufacturing, distribution and other resources substantially greater than ours.

In connection with our cost containment efforts, we have reduced the number of employees engaged in research and development efforts. We didnot introduce any significant product advances in our SLA® and SLS® systems in 2003, 2002 or 2001. These factors may have negatively affected our ability to compete effectively. A continued reduction in research and development efforts attributable to these systems, or any reduction in our research and development efforts generally, could affect our ability to compete effectively. The existence of competitors extends the purchase decision time as customers investigate the alternative products and solutions. In addition, in June 2002, we entered into a license agreement with Sony Corporation pursuant to the terms of our consent decree with the U.S. Department of Justice under which we license to Sony certain of our patents for use in the manufacture and sale of stereolithography in North America (the United States, Canada and Mexico). Sony is an extremely large and sophisticated corporation with substantial resources, and we anticipate that it will aggressively compete in all aspects of our stereolithography business. In February 2004, we settled all of our outstanding litigation with EOS GmbH. As a result of that settlement, EOS will be able to sell certain systems and other products in the United States in exchange for the payment of royalties to us.

We also expect that future competition may arise from the development of allied or related techniques for equipment and materials that are not encompassed by our patents, from the issuance of patents to other companies that inhibit our ability to develop certain products and from the improvement to existing material and equipment technologies. We intend to follow a strategy of continuing product development to enhance our position to the extent practicable. We cannot assure you that we will be able to maintain our current position in the field or continue to compete successfully against current and future sources of competition.

If we do not keep pace with technological change and introduce new products, we may lose revenue and demand for our products.

We are affected by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new standards and practices, any of which could render our existing products and proprietary technology and systems obsolete.

We believe that our future success may depend on our ability to deliver products that meet changing technology and customer needs. We believe that sales of our SLA® and SLS® systems have declined in part because we have not introduced any significant advances in these products during the past three years. To remain competitive, we must continually enhance and improve the functionality and features of our products, services and technologies. Our success will depend, in part, on our ability to:

- develop or obtain leading technologies useful in our business;
- enhance our existing products;
- develop new products and technologies that address the increasingly sophisticated and varied needs of prospective customers, particularly in the area of material functionality;
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis; and

- recruit and retain key technology employees.

The investigation initiated by the SEC in 2003 into our revenue recognition practices may lead to charges or penalties and may adversely affect our business.

If any government inquiry or other investigation leads to charges against us, we likely will be harmed by negative publicity, the costs of litigation, the diversion of management time and other negative effects, even if we ultimately prevail. The SEC has commenced a formal investigation into matters pertaining to our revenue recognition practices and has issued a subpoena requesting documents. This matter is pending and continues to require management attention and resources. Any adverse finding by the SEC may lead to significant fines and penalties and limitations on our activities and may harm our relationships with existing customers and impair our ability to attract new customers.

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

As discussed above, we purchase components and sub-assemblies for our systems and purchases raw materials for our resin and other materials from third-party suppliers. While there are several potential suppliers of the material components, parts and subassemblies for our products, we currently use only one or a limited number of suppliers for several of these components, including our lasers, materials and certain ink -jet components. Our reliance on a single or limited number of vendors involves many risks, including:

- potential shortages of some key components;
- product performance shortfalls; and
- reduced control over delivery schedules, manufacturing capabilities, quality and costs.

If any of our suppliers suffers business disruptions or financial difficulties, or if there is any significant change in the condition of our relationship with the supplier, our cost of goods sold may increase and we may be unable to quickly obtain these components from alternative sources. While we believe that we can obtain all of the components necessary for our products from other manufacturers, we require any new supplier to become "qualified" pursuant to our internal procedures, which could involve a 30-day to 45 -day process. We generally build our systems based on our internal forecasts. Any unanticipated change in the source of our supplies, or unanticipated supply limitations, could increase production costs and consequently reduce margins.

In addition, certain of our components require an order lead time of three months or longer. Other components that currently are readily available may become more difficult to obtain in the future. We may experience delays in the receipt of some components. To meet forecasted production levels, we may be required to commit to long lead times for delivery from suppliers prior to receiving orders for our products. If our forecasts exceed actual orders, we may hold large inventories of slow-moving or unusable parts, which could have an adverse effect on our cash flows, profitability and results of operations.

We face risks associated with conducting business outside of the United States, and if we do not manage these risks, our costs may increase, our revenues from non-U.S. operations may decline, and we may suffer other adverse effects to our results of operations and financial condition.

A material portion of our revenues are derived from customers in countries outside of the United States. There are many risks inherent in business activities outside of the United States that, unless managed properly, may adversely affect our profitability, including our ability to collect amounts due from customers. Our non-U.S. operations could be adversely affected by:

- unexpected changes in regulatory requirements;
- export controls, tariffs and other barriers;
- social and political risks;
- fluctuations in currency exchange rates;
- seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing foreign operations;
- taxation;
- terrorism; and
- other factors, depending upon the country in which an opportunity arises.

Our operating results vary from quarter to quarter, which could impact our stock price.

Our operating results fluctuate from quarter to quarter and may continue to fluctuate in the future. In some quarters, it is possible that results could be below expectations of analysts and investors. If so, the price of our common stock may decline.

Many factors, some of which are beyond our control, may cause these fluctuations in operating results. These factors include:

- acceptance and reliability of new products in the market;
- size and timing of product shipments;
- currency and economic fluctuations in foreign markets and other factors affecting international sales;

- price competition;
- delays in the introduction of new products;
- general worldwide economic conditions;
- changes in the mix of products and services sold;
- the impact of ongoing litigation; and
- the impact of changing technologies.

The price of our common stock may be volatile.

Our future earnings and stock price may be subject to significant volatility, particularly on a quarterly basis. Shortfalls in our revenues or earnings in any given period relative to the levels expected by investors and securities analysts could immediately, significantly and adversely affect the trading price of our common stock.

Historically, our common stock has been characterized by generally low daily trading volume, and our common stock price has been volatile. The price of our common stock ranged from $4.00 to $10.60 during 2003.

Factors that may have a significant impact on the market price of our common stock include:

- our perceived value in the securities markets;
- future announcements concerning developments affecting our business or those of our competitors, including the receipt of substantial orders for products;
- overall trends in the stock market;
- the impact of changes in our results of operations, our financial condition or our prospects on the perception of the company in the securities markets;
- changes in recommendations of securities analysts; and
- sales or purchase of substantial blocks of stock.

Takeover defense provisions may adversely affect the market price of our common stock.

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

Our Board of Directors is authorized to issue up to 5 million shares of preferred stock, of which approximately 2.6 million shares currently are outstanding as Series B Convertible Preferred Stock. The Board of Directors is authorized to determine the price, rights, preferences and privileges of series of preferred stock without any further vote or action by the stockholders. The rights of the holders of any preferred stock may adversely affect the rights of holders of common stock. Our ability to issue preferred stock gives us flexibility concerning possible acquisitions and financings, but it could make it more difficult for a third party to acquire a majority of our outstanding voting stock. In addition, any preferred stock that is issued may have other rights, including economic rights, senior to the common stock, which could have a material adverse effect on the market value of the common stock. In addition, provisions of our Certificate of Incorporation, as amended, and By-Laws could have the effect of discouraging potential takeover attempts or making it more difficult for stockholders to change management.

We are subject to Delaware laws that could have the effect of delaying, deterring or preventing a change in control of our company. One of these laws prohibits us from engaging in a business combination with any interested stockholder (as defined in Section 203 of the Delaware General Corporate Law) for a period of three years from the date that the person became an interested stockholder, unless certain conditions are met.

The number of shares of common stock issuable upon conversion of our 6% convertible subordinated debentures, 7% convertible subordinated debentures and Series B Convertible Preferred Stock and the number of shares of common stock issuable upon the exercise of outstanding stock options could dilute your ownership and negatively impact the market price for our common stock.

Approximately 8,962,000 shares of our common stock were issuable as of December 31, 2003 upon the conversion of convertible securities and the exercise of outstanding stock options. Our 6% convertible subordinated debentures are convertible at any time into approximately 2,230,258 shares of common stock. Our 7% convertible subordinated debentures are convertible at any time into approximately 833,334 shares of common stock. The Series B Convertible Preferred Stock is convertible at any time into approximately 2,634,016 shares of common stock. Approximately 3,264,000 shares of common stock are issuable upon the exercise of outstanding stock options.

To the extent that all of our subordinated debentures and the Series B Convertible Preferred Stock are converted into common stock or the outstanding stock options are exercised, a significantly greater number of shares of our common stock will be outstanding, and the interests of our existing stockholders may be diluted. At the same time, any conversions of such convertible securities correspondingly would reduce our subordinated debt and preferred stock obligations. Moreover, future sales of substantial amounts of our stock in the public market, or the perception that these sales could occur, could adversely affect the market price of our common stock.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to in this prospectus as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this prospectus as the Exchange Act. Forward-looking statements are not statements of historical fact but rather reflect our current expectations, estimates and predictions about future results and events. These statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. These forward-looking statements are subject to risks, uncertainties and assumptions, including but not limited to, risks, uncertainties and assumptions discussed in this prospectus. Factors that can cause or contribute to these differences include those described under the headings "Risk Factors" and "Management Discussion and Analysis of Financial Condition and Results of Operations."

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statement you read in this prospectus reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You should specifically consider the factors identified in this prospectus which would cause actual results to differ before making an investment decision. We are under no duty to update any of the forward-looking statements after the date of this prospectus or to conform these statements to actual results.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares by the selling stockholders. All proceeds from the sale of the common stock under this prospectus will be for the account of the selling stockholders. We may receive cash from certain selling stockholders who exercise options relating to shares of common stock to be sold under this prospectus. Any such cash received from the exercise of stock options will be used for general corporate purposes.

MARKET PRICE OF SECURITIES

The following table sets forth, for the periods indicated, the range of high and low bid information per share of our common stock as quoted on The NASDAQ Stock Market's National Market. Our stock trades under the symbol "TDSC."

		Historic Prices	
Year	**Period**	**High**	**Low**
2002	First Quarter	$ 15.90	$ 9.16
	Second Quarter	15.80	10.80
	Third Quarter	13.55	5.75
	Fourth Quarter	8.51	4.98
2003	First Quarter	10.15	4.10
	Second Quarter	7.90	4.00
	Third Quarter	9.43	6.37
	Fourth Quarter	10.60	8.10
2004	First Quarter	14.08	9.90
	Second Quarter (through April 5, 2004)	12.79	11.33

As of March 31, 2004, our outstanding common stock was held of record by approximately 399 stockholders.

DIVIDEND POLICY

Holders of our Series B Convertible Preferred Stock are currently entitled to receive, when, as and if declared by the Board of Directors, but only out of funds that are legally available therefor, cumulative cash dividends at the rate of 8%, $0.48 per share, per year. Dividends on the Series B Convertible Preferred Stock, when declared, are payable semi-annually in May and November of each year so long as the Series B Convertible Preferred Stock remains outstanding. No dividends may be paid on any shares of common stock or on shares of any other stock ranking junior to the Series B Convertible Preferred Stock, unless all accrued and unpaid dividends have first been declared and paid in full with respect to the Series B Convertible Preferred Stock.

In connection with the issuance of such shares in May 2003, we agreed to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of common stock issuable upon conversion of the Series B Convertible Preferred Stock. The registration statement of which this prospectus is a part is intended to fulfill that obligation. If the registration statement does not become effective by the close of business on May 5, 2004, pursuant to the terms of the Series B Convertible Preferred Stock, the cumulative dividend rate on the Series B Convertible Preferred Stock will increase to 10%, or $0.60 per share, per year.

We do not currently pay any dividends on our common stock, and we currently intend to retain any future earnings for use in our business. Any future determination as to the payment of dividends on our common stock will be at the discretion of the Board of Directors and will depend on our earnings, operating and financial condition, capital requirements and other factors deemed relevant by the Board of Directors, including the General Corporation Law of the State of Delaware, which provides that dividends are payable only out of surplus or current net profits. The declaration of dividends on our common stock is restricted by the terms of the Series B Convertible Preferred Stock, as described above, and may be restricted by the terms of any class or series of preferred stock that we may issue in the future, although we have no current intent to do so. The declaration of dividends on our common stock also may be restricted by the provisions of credit agreements that we may enter into from time to time.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data for the periods set forth below have been derived from our audited financial statements. You should read this information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements.

	2003	2002	2001	2000	1999
	(in thousands of dollars, except per share amounts)				
Consolidated Statement of Operations Data:					
Systems	$ 41,081	$ 49,420	$ 53,925	$ 54,590	$ 48,246
Materials	32,003	31,619	30,633	25,267	18,560
Services	36,931	34,922	34,182	29,429	30,143
Total	110,015	115,961	118,740	109,286	96,949
Gross profit(1)	43,142	46,621	51,501	52,588	40,036
(Loss) income from operations(2)	(14,974)	(21,430)	(2,316)	12,064	(7,552)
Net (loss) income before income taxes	(17,876)	(5,957)	(3,349)	12,179	(7,541)
Cumulative effect of changes in accounting principles(1),(2)	(7,040)				
Net (loss) income	(26,023)	(14,866)	(2,357)	7,870	(5,301)
Series B convertible preferred stock dividends(3)	867				
Net (loss) income available to common stockholders	(26,890)	(14,866)	(2,357)	7,870	(5,301)
Net (loss) income available to common stockholders per share:					
Basic	$ (2.10)	$ (1.16)	$ (0.19)	$ 0.66	$ (0.47)
Diluted	$ (2.10)	$ (1.16)	$ (0.19)	$ 0.61	$ (0.47)
Consolidated Balance Sheet Data:					
Working capital net asset (net liability)	$ 18,823	$ (8,608)	$ 16,008	$ 44,275	$ 31,219
Total assets	131,465	132,233	164,942	109,623	90,658
Current portion of long-term debt	165	10,500	3,135	120	110
Long-term liabilities, less current portion	39,208	17,487	33,179	7,585	9,168
Series B convertible preferred stock(3)	15,210				
Total stockholders' equity	$ 36,698	$ 59,866	$ 78,429	$ 71,522	$ 59,608
Other Data:					
EBIT(4)	$ (21,926)	$ (3,321)	$ (1,749)	$ 12,514	$ (7,330)
Depreciation and amortization	8,427	9,902	7,704	6,245	6,068
Interest expense	2,990	2,636	1,600	335	211
EBITDA(4)	(13,499)	6,581	5,955	18,759	(1,262)
Capital expenditures	$ 874	$ 3,210	$ 3,317	$ 4,893	$ 7,719

(1) As of December 31, 2003, we changed our method of accounting for amortization of one of our patent licenses. Amortization of the license cost had been based upon the number of units produced during the period as a percentage of the total number of units estimated to be sold over the life of the license. We treated this change as a change in accounting principle. See Note 2 to the Consolidated Financial Statements. The effect of this change in accounting principle was to increase our cost of sales in 2003 by $320 and our net loss in 2003 by $1,396. As a result of this change, the amortization of the license cost in 2003 was applied on a straight-line basis over the approximate 7-year life of the license and is included in cost of sales. The cumulative effect of this change in accounting principle of $1,076, if applied retroactively, would have increased cost of sales by $310, $263, $345 and $158 for the years ended December 31, 2002, 2001, 2000 and 1999,

respectively. The increase in cost of sales would have had a corresponding effect on other elements of our results of operations for those periods. We had previously recorded amortization expense in cost of sales of $108, $155, $74 and $51 for the years ended December 31, 2002, 2001, 2000 and 1999, respectively.

(2)

As of December 31, 2003, we changed our method of accounting for legal fees incurred in the defense of our patents and license rights. These costs had been recorded as intangible assets on the balance sheet and were being amortized over the lives of the related patent or license rights, which range from seven to nine years. We treated this change as a change in accounting principle. See Note 2 to the Consolidated Financial Statements. As a result of this change, legal fees incurred in the defense of patents and licenses for the year ended December 31, 2003 were recorded as part of selling, general and administrative expenses. Amounts of such legal fees previously capitalized for the years ended December 31, 2002, 2001 and 2000 of $4,487, $827 and $1,065, respectively, were expensed in 2003 and were recorded as the cumulative effect of a change in accounting principle in the statement of operations, net of accumulated amortization of $415. No such costs were incurred in 1999. We had previously recorded $283 and $132 of amortization expense for these capitalized legal fees for the years ended December 31, 2002 and 2001, respectively. No amortization expense was recorded for such legal fees in 2000 or 1999.

(3)

The Series B Convertible Preferred Stock pays a cumulative cash dividend at an annual rate of 8% or $0.48 per share, payable semi-annually in arrears in May and November when, as and if declared by the Board of Directors, and is subject to mandatory redemption on May 5, 2013 at $6.00 per share, plus any accrued and unpaid dividends, to the extent that it then remains outstanding. The dividends accrued through November 2003 of $641 or $0.24 per share were declared and paid in December 2003.

(4)

EBIT is defined as (loss) earnings before interest expense and provisions for income taxes. EBITDA is defined as EBIT plus depreciation and amortization. Our management believes that EBIT and EBITDA are of interest to investors as frequently used measures of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. EBIT and EBITDA do not purport to represent net earnings or net cash provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements or as indicators of our performance. Our definition of EBIT and EBITDA may not be comparable to similarly titled measures used by other companies. EBIT and EBITDA are among the indicators used by our management to measure the performance of our operations and are also among the criteria upon which performance-based compensation may be based. The following table sets forth the

reconciliation of EBIT and EBITDA to net cash (used in) provided by operating activities for the five years ended December 31, 2003.

	2003	2002	2001	2000	1999
	(in thousands of dollars, except per share amounts)				
Reconciliation of net cash provided by operating activities to EBIT and EBITDA:					
Net cash provided by operating activities	$ 1,182	$ 1,314	$ 6,649	$ 5,126	$ 1,589
Adjustment for items included in cash provided by operating activities but excluded from the calculation of EBIT and EBITDA:					
Valuation allowance for deferred taxes		(7,813)			
Deferred income taxes			1,882	(1,979)	2,881
Gain on arbitration settlement		20,310			
Adjustments to allowance accounts	(990)	(2,942)	(290)		(2,062)
Adjustments to inventory reserves	(1,755)	(585)	(336)		
Net gain (loss) on disposal of fixed assets	(386)	(263)	(834)		
Tax benefit related to stock option exercises			(1,215)	(2,046)	

	2003	2002	2001	2000	1999
Stock compensation expense	(1,321)	(64)		(52)	
Payment of interest on employee note with stock	5				
Forgiveness of employee loan				(47)	
Cumulative effect of changes in accounting principles	(7,040)				
Impairment of intangible assets of OptoForm Sarl assets	(847)				
Changes in operating assets and liabilities, net	(6,444)	(14,921)	(509)	13,113	(1,641)
Interest expense	2,990	2,636	1,600	335	211
Income tax expense (benefit)	1,107	8,909	(992)	4,309	(2,240)
EBITDA	(13,499)	6,581	5,955	18,759	(1,262)
Less: depreciation and amortization	(8,427)	(9,902)	(7,704)	(6,245)	(6,068)
EBIT	$ (21,926)	$ (3,321)	$ (1,749)	$ 12,514	$ (7,330)