

CEO Is Third Key Executive to Go in Shake-Up at 3D Systems Corp.

By Nicholas Grudin, Daily News, Los Angeles

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Aug. 13--VALENCIA, Calif.--Continuing a drastic management overhaul, the chief executive officer of 3D Systems Corp. stepped down Monday, three months after accounting irregularities prompted the removal of two other key executives.

Brian K. Service will resign after nearly four years as president and CEO of the \$102 million Valencia-based company, which sells systems that create solid models out of computer images.

In April, 3D Systems ousted James Selzer as chief financial officer, and in May the company demoted Grant Flaharty from the chief operating officer's role.

The executive exodus comes after an audit of the company in February revealed that \$3 million in earnings was misreported as revenue for 2002 instead of 2003. Without those earnings, the company failed to turn a profit in 2002.

In May, Service said that, with new internal controls and the reconfiguration of management, the company would emerge from "a long and difficult process."

With the announcement of Service's own departure from the executive ranks, the chairman of the board, G. Walter Loewenbaum II, said the company will look for a permanent replacement.

"Brian originally joined the company anticipating a short-term assignment. Instead he stayed for almost four years," Loewenbaum said. "The board of directors has decided to put in place a long-term management team."

As a result of the misreporting detected in the audit, Selzer was let go, a member of the sales staff was fired, and others among the company's 400 employees received informal censure.

Later, Flaharty was demoted from chief operating officer to head of American sales, and the company switched from Deloitte and Touche to BDO Seidman for accounting services.

Shares of the company -- traded on the Nasdaq exchange -- dropped about 6 percent on the news of Service's departure to close at \$8 per share. The company's stock has suffered since word of the accounting irregularities but recently looked to be recovering.

Company co-founder Charles W. Hull was named interim CEO on Monday, and a search for a permanent replacement is under way.

Also on Monday, the board named financial consultant Kevin M. McNamara acting chief financial officer.

"(Hull's) in-depth knowledge of our company, its people, customers and its technology, combined with the expertise Kevin McNamara brings to the company, will enable us to make a seamless transition," Loewenbaum said.

Service, whose resignation as CEO is effective immediately, will stay with the company as a consultant for two years.

Founded in 1986, 3D Systems bills itself as the world leader in rapid prototyping, used to design everything from jewelry to automobiles.

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