As filed with the Securities and Exchange Commission on July 22, 2011

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Proto Labs, Inc.

(Exact Name of Registrant as Specified in its Charter)

Minnesota	3544	41-1939628
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code number)	(I.R.S. Employer Identification Number)

Bradley A. Cleveland
Chief Executive Officer
Proto Labs, Inc.
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(763) 479-3680
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public:
As soon as practicable 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. ☐

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. ☐

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. ☐

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. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Stock, $0.001 par value per share	$100,000,000	$ 11,610

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended. Includes the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.

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 that 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 this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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

SUBJECT TO COMPLETION, DATED JULY 22, 2011

PRELIMINARY PROSPECTUS

Shares

proto labs®

Common Stock

We are offering shares of our common stock. This is our initial public offering, and no public market currently exists for our common stock. We expect the initial public offering price to be between $ and $ per common share. We have applied to list our common stock on The NASDAQ Global Select Market under the symbol "PRLB."

Investing in our common stock involves a high degree of risk. Please read "Risk Factors" beginning on page 8 of this prospectus.

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.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discounts and Commissions		
Proceeds to Proto Labs before expenses		

Delivery of the shares of common stock is expected to be made on or about , 2011. We have granted the underwriters an option for a period of 30 days to purchase up to an additional shares of our common stock to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $ and the total proceeds to us, before expenses, will be $.

Jefferies | Piper Jaffray

William Blair & Company | Craig-Hallum Capital Group

Prospectus dated , 2011

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may specifically authorize to be delivered or made available to you. We have not and the underwriters have not authorized anyone to provide you with additional or different information. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where such offers and sales are permitted. The information in this prospectus or a free writing prospectus is accurate only as of its date, regardless of its time of delivery or the time of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Until , 2011 (25 days after the date of this prospectus), all dealers that buy, sell or trade in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to an unsold allotments or subscriptions.

For investors outside the United States: We have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

Prospectus Summary

This summary highlights information contained elsewhere in this prospectus. It does not contain all of the information that you should consider before making an investment decision. We urge you to read the entire prospectus carefully, including the historical consolidated financial statements and the notes to those financial statements included in this prospectus. Please read the sections entitled "Risk Factors" and "Forward-Looking Statements" for more information about important risks that you should consider before investing in our common stock.

Overview

We are a leading online and technology-enabled quick-turn manufacturer of custom parts for prototyping and short-run production. We provide "Real Parts, Really Fast" to product developers worldwide, who are under increasing pressure to bring their finished products to market faster than their competition. We utilize computer numerical control, or CNC, machining and injection molding to manufacture custom parts for our customers. Our proprietary technology eliminates most of the time-consuming and expensive skilled labor conventionally required to quote and manufacture parts in low volumes. Our customers conduct nearly all of their business with us over the Internet. We target our services to the millions of product developers who use three-dimensional computer-aided design, or 3D CAD, software to design products across a diverse range of end-markets. We believe our use of advanced technology enables us to offer significant advantages at competitive prices to many product developers and is the primary reason we have become a leading supplier of low-volume custom parts.

We believe low-volume manufacturing has historically been an underserved market due to the inefficiencies inherent in the quotation, equipment set-up and non-recurring engineering processes required to produce custom parts. Our proprietary technology and sophisticated algorithms have enabled us to automate and integrate the majority of these activities. Our customers typically order low volumes of custom parts because they need a prototype to confirm the form, fit and function of one or more components of a product under development, or because they need an initial supply of parts to support pilot production while their high-volume production mold is being prepared, or because their product will only be released in a limited quantity. In each of these instances, we believe our solution provides product developers with an exceptional combination of speed, competitive pricing, ease of use and reliability that they typically cannot find among conventional custom parts manufacturers. Our technology and manufacturing expertise enable us to ship parts in as little as one business day after receipt of a customer's design submission and process a large number of submissions. As a result of the factors described above, many of our customers tend to return to Proto Labs to meet their ongoing needs, with approximately 67%, 77% and 76% of our revenue in 2008, 2009 and 2010, respectively, derived from existing customers who had placed orders with us in prior years.

We have experienced significant growth since our inception in 1999. We have grown our total revenue from $25.8 million in 2006 to $64.9 million in 2010 and $22.3 million in the three months ended March 31, 2011. We have grown our income from operations from $7.4 million in 2006 to $15.9 million in 2010 and $7.1 million in the three months ended March 31, 2011.

Our Industry and Market Opportunity

We serve product developers worldwide who bring new ideas to market in the form of products containing one or more custom mechanical parts. Many of these product developers use 3D CAD software to create digital models representing their custom part designs that are then used to create physical parts for prototyping, functional testing, market evaluation or eventual production.

Custom prototype parts play a critical role in the product development process, as they provide product developers with the ability to confirm their intended performance requirements and explore design alternatives.

Early in the product development process, “additive rapid prototyping” processes such as stereolithography, selective laser sintering, fused deposition modeling or 3D printing can be used to quickly produce an approximate physical representation of a part, but these representations often do not meet product developers’ requirements for dimensional accuracy, cosmetics and material properties. As an alternative or supplement to additive rapid prototyping, CNC machining can be used to produce low volumes of high-quality custom parts in either metal or plastic, while for follow-on functional testing, market evaluation and production runs, plastic parts are typically manufactured using injection molding. Both CNC machining and injection molding yield a part with the look, feel and performance of the finished product.

There are several important trends impacting product developers worldwide, including the increasing use of e-commerce to bring efficiency, collaboration and immediate access to information, the increasing pressure to accelerate the speed with which they can bring their new products to market, and the increasing adoption of 3D CAD software to facilitate the design of custom mechanical parts.

We know of no published third-party estimates of our specific addressable markets. Our Protomold injection molding service addresses a subset of the plastic injection molding market, which Plastics Custom Research, a market research firm, estimates was $50.3 billion in North America in 2010. Our Firstcut CNC machining service addresses a subset of the machine shop services segment, which IBISWorld, a market research firm, estimates was $34.9 billion in the United States in 2010. In addition, according to Jon Peddie Research, a market research firm, in December 2009 there were approximately 13 million users of CAD software worldwide, of which approximately 41%, or 5.3 million, were users of 3D CAD software. We believe a substantial portion of these 3D CAD users were product developers working in industries we serve, although we do not serve every application within these industries. From the inception of our company in 1999 through June 30, 2011, we have filled orders for approximately 17,000 product developers.

Our Solution

We have developed proprietary software and advanced manufacturing processes that automate much of the skilled labor conventionally required in quoting, production engineering and manufacturing custom parts. We believe our interactive web-based interface and highly automated processes address the desires of many product developers for a fast, efficient and competitively priced means of obtaining low-volume custom parts. Key elements of our solution include:

Sophisticated Technology that Reduces Turnaround Time. Our platform automates many aspects of the entire process from design submission through manufacturability analysis and feedback, quotation, order submission, mold design, tool path generation and mold or part manufacture. As a result, in many cases we are able to quote orders in minutes and ship parts in as little as one business day.

Enhanced Customer Experience. Our web-based customer interface provides a straightforward means of submitting 3D CAD part designs. Our technology can quickly analyze manufacturability and in many cases provides suggested design modifications to enhance manufacturability. Our interactive quotations provide instant visibility into the impact of changing an order’s various parameters such as material, finish, quantity or shipping schedule.

Attractive Low-Volume Pricing. Based on internal market research, we believe we generally have competitive pricing on low-volume orders. We believe this is a direct result of our technology and the efficiency of our operations, both of which were designed specifically for low-volume production.

Scale to Process Large Numbers of Unique Part Designs. Our proprietary, highly scalable quoting technology enables us to quickly analyze high volumes of 3D CAD part design submissions and provide feedback to our prospective product developer customers. Our proprietary manufacturing automation technology is also highly scalable, enabling us to process large numbers of unique designs and efficiently manufacture the related parts to meet the needs of product developers.

Our Competitive Advantages

We believe our leadership position is based on a number of distinct competitive advantages:

Advanced Proprietary Technology. Our proprietary technology automates much of the skilled labor conventionally required to quote and manufacture low-volume custom parts, including the often time-consuming steps of design submission, manufacturability analysis and feedback, quotation, order submission, mold design, tool path generation, mold or part manufacture, and production management. We believe our competitors typically lack the expertise and resources to develop similar technology.

Turnaround Speed. We believe we are generally the fastest provider of low-volume custom CNC machined or injection molded parts. Our solution allows product developers to submit designs at any time and enables us to ship parts to our customers in as little as one business day. Our competitors often require several days just to generate a price quotation and even longer if the order parameters are subsequently changed by the product developer.

Operations Designed for Low-Volume Manufacturing. Unlike conventional custom parts manufacturers, our operating model is specifically designed for efficient low-volume production. Our customer interactions occur primarily online, and our proprietary technology eliminates much of the skilled labor that typically accounts for a significant portion of the total costs in the low-volume custom parts manufacturing environment and enables us to quote many thousands of CNC machined or injection molded part designs per month, which we believe few of our competitors can match.

Marketing and Sales Strength. We have developed expertise in marketing to product developers, both within our existing customer companies and at companies we have not yet served. We have also built a professionally-led international sales organization focused on quickly following up on marketing leads and quotation requests, understanding our customers' internal initiatives and converting prospects into customers. We believe that most of our competitors lack the expertise and resources to establish and maintain an organized, international program of similar scale.

Deep Industry Knowledge. We believe that the volume of new custom part designs we process and the size and diversity of our customer base give us unique insight into the needs of our prospective customers. This has allowed us to focus our development resources on areas that we believe represent significant opportunities for our business.

Our Growth Strategy

The principal elements of our growth strategy are to:

Increase Penetration of Existing Customer Companies. We plan to expand our customer base to include more product developers within the companies that have already used our services. We believe a significant opportunity exists for us to leverage highly satisfied product developers to encourage others within the same organization to utilize our services, and we plan to combine these word-of-mouth referrals with the efforts of our marketing and sales force to identify and market our services to the colleagues of our existing customers.

Acquire New Customer Companies in Existing Geographic Markets. We plan to use our marketing and sales capabilities to continue to pursue product developers within companies who have not yet used our services. Our presence in geographic regions that have high populations of 3D CAD users provides us with a broad universe of potential new customer companies on which to focus our marketing and sales efforts.

Expand the Range of Parts We Offer. We regularly analyze the universe of customer design submissions that we are currently unable to manufacture and focus a significant portion of our research and development efforts on expanding the size and geometric complexity of the parts we are able to manufacture and the diversity of materials we are able to support in order to meet the needs of a broader set of product developers and consequently convert a higher number of quotation requests into orders.

Introduce New Manufacturing Processes. We seek to identify additional manufacturing processes to which we can apply our technology and expertise to meet a greater range of product developers' needs. We regularly evaluate new manufacturing processes that may attract new customers and provide us with an opportunity to cross-sell with our existing services to our existing customer base, and we introduce such services when we are confident that a sufficient market need exists and we can offer the same advantages our customers have come to expect from us.

Expand into New Geographic Markets. We plan to identify and expand into select additional geographic markets we view as attractive. We currently operate in the United States, Europe and Japan, where we believe a substantial portion of the world's product developers are located. We believe opportunities exist to serve the needs of product developers in select new geographic regions.

Capitalize on Increasing Customer Expectations for 24/7 Access to Comprehensive, User-Friendly E-Commerce Capabilities. We plan to further enhance the functionality and ease of use of our platform and expand the capabilities of our technology in order to further increase automation and meet the evolving needs of product developers worldwide. We will continue to use the Internet to provide product developers with a standardized interface through which they can upload their 3D CAD models and obtain firm, interactive quotations quickly and efficiently.

Risk Factors

Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors" immediately following this prospectus summary, beginning on page 8. You should read these risks before you invest in our common stock. We may be unable, for many reasons, including those that are beyond our control, to implement our business strategy. In particular, some of the risks associated with our business include:

- the level of competition in our industry and our ability to compete;
- our ability to continue to sell to existing customers and sell to new customers;
- our ability to respond to changes in our industry;
- our ability to meet the needs of product developers;
- our ability to meet product developers' expectations regarding quick turnaround time and price;
- any failure to maintain and enhance our brand;
- our ability to process a large volume of designs and identify significant opportunities in our business;
- the adoption rate of e-commerce and 3D CAD software by product developers;
- the loss of key personnel or failure to attract, integrate and retain additional personnel;
- our ability to effectively grow our business and manage our growth;
- system interruptions at our operating facilities, in particular our Minnesota location;
- our ability to protect our intellectual property and not infringe others' intellectual property; and
- our ability to effectively transition to and operate as a public company.

Corporate Information

Proto Labs, Inc. was incorporated in Minnesota in 1999. The address of our principal executive offices is 5540 Pioneer Creek Drive, Maple Plain, Minnesota 55359, and our telephone number at this address is (763) 479-3680. Our website address is www.protolabs.com. The information contained in or that can be accessed through our website is not part of this prospectus.

Unless the context indicates otherwise, as used in this prospectus, the terms "Proto Labs," "we," "us" and "our" refer to Proto Labs, Inc. and its subsidiaries taken as a whole.

"Proto Labs®," "Protomold®," "Firstcut®," "ProtoQuote®," and "FirstQuote®" are registered trademarks in the U.S. and certain other countries. This prospectus also includes references to trademarks and service marks of other entities, and those trademarks and service marks are the property of their respective owners.

The Offering

Common stock offered by us	**shares.**
Common stock to be outstanding after this offering	**shares.**
Over-allotment option	We have granted the underwriters an option for a period of 30 days to purchase up to an additional shares of common stock.
Use of proceeds	We intend to use the net proceeds from this offering for working capital and general corporate purposes. See “Use of Proceeds.”
Risk factors	You should read the “Risk Factors” section of this prospectus beginning on page 8 and all of the other information set forth in this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed NASDAQ Global Select Market symbol	We have applied for listing of our common stock on The NASDAQ Global Select Market under the symbol “PRLB.”

The number of shares of our common stock that will be outstanding after this offering is based on shares outstanding as of , 2011, and excludes:

- shares of common stock issuable upon the exercise of outstanding options under our 2000 Stock Option Plan as of , 2011, having a weighted average exercise price of $ per share;
- shares of common stock issuable upon the exercise of outstanding warrants as of , 2011, having a weighted average exercise price of $ per share; and
- additional shares of common stock reserved for future issuance under our 2011 Long-Term Incentive Plan.

Unless otherwise noted, the information in this prospectus assumes:

- a for forward stock split of our common stock to be effected prior to the completion of this offering;
- the conversion of all of our outstanding shares of Series A preferred stock into an aggregate of shares of common stock upon the completion of this offering;
- the filing of our third amended and restated articles of incorporation and the adoption of our amended and restated by-laws upon the completion of this offering; and
- no exercise of the underwriters’ over-allotment option.

Summary Consolidated Financial Data

The following tables set forth our summary consolidated financial data for the periods and at the dates indicated. The summary consolidated financial data for the years ended December 31, 2008, 2009 and 2010 and as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of and for the three months ended March 31, 2010 and 2011 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of these data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. The consolidated pro forma financial data are unaudited, are presented for informational purposes only and do not purport to represent what our financial results or position actually would have been had the events so described occurred on the dates indicated or to project our financial position as of any future date. This information should be read in conjunction with "Risk Factors," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(in thousands, except share and per share amounts)				
Consolidated Statements of Operations Data:					
Revenue	$ 44,440	$ 43,833	$ 64,919	$ 13,214	$ 22,335
Cost of revenue	17,738	18,559	25,443	5,341	8,429
Gross profit	26,702	25,274	39,476	7,873	13,906
Operating expenses:					
Marketing and sales	7,481	8,262	10,867	2,369	3,215
Research and development	3,125	3,140	4,281	1,044	1,112
General and administrative	5,438	5,965	7,629	1,626	2,506
Loss on impairment of foreign subsidiary assets	—	—	773	—	—
Total operating expenses	16,044	17,367	23,550	5,039	6,833
Income from operations	10,658	7,907	15,926	2,834	7,073
Other income (expense), net	(374)	(517)	(213)	(165)	(81)
Income before income taxes	10,284	7,390	15,713	2,669	6,992
Provision for income taxes	3,421	3,167	4,762	1,025	2,269
Net income	6,863	4,223	10,951	1,644	4,723
Less: dividends on redeemable preferred stock	(1,752)	(4,180)	(4,179)	(1,031)	(1,031)
Less: undistributed earnings allocated to preferred shareholders	(786)	(16)	(2,377)	(215)	(1,259)
Net income attributable to common shareholders	$ 4,325	$ 27	$ 4,395	$ 398	$ 2,433
Net income per share attributable to common shareholders: [1]					
Basic	$ 4.41	$ 0.04	$ 5.55	$ 0.50	$ 2.94
Diluted	$ 3.60	$ 0.03	$ 4.71	$ 0.41	$ 2.65
Weighted average shares outstanding: [1]					
Basic	980,747	754,639	791,388	790,131	827,245
Diluted	1,200,240	942,983	932,247	982,541	919,161
Pro forma net income per share (unaudited) [1]					
Basic			$ 8.98		$ 3.76
Diluted			$ 8.05		$ 3.51
Pro forma weighted average shares outstanding used in computing net income per share (unaudited) [1]					
Basic			1,219,373		1,255,230
Diluted			1,360,232		1,347,146
Other Financial Data:					
Adjusted EBITDA (unaudited)[2]	$ 13,393	$ 11,059	$ 20,513	$ 3,718	$ 8,164

Stock-based compensation expense included in the statements of operations data above is as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)	(unaudited)	
Cost of revenue	$ 16	$ 29	$ 39	$ 9	$ 19
Operating expenses:					
Marketing and sales	48	70	84	19	46
Research and development	32	53	73	14	69
General and administrative	27	93	135	29	64
Total stock-based compensation	$ 123	$ 245	$ 331	$ 71	$ 198

	March 31, 2011 (unaudited) (in thousands)		
	Actual	Pro Forma [3]	Pro Forma As Adjusted [3][4]
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 9,687		
Working capital	14,577		
Total assets	45,574		
Total liabilities	13,665		
Redeemable convertible preferred stock and redeemable common stock	63,746		
Total shareholders' equity (deficit)	$ (31,837)		

(1) See Note 2 of Notes to Consolidated Financial Statements for an explanation of the method used to calculate net income per basic and diluted share attributable to common shareholders, unaudited pro forma net income per basic and diluted share for the year ended December 31, 2010 and the three months ended March 31, 2011 and the related weighted average shares outstanding.

(2) We define adjusted EBITDA as net income, plus provision for income taxes, other expense, net, depreciation and amortization, loss on impairment of foreign subsidiary assets and stock-based compensation. See "Selected Consolidated Financial Data—Adjusted EBITDA" for more information and for a reconciliation of adjusted EBITDA to net income, the most directly comparable measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

(3) The consolidated balance sheet data as of March 31, 2011 are presented:

- on an actual basis;
- on a pro forma basis to reflect the conversion of all outstanding shares of our preferred stock into shares of our common stock upon the completion of this offering as if it had occurred on March 31, 2011; and
- on a pro forma as adjusted basis to also reflect the sale by us of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, less estimated underwriting discounts and commissions and estimated offering expenses payable by us, as if it had occurred on March 31, 2011.

(4) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, would increase (decrease) each of cash and cash equivalents, working capital, total assets and total shareholders' equity (deficit) by $, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) each of cash and cash equivalents, working capital, total assets and total shareholders' equity (deficit) by $, assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider each of the following risk factors and all of the other information set forth in this prospectus, including our consolidated financial statements and related notes, before investing in our common stock. The following risks and the risks described elsewhere in this prospectus, including in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," could materially harm our business, prospects, financial condition, future results and cash flow. If that occurs, the trading price of our common stock could decline, and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risks Relating to Our Business

We face significant competition and expect to face increasing competition in many aspects of our business, which could cause our operating results to suffer.

The market for low-volume custom parts manufacturing is fragmented, highly competitive and subject to rapid and significant technological change. We compete for customers with a wide variety of custom parts manufacturers and methods. Some of our current and potential competitors include captive in-house services, other custom manufacturers, and alternative manufacturing vendors such as those utilizing stereolithography, selective laser sintering, fused deposition modeling and 3D printing. Moreover, some of our existing and potential competitors are researching, designing, developing and marketing other types of products and services. We also expect that future competition may arise from the development of allied or related techniques for custom parts manufacturing that are not encompassed by our patents, from the issuance of patents to other companies that may inhibit our ability to develop certain products and from improvements to existing technologies. And our competitors may attempt to adopt and improve upon key aspects of our business model, such as development of technology that automates much of the manual labor conventionally required to quote and manufacture low-volume custom parts, implementation of interactive web-based and automated user interface and quoting systems and/or building scalable operating models specifically designed for efficient low-volume production. Third-party CAD software companies may develop software that mold-makers, injection molders and CNC machine shops could use to compete with our business model. Additive manufacturers may develop stronger, higher temperature resins or introduce other improvements that could more effectively compete with us on part quality. We may also, from time to time, establish alliances or relationships with other competitors or potential competitors. To the extent companies terminate such relationships and establish alliances and relationships with our competitors, our business could be harmed.

Existing and potential competitors may have substantially greater financial, technical, sales and marketing, manufacturing, distribution and other resources and name recognition than us, as well as experience and expertise in intellectual property rights and operating within certain international locations, any of which may enable them to compete effectively against us.

Though we plan to continue to expend resources to develop new technologies, processes and services, we cannot assure you that we will be able to maintain our current position or continue to compete successfully against current and future sources of competition. Our challenge in developing new services is finding services for which our automated quotation and manufacturing processes offer an attractive value proposition, and we may not be able to find any new services with potential economies of scale similar to our molding and machining services. If we do not keep pace with technological change and introduce new technologies, processes and services, the demand for our products and services may decline and our operating results may suffer.

Our success depends on our ability to deliver products and services that meet the needs of product developers and to effectively respond to changes in our industry.

We derive almost all of our revenue from the manufacture and sale to product developers of quick-turn low volumes of custom parts for prototyping, support of internal manufacturing and limited quantity product release. Our business has been and we believe will continue to be affected by changes in product developer requirements and preferences, rapid technological change, new product and service introductions and the emergence of new standards and practices, any of which could render our technology, products and services less attractive, uneconomical or obsolete. To the extent that our customers' need for quick-turn parts decreases for any reason, it would likely have a material adverse affect on our business and operating results and harm our competitive position. In addition, CAD simulation and other technologies may reduce the demand for physical prototype parts. Therefore, we believe that to remain competitive, we must continually expend resources to enhance and improve our technology, product offerings and services.

In particular, we plan to increase our research and development efforts and to continue to focus a significant portion of those efforts to further develop our technology in areas such as our interactive user interface and manufacturing processes, potentially introduce new manufacturing processes and broaden the range of parts that we are able to manufacture. We believe successful execution of this part of our business plan is critical for our ability to compete in our industry and grow our business, and there are no guarantees we will be able to do so in a timely fashion, or at all. Broadening the range of parts we offer is of particular importance since limitations in manufacturability are the primary reason we are not able to fulfill many quotation requests. There are no guarantees that the resources devoted to executing on this aspect of our business plan will improve our business and operating results or result in increased demand for our products and services. Failures in this area could adversely impact our operating results and harm our reputation and brand. And even if we are successful in executing in these areas, our industry is subject to rapid and significant technological change, and our competitors may develop new technologies, processes and services that are superior to ours.

Any failure to properly meet the needs of product developers or respond to changes in our industry on a cost-effective and timely basis, or at all, would likely have a material adverse affect on our business and operating results and harm our competitive position.

Our failure to meet our product developers' expectations regarding quick turnaround time would adversely affect our business and results of operations.

We believe many product developers are facing increased pressure from global competitors to be first to market with their finished products, often resulting in a need for quick turnaround of custom parts. We believe our ability to quickly quote, manufacture and ship custom parts has been an important factor in our results to date. There are no guarantees we will be able to meet product developers' increasing expectations regarding quick turnaround time, especially as we increase the scope of our operations. If we fail to meet our customers' expectations regarding turnaround time in any given period, our business and results of operations will likely suffer.

Our failure to meet our product developers' price expectations would adversely affect our business and results of operations.

Demand for our services is sensitive to price. We believe our competitive pricing has been an important factor in our results to date. Therefore, changes in our pricing strategies can have a significant impact on our business and ability to generate revenue. Many factors, including our production and personnel costs and our competitors' pricing and marketing strategies, can significantly impact our pricing strategies. If we fail to meet our customers' price expectations in any given period, demand for our products and services could be negatively impacted and our business and results of operations could suffer.

The strength of our brand is important to our business, and any failure to maintain and enhance our brand would hurt our ability to retain and expand our customer base as well as further penetrate existing customers.

Since our products and services are sold primarily through our websites, the success of our business depends upon our ability to attract new and repeat customers to our websites in order to increase business and grow our revenue. Customer awareness of, and the perceived value of, our brand will depend largely on the success of our marketing

efforts, as well as our ability to consistently provide quality custom parts within the required timeframes and positive customer experiences, which we may not do successfully. A primary component of our business strategy is the continued promotion and strengthening of our brand, and we have incurred and plan to continue to incur substantial expense related to advertising and other marketing efforts directed toward enhancing our brand. We have initiated marketing efforts through social media, but this method of marketing may not be successful and subjects us to a greater risk of inconsistent messaging and bad publicity. We may choose to increase our branding expense materially, but we cannot be sure that this investment will be profitable. If we are unable to successfully maintain and enhance our brand, this could have a negative impact on our business and ability to generate revenue.

Our business depends in part on our ability to process a large volume of new part designs from a diversity of product developers and successfully identify significant opportunities for our business based on those submissions.

We believe the volume of new part designs we process and the size and diversity of our customer base give us valuable insight into the needs of our prospective customers. We utilize this industry knowledge to determine where we should focus our development resources. If the number of new part designs we process or the size and diversity of our customer base decrease, our ability to successfully identify significant opportunities for our business and meet the needs of product developers could be negatively impacted. In addition, even if we do continue to process a large number of new part designs and work with a significant and diverse customer base, there are no guarantees that any industry knowledge we extract from those interactions will be successfully utilized to help us identify significant business opportunities or better understand the needs of product developers.

The loss of one or more key members of our management team or personnel, or our failure to attract, integrate and retain additional personnel in the future, could harm our business and negatively affect our ability to successfully grow our business.

We are highly dependent upon the continued service and performance of the key members of our management team and other personnel. The loss of any of these individuals, each of whom is “at will” and may terminate his or her employment relationship with us at any time, could disrupt our operations, harm our reputation and brand, and significantly delay or prevent the achievement of our business objectives. Moreover, some of the members of our management are new to our team. We believe that our future success will also depend in part on our continued ability to identify, hire, train and motivate qualified personnel. For example, we are seeking to hire a significant number of personnel in 2011. We conduct our operations in the United States at our facilities in Maple Plain, Minnesota, approximately 20 miles west of downtown Minneapolis. A possible shortage of qualified individuals in this region might require us to pay increased compensation to attract and retain key employees, thereby increasing our costs. In addition, we face intense competition for qualified individuals from numerous companies, many of whom have substantially greater financial and other resources and name recognition than us. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing operational, managerial and other requirements, or we may be required to pay increased compensation in order to do so. Our failure to attract, hire, integrate and retain qualified personnel could impair our ability to achieve our business objectives.

If we fail to grow our business as anticipated, our net sales and profitability will be adversely affected.

We are attempting to grow our business substantially. To this end, we have made and expect to continue to make significant investments in our business, including investments in our infrastructure, technology, and sales and marketing efforts. These investments include dedicated facilities expansion and increased staffing, both domestic and international. If our business does not generate the level of revenue required to support our investment, our net sales and profitability will be adversely affected.

If we are unable to manage our growth and expand our operations successfully, our reputation and brand may be damaged, and our business and results of operations may be harmed.

Over the past several years, we have experienced rapid growth. For example, we have grown from approximately 230 full-time employees as of January 1, 2008 to approximately 430 full-time employees as of June 30, 2011. We have expanded internationally, including establishing manufacturing operations in Europe in 2005 and in Japan in late 2009. In 2011, we have added a number of key individuals to our organization. We expect this growth to continue and accelerate and the number of countries and facilities from which we operate to continue to increase in the future. Our ability to effectively manage our anticipated growth and expansion of our operations will require us to do, among other things, the following:

- enhance our operational, financial and management controls and infrastructure, human resource policies, and reporting systems and procedures, in particular as we transition to a public company;
- effectively scale our operations;
- successfully identify, recruit, hire, train, maintain, motivate and integrate additional employees;
- expand our international resources; and
- expand our facilities and equipment.

These enhancements and improvements will require significant capital expenditures and allocation of valuable management and employee resources. And our growth, combined with the geographical dispersion of our operations, has placed, and will continue to place, a strain on our operational, financial and management infrastructure. Our future financial performance and our ability to execute on our business plan will depend, in part, on our ability to effectively manage any future growth and expansion. There are no guarantees we will be able to do so in an efficient or timely manner, or at all. Our failure to effectively manage growth and expansion could have a material adverse effect on our business, results of operations, financial condition, prospects, and reputation and brand, including impairing our ability to perform to our customers' expectations.

We may not timely and effectively scale and adapt our existing technology, processes and infrastructure to meet the needs of our business.

A key element to our continued growth is the ability to quickly and efficiently quote an increasing number of product developer submissions across geographies and to manufacture the related parts. This will require us to timely and effectively scale and adapt our existing technology, processes and infrastructure to meet the needs of our business. With respect to our websites and quoting technology, it may become increasingly difficult to maintain and improve their performance, especially during periods of heavy usage and as our solutions become more complex and our user traffic increases across geographies. Similarly, our manufacturing automation technology may not enable us to process the large numbers of unique designs and efficiently manufacture the related parts in a timely fashion to meet the needs of product developers as our business continues to grow. Any failure in our ability to timely and effectively scale and adapt our existing technology, processes and infrastructure could negatively impact our ability to retain existing customers and attract new customers, damage our reputation and brand, result in lost revenue, and otherwise substantially harm our business and results of operations.

If we are unable to maintain our gross margin from sales of our products, our profitability will be adversely affected.

Our current business plan entails increasing our sales and the scope of our operations while maintaining relatively high gross margin. However, there is no guarantee we will be successful in doing so. Pricing pressure could require us to lower the prices we charge our customers. A number of factors may increase our direct costs. In addition, our gross margin may be negatively impacted if our international sales grow as a percentage of our total revenue. Any inability to maintain our gross margin will have an adverse effect on our profitability and may result in a decrease in our stock price.

Numerous factors may cause us not to maintain the revenue growth that we have historically experienced.

Although our revenue has grown from $25.8 million for the year ended December 31, 2006 to $64.9 million for the year ended December 31, 2010, and from $13.2 million for the three months ended March 31, 2010 to $22.3

million for the three months ended March 31, 2011, we likely will not be able to maintain our historical rate of revenue growth. We believe that our continued revenue growth will depend on many factors, a number of which are out of our control, including among others, our ability to:

- retain and further penetrate existing customer companies, as well as attract new customer companies;
- consistently execute on custom part orders in a manner that satisfies product developers' needs and provides them with a superior experience;
- continually develop new technologies or manufacturing processes, and broaden the range of parts we offer;
- successfully execute on our international strategy and expand into new geographic markets;
- capitalize on product developer expectations for access to comprehensive, user-friendly e-commerce capabilities 24 hour per day/7 days per week;
- increase the strength and awareness of our brand across geographies;
- respond to changes in product developer needs, technology and our industry; and
- react to challenges from existing and new competitors.

We cannot assure you that we will be successful in continuing to grow our business and revenue, and in addressing the factors above.

Our operating results and financial condition may fluctuate on a quarterly and annual basis.

Our operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to continue to vary due to a number of factors, some of which are outside of our control. And our operating results may fail to match our past performance. These events could in turn cause the market price of our common stock to fluctuate. If our operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of our common stock will likely decline.

Our operating results and financial condition may fluctuate due to a number of factors, including those listed below and those identified throughout this "Risk Factors" section:

- the development of new competitive systems or processes by others;
- the entry of new competitors into our market whether by established companies or by new companies;
- changes in the size and complexity of our organization, including our international operations;
- levels of sales of our products and services to new and existing customers;
- the geographic distribution of our sales;
- changes in product developer preferences or needs;
- changes in the amount that we invest to develop, acquire or license new technologies and processes;
- delays between our expenditures to develop, acquire or license new technologies and processes, and the generation of sales related thereto;
- our ability to timely and effectively scale our business;
- changes in our pricing policies or those of our competitors, including our responses to price competition;
- changes in the amount we spend in our marketing and other efforts;
- the volatile global economy;
- general economic and industry conditions that affect customer demand and product development trends;
- interruptions to or other problems with our website and interactive user interface, information technology systems, manufacturing processes or other operations;
- changes in accounting rules and tax and other laws; and

- plant shutdowns due to a health pandemic or weather conditions (for example, our Maple Plain, Minnesota facilities shut down for three days in December 2010 due to snow storms).

Due to all of the foregoing factors and the other risks discussed in this “Risk Factors” section, you should not rely on quarter-to-quarter or year-to-year comparisons of our operating results as an indicator of future performance.

Interruptions to or other problems with our website and interactive user interface, information technology systems, manufacturing processes or other operations could damage our reputation and brand and substantially harm our business and results of operations.

The satisfactory performance, reliability, consistency, security and availability of our websites and interactive user interface, information technology systems, manufacturing processes and other operations are critical to our reputation and brand, and our ability to effectively service product developers. Any interruptions or other problems that cause any of our websites, interactive user interface or information technology systems to malfunction or be unavailable, or negatively impact our manufacturing processes or other operations, may damage our reputation and brand, result in lost revenue, cause us to incur significant costs seeking to remedy the problem and otherwise substantially harm our business and results of operations.

A number of factors or events could cause such interruptions or problems, including among others: human and software errors, design faults, challenges associated with upgrades, changes or new facets of our business, power loss, telecommunication failures, fire, flood, extreme weather, political instability, acts of terrorism, war, break-ins and security breaches, contract disputes, labor strikes and other workforce related issues, capacity constraints due to an unusually large number of product developers accessing our websites or ordering parts at the same time, and other similar events. These risks are augmented by the fact that our customers come to us largely for our quick-turn manufacturing capabilities and that accessibility and turnaround speed are often of critical importance to these product developers. We are dependent upon our facilities through which we satisfy all of our production demands and in which we house all of the computer hardware necessary to operate our websites and systems as well as managerial, customer service, sales, marketing and other similar functions, and we have not identified alternatives to these facilities or established fully redundant systems in multiple locations. We have back-up computing systems for our U.S. and Japanese operations, but we only have one computing system in the United Kingdom. In the event of a significant shutdown of our U.K. computing system, manufacturing operations in the United Kingdom could be affected for an extended period, delaying shipments and adversely affecting our operating results. In addition, we are dependent in part on third parties for the implementation and maintenance of certain aspects of our communications and production systems, and therefore preventing, identifying and rectifying problems with these aspects of our systems is to a large extent outside of our control.

Moreover, the business interruption insurance that we carry may not be sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business, that may result from interruptions in our service as a result of system failures.

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

Though we believe that we are emerging from a global recession that caused failures of financial institutions and led to government intervention in the United States, Europe, Asia and other regions of the world, the prospects for economic growth in the United States and other countries remain uncertain, and economic concerns may cause product developers to further delay or reduce the product development projects that our business supports. Given the continued uncertainty concerning the global economy, we face risks that may arise from financial difficulties experienced by our suppliers and product developers.

We operate a global business that exposes us to additional risks.

We have established our operations in the United States, Europe and Japan and are seeking to further expand our international operations. As of June 30, 2011, we had sold products into more than 50 countries. In addition to English, our website is available in British English, French, German, Italian, Japanese and Spanish. Our international revenue accounted for approximately 26% and 22% of our total revenue in the year ended December 31, 2010 and the three months ended March 31, 2011, respectively. The future growth and profitability

of our international business is subject to a variety of risks and uncertainties. Any of the following factors could adversely affect our international operations and sales to customers located outside of the United States:

- difficulties in staffing and managing foreign operations, particularly in new geographic locations;
- challenges in providing solutions across a significant distance, in different languages and among different cultures;
- rapid changes in government, economic and political policies, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks;
- fluctuations in foreign currency exchange rates;
- differences in product developer preferences and means of procuring parts;
- compliance with and changes in foreign laws and regulations, as well as U.S. laws affecting the activities of U.S. companies abroad, including those associated with export controls, tariffs and embargoes, other trade restrictions and antitrust and data privacy concerns;
- different, complex and changing laws governing intellectual property rights, sometimes affording companies lesser protection in certain areas;
- lower levels of use of the Internet or 3D CAD software;
- seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe;
- higher costs of doing business internationally;
- interruptions resulting from any events affecting raw material supply or manufacturing capabilities abroad;
- protectionist laws and business practices that favor local producers and service providers;
- taxation;
- energy costs;
- restrictions imposed by local labor practices and laws on our business and operations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- transportation delays; and
- increased payment risk and higher levels of payment fraud.

Our business depends on product developers' demand for our services, the general economic health of current and prospective customers, and companies' desire or ability to make investments in new products. A deterioration of global, regional or local political, economic or social conditions could affect potential customers in ways that reduce demand for our services and disrupt our manufacturing and sales plans and efforts. Acts of terrorism, wars, public health issues and increased energy costs could disrupt commerce in ways that could impair our ability to get products to our customers and increase our manufacturing and delivery costs. We have not undertaken hedging transactions to cover our foreign currency exposure, and changes in foreign currency exchange rates may negatively impact reported revenue and expenses. In addition, our sales are often made on unsecured credit terms, and a deterioration of political, economic or social conditions in a given country or region could reduce or eliminate our ability to collect accounts receivable in that country or region. In any of these events, our results of operations could be materially and adversely affected.

We face risks in connection with changes in energy expenses and availability.

We depend on various energy products in processes used in our business. Generally, we acquire energy products at market prices and do not use financial instruments to hedge energy prices. As a result, we are exposed to market risks related to changes in energy prices. In addition, many of the customers and industries to whom we market our services are directly or indirectly dependent upon the cost and availability of energy resources. Our business and profitability may be materially and adversely affected to the extent that energy-related expenses increase, both as a result of higher costs of producing, and potentially lower profit margins in selling, our services and because increased energy costs may cause our customers to delay or reduce the product development projects that our business supports. In addition, events impacting the availability of energy required to operate our business, such as the recent earthquakes and tsunami in Japan, could disrupt our business and negatively impact our operating results.

If a natural or man-made disaster strikes any of our manufacturing facilities, we will be unable to manufacture our products for a substantial amount of time and our sales will decline.

We manufacture all of our products in five manufacturing facilities, three of which are located in Maple Plain, Minnesota and one of which is located in each of Telford, United Kingdom and Ebina, Japan. These facilities and the manufacturing equipment we use would be costly to replace and could require substantial lead time to repair or replace. Our facilities may be harmed by natural or man-made disasters, including, without limitation, earthquakes, floods, tornadoes, fires, tsunamis and nuclear disasters. Our Maple Plain facilities are within 25 miles of a nuclear power plant in Monticello, Minnesota and could be affected by an evacuation or accident at such plant. Recently, the earthquakes and tsunami and subsequent problems affecting nuclear power plants in Japan have dramatically impacted Japan's manufacturing capacity and business activities. These events impacted our operations in Japan. The long-term effect of these events is still uncertain, and we may continue to experience operational challenges in Japan. In addition, if these circumstances should worsen, our business plan and future revenue and profitability could be further negatively affected.

In the event any of our facilities are affected by a disaster, we may:

- be unable to meet the shipping deadlines of our customers;
- experience disruptions in our ability to process submissions and generate quotations, manufacture and ship parts, provide sales and marketing support and customer service, and otherwise operate our business, any of which could negatively impact our business;
- be forced to rely on third-party manufacturers;
- need to expend significant capital and other resources to address any damage caused by the disaster; and
- lose customers and we may be unable to regain those customers thereafter.

Although we possess insurance for damage to our property and the disruption of our business from casualties, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

We depend on the continued growth of product developers' e-commerce expectations when working with their custom parts manufacturers and their migration from 2D to 3D CAD software.

The business of selling custom parts over the Internet via an interactive web-based and automated user interface and quoting system is not widespread in our industry. Moreover, many product developers still utilize 2D CAD software. Concerns about privacy and technological and other problems may discourage some product developers from adopting the Internet as the medium for procuring their custom parts or adopting 3D CAD software, particularly in countries where e-commerce and 3D CAD software are not as prevalent as they are in our current markets or with product developers in industries not well suited to utilize our services, such as architecture. In order to expand our customer base, we must appeal to and procure customers who historically have used more traditional means of commerce and/or 2D CAD drawings to purchase their customer parts. If product developers are not sufficiently attracted to the value proposition of or satisfied with our web-based interface and quotation system, or product developers do not continue to migrate to 3D CAD software as we currently anticipate, our business could be adversely impacted.

If our present single or limited source suppliers become unavailable or inadequate, our customer relationships, results of operations and financial condition may be adversely affected.

We acquire substantially all of the manufacturing equipment and certain of our materials that are critical to the ongoing operation and future growth of our business from just a few third parties. We do not have long-term supply contracts with any of our suppliers and operate on a purchase-order basis. While most manufacturing equipment and materials for our products are available from multiple suppliers, certain of those items are only available from single or limited sources. Should any of our present single or limited source suppliers for manufacturing equipment or materials become unavailable or inadequate, we could be required to spend a significant amount of time and expense to develop alternate sources of supply, and we may not be successful in doing so on terms acceptable to us, or at all. Natural disasters, such as hurricanes, may affect our supply of materials, particularly resins, from time to time, and we may purchase larger amounts of certain materials in anticipation of future shortages. For instance, we

are purchasing a two-year supply of carbide blanks, which are used to manufacture end mills used in our CNC machining equipment, because tungsten, a component of carbide, is expected to be in low supply globally for approximately two years. We expect to place orders totalling approximately $900,000 for two years' worth of carbide blanks, based on our current projections, to try to ensure that we have a continuous supply of end mills, but we may still run short and be required to purchase carbide blanks on the open market at likely much higher prices. In addition, if we were unable to find a suitable supplier for a particular type of manufacturing equipment or material, we could be required to modify our existing business processes and offerings to accommodate the situation. As a result, the loss of a single or limited source supplier could adversely affect our relationship with our customers and our results of operations and financial condition.

Our business depends on the development and maintenance of the Internet infrastructure.

The success of our services will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security, as well as timely development of complementary products, for providing reliable Internet access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the numbers of users and amount of traffic. The Internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements, or problems caused by "viruses," "worms," malware and similar programs may harm the performance of the Internet. The backbone computers of the Internet have been the targets of such programs. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage generally as well as the level of usage of our services, which could adversely impact our business.

If the security of our customers' confidential information stored in our systems is breached or otherwise subjected to unauthorized access, our reputation or brand may be harmed, and we may be exposed to liability.

Our system stores, processes and transmits our customers' confidential information, including the intellectual property in their part designs, credit card information and other sensitive data. We rely on encryption, authentication and other technologies licensed from third parties, as well as administrative and physical safeguards, to secure such confidential information. Any compromise of our information security could damage our reputation and brand and expose us to a risk of loss, costly litigation and liability that would substantially harm our business and operating results. We may not have adequately assessed the internal and external risks posed to the security of our company's systems and information and may not have implemented adequate preventative safeguards or take adequate reactionary measures in the event of a security incident. In addition, most states have enacted laws requiring companies to notify individuals and often state authorities of data security breaches involving their personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity, which may cause our existing and prospective customers to lose confidence in the effectiveness of our data security measures. Any security breach, whether successful or not, would harm our reputation and brand and could cause the loss of customers.

We may not be able to adequately protect or enforce our intellectual property rights, which could impair our competitive position.

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We rely primarily on patents, licenses, trademarks and trade secrets, as well as non-disclosure agreements and other methods, to protect our proprietary technologies and processes globally. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies and processes. We cannot assure you that any of our existing or future patents will not be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection. We may not be able to obtain foreign patents corresponding to our U.S. patents. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents and other intellectual property do not adequately protect our technology, our competitors may be able to offer services similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents. Any of the foregoing events would lead to increased competition and lower revenue or gross margin, which would adversely affect our net income.

We may be subject to infringement claims.

We may be subject to intellectual property infringement claims from individuals, vendors and other companies who have acquired or developed patents in the fields of CNC machining, injection molding or part production for purposes of developing competing products or for the sole purpose of asserting claims against us. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending and resolving such claims, and may prohibit or otherwise impair our ability to commercialize new or existing products. If we are unable to effectively defend our processes, our market share, sales and profitability could be adversely impacted.

Our failure to expand our intellectual property portfolio could adversely affect the growth of our business and results of operations.

Expansion of our intellectual property portfolio is one of the available methods of growing our revenue and our profits. This involves a complex and costly set of activities with uncertain outcomes. Our ability to obtain patents and other intellectual property can be adversely affected by insufficient inventiveness of our employees, by changes in intellectual property laws, treaties, and regulations, and by judicial and administrative interpretations of those laws treaties and regulations. Our ability to expand our intellectual property portfolio could also be adversely affected by the lack of valuable intellectual property for sale or license at affordable prices. There is no assurance that we will be able to obtain valuable intellectual property in the jurisdictions where we and our competitors operate or that we will be able to use or license that intellectual property.

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

The prototype parts we manufacture and the parts we manufacture in low volumes may contain undetected defects or errors that are not discovered until after the products have been installed and used by customers. This could result in claims from customers or others, damage to our business and reputation and brand, or significant costs to correct the defect or error.

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

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

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, restrictions on imports and exports, customs, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property use and ownership, sales and other taxes, fraud, libel and personal privacy apply to the Internet and e-commerce, especially where these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Those laws that do reference the Internet are being interpreted by the courts and their applicability and reach are therefore uncertain. The costs of compliance with these regulations may increase in the future as a result of changes in the regulations or the interpretation of them. Further, any failures on our part to comply with these regulations may subject us to significant liabilities. Those current and future laws and regulations or unfavorable resolution of these issues may substantially harm our business and results of operations.

Changes in, or interpretation of, tax rules and regulations may impact our effective tax rate and future profitability.

We are a U.S. based, multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our future effective tax rates could be adversely affected by changes in statutory tax rates or interpretation of tax rules and regulations in jurisdictions in which we do business, changes in the amount of revenue or earnings in the countries with varying statutory tax rates, or by changes in the valuation of deferred tax assets and liabilities.

In addition, we are subject to audits and examinations of previously filed income tax returns by the Internal Revenue Service, or IRS, and other domestic and foreign tax authorities. We regularly assess the potential impact of such examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from the current examinations. We believe such estimates to be reasonable; however, there is no assurance that the final determination of any examination will not have an adverse effect on our operating results and financial position.

We do not collect state sales, use or other taxes outside the State of Minnesota, which could subject us to liability for past sales and any imposition of an obligation to do so in the future could negatively impact our financial results.

We do not collect sales, use, or other state or local taxes on sales of goods shipped to customers located in U.S. states other than Minnesota, which is the only U.S. state in which we have employees, facilities and inventory. We interpret existing judicial rulings to prohibit states in which we are not physically present, and local tax jurisdictions located in such states, from imposing upon us a requirement to collect sales and use taxes. If our interpretation is not correct, or if legislation or future judicial rulings alter the law, including bills currently pending in the U.S. Congress, then we could be required to collect sales and use taxes in the future from all customers. In some cases such obligations could be retroactive. Currently, our customers may be obligated to file a use tax return and pay use tax on taxable purchases of items that we sell when we do not collect the tax. However, it may often be the case that use tax returns are not filed. Thus, if we were required to collect the tax, our customers might perceive the tax to be in the nature of a price increase, which would negatively impact our sales. Collecting the tax would also impose additional administrative burdens on us.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to complement our growth strategy, increase market share in our current markets or expand into other markets, or broaden our technology, intellectual property or service capabilities. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

Any acquisition, strategic relationship, joint venture or investment could disrupt our business and harm our operating results and financial condition.

Our business and our customer base have been built primarily through organic growth. However, from time to time, we may selectively pursue acquisitions, strategic relationships, joint ventures or investments that we believe may allow us to complement our growth strategy, increase market share in our current markets or expand into other markets, or broaden our technology, intellectual property or service capabilities. We cannot forecast the number, timing or size of such transactions, or the effect that any such transactions might have on our operating or financial results. We have very limited experience engaging in these types of transactions. And such transactions may be complex, time consuming and expensive, and may present numerous challenges and risks including:

- an acquired company, asset or technology not furthering our business strategy as anticipated;

- difficulties entering and competing in new product or geographic markets and increased competition, including price competition;
- integration challenges;
- overpayment for a company, asset or technology, or changes in the economic or market conditions or assumptions underlying our decision to make an acquisition;
- significant problems or liabilities, including increased intellectual property and employment related litigation exposure, associated with acquired businesses, assets or technologies; and
- requirements to record substantial charges and amortization expense related to certain purchased intangible assets, deferred stock compensation and other items.

Any one of these challenges or risks could impair our ability to realize any benefit from our acquisitions, strategic relationships, joint ventures or investments after we have expended resources on them. And any failure to successfully address these challenges or risks could disrupt our business and harm our operating results and financial condition.

In addition, from time to time we may enter into negotiations for acquisitions, relationships, joint ventures or investments that are not ultimately consummated. These negotiations could result in significant diversion of management time, as well as substantial out-of-pocket costs.

We rely on third parties for certain key services.

We rely on third-party service providers for shipment and certain other services critical to our business, including our phone system and maintenance of our CNC milling machines. If these third parties experience difficulty meeting our requirements or standards, it could damage our reputation and brand, or make it difficult for us to operate some aspects of our business. In addition, if such third parties were to cease operations, temporarily or permanently, face financial distress or other business disruption, we could suffer increased costs and delays in our ability to operate our business until an equivalent provider could be found or we could develop replacement technology or operations, and there is no assurance that we would be able to do so on acceptable financial terms, or at all. In addition, if we are unsuccessful in choosing high quality partners or we ineffectively manage these partners, it could have an adverse impact on our business and financial performance.

We depend in part on licenses of technologies from third parties in order to deliver our solutions, and, as a result, our business is dependent in part on the availability of such licenses on commercially reasonable terms.

We currently, and will continue to, license certain technologies from third parties. We cannot be certain that these third-party content licenses will be available to us on commercially reasonable terms or that we will be able to successfully integrate the technology into our solutions. These third-party in-licenses may expose us to increased risk, including risks associated with the assimilation of new technology sufficient to offset associated acquisition and maintenance costs. The inability to obtain any of these licenses could result in delays in solution development until equivalent technology can be identified and integrated. Any such delays in services could cause our business, operating results and financial condition to suffer.

Our business involves the use of hazardous materials, and we and our suppliers must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our business involves the controlled storage, use and disposal of hazardous materials. We and our suppliers are subject to federal, state and local as well as foreign laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. Although we believe that the safety procedures utilized by us and our suppliers for handling and disposing of these materials comply with the standards prescribed by these laws and regulations, we cannot eliminate the risk of accidental contamination or injury from these materials. In the event of an accident, state, federal or foreign authorities may curtail the use of these materials and interrupt our business operations. We do not currently maintain hazardous materials insurance coverage. If we are subject to any liability as a result of activities involving hazardous materials, our business and financial condition may be adversely affected and our reputation and brand may be harmed.

If we are unable to meet regulatory quality standards applicable to our manufacturing and quality processes for the parts we manufacture, our business, financial condition or operating results could be harmed.

As a manufacturer of CNC machined and injection molded custom parts, we are required to meet certain regulatory standards, including International Organization for Standardization, or ISO, 9001:2008 for our manufacturing facilities in Minnesota. If any regulatory inspection reveals that we are not in compliance with applicable standards, regulators may take action against us, including issuing a warning letter, imposing fines on us, requiring a recall of the parts we manufactured or closing our manufacturing facilities. If any of these actions were to occur, it could harm our reputation as well as our business, financial condition and operating results. In addition, we may need to obtain additional certifications in the future and there are no guarantees we would be able to do so on a timely basis, if at all. Moreover, obtaining and maintaining required regulatory certifications can be costly and divert management's attention.

We are subject to payment-related risks.

We accept payments using a variety of methods, including credit card, customer invoicing, physical bank check and payment upon delivery. As we offer new payment options to our customers, we may be subject to additional regulations, compliance requirements and fraud risk. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards or electronic checks, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected.

Risks Relating to this Offering and Ownership of Our Common Stock

Our principal existing shareholders will continue to own a large percentage of our voting stock after this offering, which may allow them to collectively control substantially all matters requiring shareholder approval.

As of June 30, 2011, our principal existing shareholders beneficially owned approximately 1.3 million shares, or 93% of our capital stock outstanding as of such date (assuming full conversion of our outstanding Series A preferred stock). Upon the completion of this offering, assuming no exercise of the underwriters' option to purchase additional shares, our principal existing shareholders will beneficially own approximately % of our outstanding shares of common stock. Our principal existing shareholders consist of our founder, Chairman and Chief Technical Officer, Lawrence Lukis; our President and Chief Executive Officer, Bradley Cleveland; North Bridge Growth Equity I, L.P., or North Bridge, and Protomold Investment Company, LLC, or PIC, a company affiliated with Private Capital Management, Inc. Each of our principal existing shareholders either is or has designated one or more members of our board of directors. These shareholders could control us through their board representation or through their ability to determine the outcome of the election of our directors, to amend our articles of incorporation and by-laws and to take other actions requiring the vote or consent of shareholders, including mergers, going private transactions and other extraordinary transactions, and the terms of any of these transactions. The ownership positions of these shareholders may have the effect of delaying, deterring or preventing a change in control or a change in the composition of our board of directors. These shareholders may also use their large ownership positions to address their own interests, which may be different from those of investors in this offering. In addition, sales of shares beneficially owned by these shareholders could be viewed negatively by third parties and have a negative impact on our stock price.

Our stock price may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the initial public offering price.

The initial public offering price for shares of our common stock will be determined by negotiations between us and representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. After this offering, the market price for our common stock is likely to be volatile, in part because our shares have not been traded publicly. In addition, the market price of our common stock may fluctuate significantly in response to a number of factors, many of which are outside of our control, including among others:

- fluctuations in our financial condition and operating results;
- our ability to retain and attract customers and increase net sales;
- pricing pressures due to competition or otherwise and changes in gross margins;
- changes in general economic and market conditions, economic uncertainty and changes in product development activity levels;
- announcements by us or our competitors of technological innovations or new product or service offerings or significant acquisitions;
- timing, effectiveness, and costs of expansion and upgrades of our offerings, systems and infrastructure;
- changes in key personnel;
- success in entry into new markets and expansion efforts;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the Securities and Exchange Commission, or SEC, and announcements relating to litigation;
- the projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- the issuance of new or updated research or reports by any securities or industry analysts who follow our common stock, changes in analysts' financial estimates or ratings, and failure of securities analysts to initiate or maintain coverage of our common stock;
- changes in the market valuations of similar companies;
- significant lawsuits, including patent or shareholder litigation;
- general economic and market conditions;
- changes in laws or regulations applicable to us;
- changes in accounting principles;
- the development and sustainability of an active trading market for our common stock;
- future sales of our common stock by us or our shareholders, including sales by our officers, directors and significant shareholders;
- share price and volume fluctuations attributable to inconsistent trading levels of our shares;
- the expiration of contractual lock-up agreements; and
- other events or factors, including those resulting from war, acts of terrorism, natural disasters or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

If securities or industry analysts do not publish research or reports, or publish inaccurate or unfavorable research or reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our common stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our common stock, changes their opinion of our shares or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease and we could lose visibility in the financial markets, which could cause our stock price and trading volume to decline.

Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. Based on the number of outstanding shares as of June 30, 2011, upon the completion of this offering, we will have shares of common stock outstanding.

The shares of common stock offered in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares of our common stock that may be held or acquired by our directors, executive officers and other affiliates, as that term is defined in Rule 144 under the Securities Act. Those securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

We, each of our officers and directors, and substantially all of our other shareholders have agreed, subject to certain exceptions, with the underwriters not to dispose of or hedge any of the shares of common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, subject to certain extensions. Jefferies & Company, Inc. and Piper Jaffray & Co., as representatives of the underwriters, may, in their sole discretion, release some or all of these shares from these restrictions prior to the expiration of the lock-up period, as permitted by the rules of the Financial Industry Regulatory Authority, or FINRA. See “Underwriting.”

The shares of common stock held by existing shareholders as of the date of this prospectus will, from time to time after this offering, become eligible to be sold in the public market, subject to limitations imposed under federal securities laws. See “Shares Eligible for Future Sale” for a more detailed description of the restrictions on selling shares of our common stock after this offering.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock.

The requirements of being a public company may strain our resources, divert management’s attention and affect our ability to attract and retain qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The NASDAQ Global Select Market and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal, financial compliance and other costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, although we are currently unable to estimate these costs with any degree of certainty. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial

reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, including our new Chief Financial Officer, we may need to hire more employees in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal, financial and other compliance costs, and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees (particularly our audit committee and compensation committee), and as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal controls over financial reporting and otherwise comply with Section 404 of the Sarbanes-Oxley Act. This will require significant expenditures and effort by our management, and may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act and related rules and regulations, and beginning with our Annual Report on Form 10-K for the year ending December 31, 2012, our management will be required to report on, and, if our market capitalization exceeds $75.0 million, our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. We are currently in the very early stage of the costly and challenging process of reviewing, documenting and testing our internal control over financial reporting. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. We may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal control over financial reporting. In addition, in connection with the attestation process by our independent registered public accounting firm, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial information and our stock price could decline.

Anti-takeover provisions in our charter documents and Minnesota law might discourage or delay acquisition attempts for us that you might consider favorable.

Our third amended and restated articles of incorporation and amended and restated by-laws will contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors. These provisions:

- permit our board of directors to issue up to shares of preferred stock, with any rights, preferences and privileges as our board may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be changed by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a shareholder's notice; and
- do not provide for cumulative voting rights.

We are subject to the provisions of Section 302A.673 of the Minnesota Statutes, which regulates business combinations. Section 302A.673 generally prohibits any business combination by an issuing public corporation, or any of its subsidiaries, with an interested shareholder, which means any shareholder that purchases 10% or more of the corporation's voting shares within four years following the date the person became an interested shareholder, unless the business combination is approved by a committee composed solely of one or more disinterested members of the corporation's board of directors before the date the person became an interested shareholder.

These anti-takeover provisions could discourage, delay or prevent a transaction involving a change in control of our company, even if doing so would benefit our shareholders. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

If you purchase shares of common stock sold in this offering, because the initial public offering price of our common stock will be substantially higher than the pro forma as adjusted net tangible book value per share following this offering, you will incur immediate and substantial dilution.

The initial public offering price will be substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the amount of $ per share, the difference between the assumed initial public offering price per share of $ (the midpoint of the range set forth on the cover of this prospectus) and the pro forma as adjusted net tangible book value per share of our outstanding common stock as of June 30, 2011, after giving effect to the full conversion of our Series A preferred stock and the issuance of shares of our common stock in this offering. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares. In addition, you may also experience additional dilution upon future equity and convertible debt issuances or the exercise of stock options to purchase common stock granted to our employees, consultants and directors under our stock option and equity incentive plans. See "Dilution."

We have broad discretion in the use of the net proceeds from this offering and we may invest or apply them in ways with which you may not agree or in ways which may not yield a return.

The net proceeds from this offering may be used for general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire complementary businesses, technologies, products or services, though we do not have any agreements or commitments for any such acquisitions at this time. Our management will have broad discretion in the application of the net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management may not apply our net proceeds in ways that ultimately increase the value of your investment. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not

yield a favorable return to our shareholders. If we do not invest or apply the net proceeds from this offering in ways that enhance shareholder value, the price of our common stock could decline.

No public market for our common stock currently exists, and an active public trading market for our common stock may not develop or be sustained following this offering, which could limit your ability to sell your shares of our common stock at an attractive price, or at all.

Prior to this offering, there has been no public market for our common stock. Although we have applied to list our common stock on The NASDAQ Global Select Market, we cannot predict the extent to which investor interest in our company will lead to the development of an active trading market in our common stock or how liquid that market might become. An active public market for our common stock may not develop or be sustained after the offering. If an active public market does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at a price that is attractive to you, or at all, and that may reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to fund operations by selling shares and my impair our ability to acquire other companies, technologies or services by using our shares as consideration.

We do not expect to pay any cash dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock, and we do not anticipate that we will pay any such cash dividends for the foreseeable future. We anticipate that we will retain all of our future earning for use in the business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. Accordingly, if you purchase shares in this offering, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur.

Forward-Looking Statements

Some of the statements under “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this prospectus are forward-looking statements. In some cases, you can identify forward-looking statements by the following words: “may,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. Many important factors affect our ability to achieve our objectives, including:

- the level of competition in our industry and our ability to compete;
- our ability to continue to sell to existing customers and sell to new customers;
- our ability to respond to changes in our industry;
- our ability to meet the needs of product developers;
- our ability to meet product developers’ expectations regarding quick turnaround time and price;
- any failure to maintain and enhance our brand;
- our ability to process a large volume of designs and identify significant opportunities in our business;
- the adoption rate of e-commerce and 3D CAD software by product developers;
- the loss of key personnel or failure to attract, integrate and retain additional personnel;
- our ability to effectively grow our business and manage our growth;
- our ability to scale our business;
- our ability to maintain our gross margin and revenue growth;
- system interruptions at our operating facilities, in particular our Minnesota location;
- our ability to maintain supplier relationships and obtain adequate supplies of equipment and materials;
- global economic conditions and the rate of product development by our customers;
- our ability to address global risks associated with our non-U.S. operations;
- our ability to protect our intellectual property and not infringe others’ intellectual property;
- our ability to effectively transition to and operate as a public company; and
- other risk factors included under “Risk Factors” in this prospectus.

In addition, you should refer to the “Risk Factors” section of this prospectus for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not protect any forward-looking statements that we make in connection with this offering.

We are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Use of Proceeds

We estimate that the net proceeds to us from the sale of the shares of common stock offered by us will be approximately $ million based upon an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease the net proceeds we receive from this offering by approximately $, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the net proceeds we receive from this offering by approximately $, assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters fully exercise their over-allotment option, we estimate that the net proceeds to us from this offering will be approximately $ million.

We currently intend to use the net proceeds we receive from this offering for working capital and other general corporate purposes. Pending use of the net proceeds from this offering, we intend to invest the net proceeds in short- and intermediate-term interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

By establishing a public market for our common stock, this offering is also intended to facilitate our future access to public markets.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. In addition, unless waived, the terms of our existing debt facilities prohibit us from paying dividends on our common stock.

Capitalization

The following table sets forth our consolidated cash and capitalization information as of March 31, 2011:

- on an actual basis, and
- on a pro forma as adjusted basis to reflect the following events as if they had occurred on March 31, 2011:
  - the conversion of all outstanding shares of our Series A preferred stock into shares of our common stock upon the completion of this offering; and
  - the sale by us of shares of our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, less estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with the other information in this prospectus, including "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and related notes included elsewhere in this prospectus.

	March 31, 2011	
	Actual	Pro Forma As Adjusted [1]
	(unaudited) (in thousands, except share and per share amounts)	
Cash and cash equivalents	$ 9,687	$
Current liabilities	$ 10,110	$
Long-term debt obligations	1,440	
Redeemable convertible preferred stock, $0.001 par value, 427,985 shares authorized, issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma as adjusted for this offering	62,927	
Redeemable common stock $0.001 par value; 227,832 shares issued and outstanding, actual; no shares issued and outstanding, pro forma as adjusted for this offering	819	
Shareholders' equity (deficit):		
Common stock $0.001 par value; 2,077,985 shares authorized, 616,167 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma as adjusted for this offering	1	
Additional paid-in capital	6,323	
Accumulated deficit	(37,845)	(37,845)
Accumulated other comprehensive income	(316)	(316)
Total shareholders' equity (deficit)	$ (31,837)	$

[1] A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, would increase (decrease) each of cash and cash equivalents and total shareholders' equity (deficit) by $, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) each of cash and cash equivalents and total shareholders' equity (deficit) by $, assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The outstanding share information set forth above is as of March 31, 2011 and excludes:

- shares of common stock issuable upon the exercise of outstanding options under our 2000 Stock Option Plan as of , 2011, having a weighted average exercise price of $ per share;
- shares of common stock issuable upon the exercise of outstanding warrants as of , 2011, having a weighted average exercise price of $ per share; and
- shares of common stock reserved for future issuance under our 2011 Long-Term Incentive Plan.

Dilution

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock upon the completion of this offering.

Historical net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. The historical net tangible book value of our common stock as of , 2011 was approximately $, or approximately $ per share of common stock, based upon the number of shares of common stock outstanding as of , 2011.

Investors participating in this offering will incur immediate, substantial dilution. After giving effect to the conversion of all Series A preferred stock into shares of our common stock upon the completion of this offering and to the sale of shares of our common stock by us at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of , 2011 would have been approximately $, or approximately $ per share of common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing common shareholders and an immediate dilution of $ per share to investors participating in this offering. If the initial public offering price is higher or lower, the dilution to new shareholders will be greater or less. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of , 2011	$	
Increase in pro forma net tangible book value per share attributable to investors participating in this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to investors participating in this offering		$

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our pro forma as adjusted net tangible book value by approximately $, or $ per share, and the dilution in net tangible book value per share to investors in this offering by $, assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value by approximately $, or $ per share, and the dilution in net tangible book value per share to investors in this offering by $, assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, remains the same.

If the underwriters fully exercise their over-allotment option to purchase additional shares of common stock in this offering, the pro forma as adjusted net tangible book value per share after the offering would be $ and the dilution in net tangible book value per share to new investors purchasing common stock in this offering would be $.

The following table summarizes, on a pro forma as adjusted basis as of , 2011, the differences between our existing shareholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid. The calculations with respect to shares purchased by new investors in this offering reflect an assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders before this offering		%	$	%	$
New investors in this offering					$
Total		100.0%	$	100.0%	

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover of this prospectus, would increase (decrease) the total consideration paid by investors participating in this offering by $, or increase (decrease) the percent of total consideration paid by investors participating in this offering by %, assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same. Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the total consideration paid by investors participating in this offering by $, or increase (decrease) the percent of total consideration paid by investors participating in this offering by %, assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, remains the same.

Except as otherwise indicated, the discussion and tables above assume no exercise of the underwriters' over-allotment option to purchase additional shares and no exercise of any outstanding options or warrants. If the underwriters' over-allotment option is fully exercised, the number of shares of common stock held by existing shareholders will be further reduced to % of the total number of shares of common stock to be outstanding after this offering, and the number of shares of common stock held by investors participating in this offering will be further increased to shares or % of the total number of shares of common stock to be outstanding upon the completion of this offering.

Except where specifically indicated, the tables and calculations above are based on shares of common stock issued and outstanding as of , 2011 on an actual basis, and exclude:

- shares of common stock issuable upon the exercise of outstanding options under our 2000 Stock Option Plan as of , 2011, having a weighted average exercise price of $ per share;
- shares of common stock issuable upon the exercise of outstanding warrants as of , 2011, having a weighted average exercise price of $ per share; and
- shares of common stock reserved for future issuance under our 2011 Long-Term Incentive Plan.

Selected Consolidated Financial Data

The following tables set forth selected consolidated financial data for the periods and at the dates indicated. The selected consolidated statements of operations data for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 and selected consolidated balance sheet data as of December 31, 2006, 2007, 2008, 2009 and 2010 are derived from our audited consolidated financial statements. Our audited consolidated statements of operations for the years ended December 31, 2008, 2009 and 2010 and our audited consolidated balance sheets as of December 31, 2009 and 2010 are included elsewhere in this prospectus. Our audited consolidated statements of operations for the years ended December 31, 2006 and 2007 and our audited consolidated balance sheets as of December 31, 2006, 2007 and 2008 have not been included in this prospectus. The selected consolidated statements of operations data for the three months ended March 31, 2010 and 2011 and the selected consolidated balance sheet data as of March 31, 2010 and 2011 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of these data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read this selected consolidated financial data in conjunction with the consolidated financial statements and related notes and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
	(in thousands, except share and per share amounts)					(unaudited)	
Consolidated Statements of Operations Data:							
Revenue	$ 25,835	$ 35,914	$ 44,440	$ 43,833	$ 64,919	$ 13,214	$ 22,335
Cost of revenue	9,817	14,255	17,738	18,559	25,443	5,341	8,429
Gross profit	16,018	21,659	26,702	25,274	39,476	7,873	13,906
Operating expenses:							
Marketing and sales	3,578	5,862	7,481	8,262	10,867	2,369	3,215
Research and development	1,593	2,293	3,125	3,140	4,281	1,044	1,112
General and administrative	3,434	5,102	5,438	5,965	7,629	1,626	2,506
Loss on impairment of foreign subsidiary assets	—	—	—	—	773	—	—
Total operating expenses	8,605	13,257	16,044	17,367	23,550	5,039	6,833
Income from operations	7,413	8,402	10,658	7,907	15,926	2,834	7,073
Other income (expense), net	(83)	(20)	(374)	(517)	(213)	(165)	(81)
Income before income taxes	7,330	8,382	10,284	7,390	15,713	2,669	6,992
Provision for income taxes	2,614	2,878	3,421	3,167	4,762	1,025	2,269
Net income	4,716	5,504	6,863	4,223	10,951	1,644	4,723
Less: dividends on redeemable preferred stock	—	—	(1,752)	(4,180)	(4,179)	(1,031)	(1,031)
Less: undistributed earnings allocated to preferred shareholders	—	—	(786)	(16)	(2,377)	(215)	(1,259)
Net income attributable to common shareholders	$ 4,716	$ 5,504	$ 4,325	$ 27	$ 4,395	$ 398	$ 2,433
Net income per share attributable to common shareholders:[1]							
Basic	$ 4.19	$ 4.82	$ 4.41	$ 0.04	$ 5.55	$ 0.50	$ 2.94
Diluted	$ 3.45	$ 3.67	$ 3.60	$ 0.03	$ 4.71	$ 0.41	$ 2.65
Weighted average shares outstanding:[1]							
Basic	1,126,778	1,142,178	980,747	754,639	791,388	790,131	827,245
Diluted	1,368,267	1,499,852	1,200,240	942,983	932,247	982,541	919,161
Other Financial Data:							
Adjusted EBITDA (unaudited)[2]	$ 8,464	$ 10,798	$ 13,393	$ 11,059	$ 20,513	$ 3,718	$ 8,164

Stock-based compensation expense included in the statements of operations data above is as follows:

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
				(in thousands)		(unaudited)	
Cost of revenue	$ —	$ 10	$ 16	$ 29	$ 39	$ 9	$ 19
Operating expenses:							
Marketing and sales	—	20	48	70	84	19	46
Research and development	—	16	32	53	73	14	69
General and administrative	99	428	27	93	135	29	64
Total stock-based compensation	$ 99	$ 474	$ 123	$ 245	$ 331	$ 71	$ 198

	December 31,					March 31,
	2006	2007	2008	2009	2010	2011
			(in thousands)			(unaudited)
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 4,645	$ 2,475	$ 2,658	$ 2,703	$ 6,101	$ 9,687
Working capital	9,350	5,640	5,203	4,533	10,424	14,577
Total assets	17,603	23,162	27,389	28,797	38,354	45,574
Total liabilities	3,679	8,525	16,543	13,297	11,730	13,665
Redeemable convertible preferred stock and redeemable common stock	2,592	3,369	54,357	58,536	62,715	63,746
Total shareholders' equity (deficit)	$11,332	$11,268	$(43,511)	$(43,036)	$(36,091)	$ (31,837)

(1) See Note 2 of Notes to Consolidated Financial Statements for an explanation of the method used to calculate net income per basic and diluted share attributable to common shareholders and weighted average shares outstanding.

(2) We define adjusted EBITDA as net income, plus provision for income taxes, other expense, net, depreciation and amortization, loss on impairment of foreign subsidiary assets and stock-based compensation. See "Adjusted EBITDA" below for more information and for a reconciliation of adjusted EBITDA to net income, the most directly comparable measure calculated and presented in accordance with GAAP.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of adjusted EBITDA to net income, the most directly comparable measure calculated and presented in accordance with GAAP.

We have included adjusted EBITDA in this prospectus because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Additionally, adjusted EBITDA has been a financial measure used by the compensation committee of our board of directors in connection with the payment of bonuses to our executive officers. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results. The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
				(unaudited) (in thousands)			
Reconciliation of Adjusted EBITDA to Net Income:							
Net income	$ 4,716	$ 5,504	$ 6,863	$ 4,223	$ 10,951	$ 1,644	$ 4,723
Provision for income taxes	2,614	2,878	3,421	3,167	4,762	1,025	2,269
Other expense, net	83	20	374	517	213	165	81
Depreciation and amortization	952	1,922	2,612	2,907	3,483	813	893
Loss on impairment of foreign subsidiary assets	—	—	—	—	773	—	—
Stock-based compensation	99	474	123	245	331	71	198
Adjusted EBITDA	$ 8,464	$ 10,798	$ 13,393	$ 11,059	$ 20,513	$ 3,718	$ 8,164

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Consolidated Financial Data" and the consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. See "Forward-Looking Statements."

Overview

We are a leading online and technology-enabled manufacturer of quick-turn CNC machined and injection molded custom parts for prototyping and short-run production. We provide "Real Parts, Really Fast" to product developers worldwide, who are under increasing pressure to bring their finished products to market faster than their competition. We believe low-volume manufacturing has historically been an underserved market due to the inefficiencies inherent in the quotation, equipment set-up and non-recurring engineering processes required to produce custom parts. Our proprietary technology eliminates most of the time-consuming and expensive skilled labor conventionally required to quote and manufacture parts in low volumes, and our customers conduct nearly all of their business with us over the Internet. We target our services to the millions of product developers who use 3D CAD software to design products across a diverse range of end-markets. Our primary manufacturing services currently include Firstcut, which is our CNC machining service, and Protomold, which is our plastic injection molding service. Through June 30, 2011, we have received over 500,000 uploaded part designs, sent over 480,000 part quotations and shipped over 100,000 unique parts to approximately 17,000 product developers representing over 8,000 customer companies across a wide range of industries.

We have experienced significant growth since our inception. Since we first introduced our Protomold injection molding service in 1999, we have steadily expanded the size and geometric complexity of the injection molded parts we are able to manufacture, and we continue to extend the diversity of materials we are able to support. Similarly, since first introducing our Firstcut CNC machining service in 2007, we have expanded the range of part sizes, design geometries and materials we can support. We are also continually seeking to enhance other aspects of our technology and manufacturing processes, including our interactive web-based and automated user interface and quoting system. We intend to continue to invest significantly in enhancing our technology and manufacturing processes and expanding the range of our existing capabilities with the aim of meeting the needs of a broader set of product developers. As a result of the factors described above, many of our customers tend to return to Proto Labs to meet their ongoing needs, with approximately 67%, 77% and 76% of our revenue in 2008, 2009 and 2010, respectively, derived from existing customers who had placed orders with us in prior years.

We have established our operations in the United States, Europe and Japan, three of the largest geographic markets where product developers are located. We entered the European market in 2005 and launched operations in Japan in late 2009. As of June 30, 2011, we had sold products into more than 50 countries. Our sales outside of the United States accounted for approximately 26% and 22% of our consolidated sales in the year ended December 31, 2010 and three months ended March 31, 2011, respectively. We intend to continue to expand our international sales efforts and believe opportunities exist to serve the needs of product developers in select new geographic regions.

We have grown our total revenue from $25.8 million in 2006 to $64.9 million in 2010 and $22.3 million in the three months ended March 31, 2011. We have grown our income from operations from $7.4 million in 2006 to $15.9 million in 2010 and $7.1 million in the three months ended March 31, 2011. Our recent growth in revenue and income from operations has been accompanied by increased operating expenses, with the two most significant components being marketing and sales and increased general and administrative expenses. We expect to increasingly invest in our operations to support anticipated future growth and public company reporting and compliance obligations, as discussed more fully below.

In addition, we believe that a number of trends affecting our industry have affected our results of operations and may continue to do so. For example, we believe that many of our target product developer customers have increasing e-commerce expectations, are facing increased pressure to accelerate the time to market for their products and continue to migrate from using 2D CAD to using 3D CAD for their design needs. We believe we continue to be well positioned to benefit from these trends, given our proprietary technology that enables us to automate and integrate the majority of activities involved in procuring custom low-volume parts, starting with our elegant web interface through which a product developer submits a 3D CAD part design. While our business may be positively affected by these trends, our results may also be favorably or unfavorably impacted by other trends that affect product developer orders for custom parts in low volumes, including, among others, changes in product developer preferences or needs, developments in our industry and among our competitors and factors impacting new product development volume such as economic conditions. For a more complete discussion of the risks facing our business, see “Risk Factors.”

Key Financial Measures and Trends

Revenue

We derive all of our revenue from our Firstcut and Protomold services. Firstcut revenue consists of sales of CNC machined custom parts and associated shipping revenue. Protomold revenue consists of sales of custom injection molds and injection-molded parts and associated shipping revenue. Our revenue is generated from a diverse customer base, and no single customer company representing more than approximately 1% of our total revenue in 2010. We expect our revenue to increase due to our marketing and sales efforts generating new customer leads, greater penetration of our existing customer base and continued growth of our international business.

Cost of Revenue, Gross Profit and Gross Margin

Cost of revenue consists primarily of raw materials, employee salaries, bonuses, benefits, stock-based compensation, equipment depreciation and overhead allocations associated with the manufacturing process for molds and custom parts. We expect cost of revenue to increase in absolute dollars, but remain relatively constant as a percentage of total revenue.

We define gross profit as our revenue less our cost of revenue, and we define gross margin as gross profit expressed as a percentage of revenue. Our gross profit and gross margin are affected by many factors, including our pricing, our sales volume, our manufacturing costs, the costs associated with increasing production capacity, the mix between domestic and foreign revenue sources and foreign exchange rates.

Operating Expenses

Operating expenses consist of marketing and sales, research and development and general and administrative expenses and loss on impairment of foreign subsidiary assets. Personnel-related costs are the most significant component of the marketing and sales, research and development and general and administrative expense categories.

Our recent growth in operating expenses is mainly due to higher headcounts to support our growth and expansion, and we expect that trend to continue. Our business strategy is to continue to be a leading online and technology-enabled manufacturer of quick-turn CNC machined and injection molded custom parts for prototyping and short-run production. For us to achieve our goals, we anticipate continued substantial investments in technology and personnel, resulting in increased operating expenses.

Marketing and sales. Marketing and sales expense consists primarily of employee salaries, commissions, bonuses, benefits, stock-based compensation, marketing programs such as print and pay-per-click advertising, trade shows and direct mail, and other related overhead. We expect sales and marketing expense to increase in the future as we increase the number of marketing and sales professionals and marketing programs targeted to increase our customer base.

Research and development. Research and development expense consists primarily of employee salaries, bonuses, benefits, stock-based compensation, depreciation on equipment and other related overhead. All of our research and development costs have been expensed as incurred. We expect research and development expense to increase in the future as we seek to enhance and expand our service offerings.

General and administrative. General and administrative expense consists primarily of employee salaries, bonuses, benefits, stock-based compensation, professional service fees related to accounting, tax and legal, and other related

overhead. We expect general and administrative expense to increase on an absolute basis and as a percentage of revenue as we continue to grow and expand our operations and develop the infrastructure necessary to operate as a public company. These expenses will include increased audit and legal fees, costs of compliance with securities and other regulations, implementation costs for compliance with the provisions of the Sarbanes-Oxley Act, investor relations expense and higher insurance premiums.

Loss on impairment of foreign subsidiary assets. Loss on impairment of foreign subsidiary assets reflects our write-down of selected foreign assets, in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 360 *Property, Plant and Equipment*, or ASC 360.

Other income (expense), net

Other income (expense), net primarily consists of foreign currency-related gains and losses, interest income on cash balances and interest expense on borrowings. Our foreign currency-related gains and losses will vary depending upon movements in underlying exchange rates. Our interest income will vary each reporting period depending on our average cash balances during the period and the current level of interest rates. Our interest expense will vary based on borrowings and interest rates.

Provision for income taxes

Provision for income taxes is comprised of federal, state, local and foreign taxes based on income. We expect income taxes to increase as our taxable income increases.

Results of Operations

The following table sets forth a summary of our results of operations and the related changes for the periods indicated. The results below are not necessarily indicative of the results for future periods.

	Year Ended December 31,		Change		Year Ended December 31,		Change		Three Months Ended March 31,		Change	
	2008	2009	$	%	2009	2010	$	%	2010	2011	$	%
	(dollars in thousands)								(unaudited)			
Revenue	$44,440	$43,833	$ (607)	(1.4)%	$43,833	$64,919	$21,086	48.1%	$13,214	$22,335	$9,121	69.0%
Cost of revenue	17,738	18,559	821	4.6	18,559	25,443	6,884	37.1	5,341	8,429	3,088	57.8
Gross profit	26,702	25,274	(1,428)	(5.3)	25,274	39,476	14,202	56.2	7,873	13,906	6,033	76.6
Operating expenses:												
Marketing and sales	7,481	8,262	781	10.4	8,262	10,867	2,605	31.5	2,369	3,215	846	35.7
Research and development	3,125	3,140	15	0.5	3,140	4,281	1,141	36.3	1,044	1,112	68	6.5
General and administrative	5,438	5,965	527	9.7	5,965	7,629	1,664	27.9	1,626	2,506	880	54.1
Loss on impairment of foreign subsidiary assets	—	—	—	*	—	773	773	*	—	—	—	*
Total operating expenses	16,044	17,367	1,323	8.2	17,367	23,550	6,183	35.6	5,039	6,833	1,794	35.6
Income from operations	10,658	7,907	(2,751)	(25.8)	7,907	15,926	8,019	101.4	2,834	7,073	4,239	149.6
Other income (expense), net	(374)	(517)	(143)	38.2	(517)	(213)	304	(58.8)	(165)	(81)	84	(50.9)
Income before income taxes	10,284	7,390	(2,894)	(28.1)	7,390	15,713	8,323	112.6	2,669	6,992	4,323	162.0
Provision for income taxes	3,421	3,167	(254)	(7.4)	3,167	4,762	1,595	50.4	1,025	2,269	1,244	121.4
Net income	$ 6,863	$ 4,223	$(2,640)	(38.5)%	$ 4,223	$10,951	$ 6,728	159.3%	$ 1,644	$ 4,723	$3,079	187.3%

* Percentage change not meaningful.

Stock-based compensation expense included in the statements of operations data above is as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)	(unaudited)	
Cost of revenue	$ 16	$ 29	$ 39	$ 9	$ 19
Operating expenses:					
Marketing and sales	48	70	84	19	46
Research and development	32	53	73	14	69
General and administrative	27	93	135	29	64
Total stock-based compensation	$123	$245	$331	$ 71	$ 198

The following table sets forth our statements of operations as a percentage of revenue for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	39.9	42.3	39.2	40.4	37.7
Gross profit	60.1	57.7	60.8	59.6	62.3
Operating expenses:					
Marketing and sales	16.9	18.9	16.7	17.9	14.4
Research and development	7.0	7.2	6.6	7.9	5.0
General and administrative	12.2	13.6	11.8	12.4	11.2
Loss on impairment of foreign subsidiary assets	—	—	1.2	—	—
Total operating expenses	36.1	39.7	36.3	38.2	30.6
Income from operations	24.0	18.0	24.5	21.4	31.7
Other income (expense), net	(0.9)	(1.2)	(0.3)	(1.2)	(0.4)
Income before income taxes	23.1	16.8	24.2	20.2	31.3
Provision for income taxes	7.7	7.2	7.3	7.8	10.2
Net income	15.4%	9.6%	16.9%	12.4%	21.1%

Comparison of Three Months Ended March 31, 2010 and 2011

Revenue

Revenue and the related changes for the three months ended March 31, 2010 and 2011 were as follows:

	Three Months Ended March 31,					
	2010		2011		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(unaudited) (dollars in thousands)					
Revenue						
Protomold	$10,555	79.9%	$16,921	75.8%	$6,366	60.3%
Firstcut	2,659	20.1	5,414	24.2	2,755	103.6
Total revenue	$13,214	100.0%	$22,335	100.0%	$9,121	69.0%

Revenue by geographic region, based on the billing location of the end customer, is summarized as follows:

	Three Months Ended March 31,					
	2010		2011		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(unaudited) (dollars in thousands)					
Revenue						
United States	$10,034	75.9%	$17,432	78.0%	$7,398	73.7%
International	3,180	24.1	4,903	22.0	1,723	54.2
Total revenue	$13,214	100.0%	$22,335	100.0%	$9,121	69.0%

Our revenue increased $9.1 million, or 69.0%, for the three months ended March 31, 2011 compared with the same period in 2010. Of this growth, approximately $3.0 million was attributable to sales to approximately 650 new customer companies acquired during the three months ended March 31, 2011. Our overall revenue growth was driven by a 73.7% increase in U.S. revenue, a 54.2% increase in international revenue, a 60.3% increase in Protomold revenue and a 103.6% increase in Firstcut revenue, in each case for the three months ended March 31, 2011 compared with the same period in 2010. Pricing for our services remained relatively constant in 2011 compared to 2010.

Cost of revenue, gross profit and gross margin

Cost of revenue and gross profit and the related changes for the three months ended March 31, 2010 and 2011 were as follows:

	Three Months Ended March 31,					
	2010		2011		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(unaudited) (dollars in thousands)					
Cost of revenue	$5,341	40.4%	$ 8,429	37.7%	$3,088	57.8%
Gross profit	$7,873	59.6%	$13,906	62.3%	$6,033	76.6%

Cost of revenue. Cost of revenue increased $3.1 million, or 57.8%, for the three months ended March 31, 2011 compared with the same period in 2010, primarily due to the increased volume of molds and custom parts we manufactured and shipped.

Gross profit and gross margin. Gross profit increased due to revenue increasing faster than cost of revenue as discussed above. Gross margin increased primarily as a result of higher factory and equipment utilization and increased productivity.

Operating expenses, other income (expense), net and provision for income taxes

Operating expenses, other income (expense), net and provision for income taxes and the related changes for the three months ended March 31, 2010 and 2011 were as follows:

	Three Months Ended March 31,					
	2010		2011		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(unaudited) (dollars in thousands)					
Operating expenses:						
Marketing and sales	$2,369	17.9%	$3,215	14.4%	$ 846	35.7%
Research and development	1,044	7.9	1,112	5.0	68	6.5
General and administrative	1,626	12.4	2,506	11.2	880	54.1
Total operating expenses	$5,039	38.2%	$6,833	30.6%	$1,794	35.6%
Other income (expense), net	$ (165)	(1.2)%	$ (81)	(0.4)%	$ 84	(50.9)%
Provision for income taxes	$1,025	7.8%	$2,269	10.2%	$1,244	121.4%

Marketing and sales. Marketing and sales expense increased $0.8 million, or 35.7%, for the three months ended March 31, 2011 compared with the same period in 2010 due to an increase in headcount resulting in a $0.4 million increase in personnel and related costs, and a $0.4 million increase in marketing program costs. Marketing and sales expense as a percentage of revenue decreased to 14.4% in the three months ended March 31, 2011 from 17.9% in the same period in 2010, primarily due to the fixed nature of certain marketing and sales costs.

Research and development. Our research and development expense increased $0.1 million for the three months ended March 31, 2011 compared with the same period in 2010 due to an increase in headcount.

General and administrative. Our general and administrative expense increased $0.9 million for the three months ended March 31, 2011 compared with the same period in 2010 due to an increase in headcount resulting in personnel and related cost increases of $0.3 million, facilities related expenses of $0.3 million, recruiting costs of $0.1 million and professional services of $0.1 million for outside legal and accounting.

Other income (expense), net. Other income (expense), net decreased $0.1 million for the three months ended March 31, 2011 compared with the same period in 2010 due to changes in foreign currency rates.

Provision for income taxes. Our income tax provision increased $1.2 million for the three months ended March 31, 2011 compared with the same period in 2010 due to the increased taxable income.

Comparison of Years Ended December 31, 2009 and 2010

Revenue

Revenue and the related changes for the years ended December 31, 2009 and 2010 were as follows:

	Year Ended December 31,					
	2009		2010		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Revenue						
Protomold	$36,794	83.9%	$50,690	78.1%	$13,896	37.8%
Firstcut	7,039	16.1	14,229	21.9	7,190	102.1
Total revenue	$43,833	100.0%	$64,919	100.0%	$21,086	48.1%

Revenue by geographic region, based on the billing location of the end customer, is summarized as follows:

	Year Ended December 31,					
	2009		2010		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Revenue						
United States	$33,343	76.1%	$48,059	74.0%	$14,716	44.1%
International	10,490	23.9	16,860	26.0	6,370	60.7
Total revenue	$43,833	100.0%	$64,919	100.0%	$21,086	48.1%

Our revenue increased $21.1 million, or 48.1%, for 2010 compared to 2009. Of this growth, approximately $15.6 million was attributable to sales to approximately 2,050 new customer companies acquired during 2010. Our revenue growth was also driven by a 60.7% increase in international revenue, a 44.1% increase in U.S. revenue, a 37.8% increase in Protomold revenue and a 102.1% increase in Firstcut revenue, in each case for 2010 compared to 2009. Pricing for our services remained relatively constant in 2010 compared to 2009.

Cost of revenue, gross profit and gross margin

Cost of revenue and gross profit and the related changes for the years ended December 31, 2009 and 2010 were as follows:

	Year Ended December 31,					
	2009		2010		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Cost of revenue	$18,559	42.3%	$25,443	39.2%	$ 6,884	37.1%
Gross profit	$25,274	57.7%	$39,476	60.8%	$14,202	56.2%

Cost of revenue. Cost of revenue increased $6.9 million, or 37%, for 2010 compared to 2009, due to the increased volume of molds and custom parts manufactured and shipped.

Gross profit and gross margin. Gross profit increased due to revenue increasing faster than cost of revenue as discussed above. Gross margin increased primarily as the result of higher factory and equipment utilization and increased productivity.

Operating expenses, other income (expense), net and provision for income taxes

Operating expenses, other income (expense), net and provision for income taxes and the related changes for the years ended December 31, 2009 and 2010 were as follows:

	Year Ended December 31,					
	2009		2010		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Operating expenses:						
Marketing and sales	$ 8,262	18.9%	$10,867	16.7%	$2,605	31.5%
Research and development	3,140	7.2	4,281	6.6	1,141	36.3
General and administrative	5,965	13.6	7,629	11.8	1,664	27.9
Loss on impairment of foreign subsidiary assets	—	—	773	1.2	773	*
Total operating expenses	$17,367	39.7%	$23,550	36.3%	$6,183	35.6%
Other income (expense), net	$ (517)	(1.2)%	$ (213)	(0.3)%	$ 304	(58.8)%
Provision for income taxes	$ 3,167	7.2%	$ 4,762	7.3%	$1,595	50.4%

* Percentage change not meaningful.

Marketing and sales. Marketing and sales expense increased $2.6 million for 2010 compared to 2009 due to an increase in headcount resulting in increased personnel and related costs of $1.4 million, an increase in bonuses of $0.8 million and an increase in marketing programs and other marketing costs of $0.4 million. Marketing and sales expense as a percentage of revenue decreased to 16.7% in 2010 from 18.8% in 2009, primarily due to the fixed nature of certain marketing and sales costs.

Research and development. Our research and development expense increased $1.1 million for 2010 compared to 2009 due to an increase in headcount resulting in increase personnel and related costs of $0.2 million and an increase in bonuses of $0.9 million.

General and administrative. Our general and administrative expense increased $1.7 million for 2010 compared to 2009 due to an increase in headcount resulting in personnel and related cost increases of $0.2 million, bonuses of $1.0 million and professional services of $0.3 million for outside legal and accounting.

Loss on impairment of foreign subsidiary assets. During 2010, we recognized an impairment of certain assets in a foreign subsidiary in accordance with ASC 360 and recorded a charge of $0.8 million.

Other income (expense), net. Other income (expense), net decreased $0.3 million for 2010 compared to 2009 due to a gain on foreign currency of $0.2 million and a decrease in interest expense of $0.1 million.

Provision for income taxes. Our income tax provision increased $1.6 million for 2010 compared to 2009 due to increased taxable income offset by our effective tax rate decreasing to 30.3% from 42.9 %. Our lower tax rate was mainly due to U.S. tax elections on foreign subsidiary investments.

Comparison of Years Ended December 31, 2008 and 2009

Revenue

Revenue and the related changes for the years ended December 31, 2008 and 2009 were as follows:

	Year Ended December 31,					
	2008		2009		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Revenue						
Protomold	$40,053	90.1%	$36,794	83.9%	$(3,259)	(8.1)%
Firstcut	4,387	9.9	7,039	16.1	2,652	60.5
Total revenue	$44,440	100.0%	$43,833	100.0%	$ (607)	(1.4)%

Revenue by geographic region, based on the billing location of the end customer, are summarized as follows:

	Year Ended December 31,					
	2008		2009		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Revenue						
United States	$34,098	76.7%	$33,343	76.1%	$(755)	(2.2)%
International	10,342	23.3	10,490	23.9	148	1.4
Total revenue	$44,440	100.0%	$43,833	100.0%	$(607)	(1.4)%

Our revenue decreased $0.6 million, or 1.4%, for 2009 compared to 2008. While we generated approximately $10.2 million from sales to approximately 1,400 new customer companies acquired during 2009, sales to existing customers decreased by approximately $10.8 million, which we believe was due to the effects of the global recession on our customers. Our U.S. revenue decreased by 2.2%, while our international revenue increased by 1.4% for 2009 compared to 2008. Pricing for our services remained relatively constant in 2009 compared to 2008.

Cost of revenue, gross profit and gross margin

Cost of revenue and gross profit and the related changes for the years ended December 31, 2008 and 2009 were as follows:

	Year Ended December 31,					
	2008		2009		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Cost of revenue	$17,738	39.9%	$18,559	42.3%	$ 821	4.6%
Gross profit	$26,702	60.1%	$25,274	57.7%	$(1,428)	(5.3)%

Cost of revenue. Cost of revenue increased $0.8 million, or 4.6%, for 2009 compared to 2008, due to increases of $0.2 million in employee costs, $0.4 million in production supplies and $0.2 million in depreciation.

Gross profit and gross margin. Gross profit decreased due to the revenue and cost of revenue changes as discussed above. Gross margin decreased primarily as the result of higher employee and overhead costs.

Operating expenses, other income (expense), net and provision for income taxes

Operating expenses, other income (expense), net and provision for income taxes and the related changes for the years ended December 31, 2008 and 2009 were as follows:

	Year Ended December 31,					
	2008		2009		Change	
	$	% of Total Revenue	$	% of Total Revenue	$	%
	(dollars in thousands)					
Operating expenses:						
Marketing and sales	$ 7,481	16.9%	$ 8,262	18.9%	$ 781	10.4%
Research and development	3,125	7.0	3,140	7.2	15	0.5
General and administrative	5,438	12.2	5,965	13.6	527	9.7
Total operating expenses	$16,044	36.1%	$17,367	39.7%	$1,323	8.2%
Other income (expense), net	$ (374)	(0.9)%	$ (517)	(1.2)%	$ (143)	38.2%
Provision for income taxes	$ 3,421	7.7%	$ 3,167	7.2%	$ (254)	(7.4)%

Marketing and sales. Marketing and sales expense increased $0.8 million for 2009 compared to 2008 due to an increase in headcount resulting in increased personnel and related costs of $0.8 million and an increase in facilities and related expense of $0.2 million, partially offset by a decrease in marketing programs of $0.2 million.

Research and development. Our research and development costs did not materially change between periods.

General and administrative. Our general and administrative expense increased $0.5 million for 2009 compared to 2008 due to an increase in headcount resulting in personnel, benefits and stock compensation cost increases of $0.3 million, and increased travel to our foreign locations of $0.2 million.

Other income (expense), net. Other income (expense), net increased $0.1 million for 2009 compared to 2008 due to changes in foreign currency rates resulting in an increase of $0.2 million, partially offset by a decrease in interest expense of $0.1 million.

Provision for income taxes. Our income tax provision decreased $0.3 million for 2009 compared to 2008 due to decreased taxable income of $2.9 million offset by our effective tax rate increasing to 40.7% from 31.8%. Our higher tax rate was mainly due to non-deductible foreign losses.

Selected Quarterly Results of Operations

The following tables set forth selected unaudited quarterly results of operations since 2009 as well as the percentage that each line item represents of total revenue. This unaudited quarterly information has been prepared on the same basis as our annual audited consolidated financial statements appearing elsewhere in this prospectus and includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented. The quarterly data should be read in conjunction with our selected financial data and consolidated financial statements and the related notes appearing elsewhere in this prospectus. Operating results for any quarter are not necessarily indicative of results for any future period.

	Three Months Ended								
	Mar. 31, 2009	Jun. 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
	(in thousands)								
Consolidated Statements of Operations Data:									
Revenue	$10,679	$ 10,366	$ 10,770	$ 12,018	$13,214	$ 15,731	$ 17,678	$ 18,296	$22,335
Cost of revenue	4,391	4,423	4,689	5,056	5,341	6,135	6,778	7,189	8,429
Gross profit	6,288	5,943	6,081	6,962	7,873	9,596	10,900	11,107	13,906
Operating expenses:									
Marketing and sales	1,849	1,988	2,105	2,320	2,369	2,621	2,710	3,167	3,215
Research and development	784	732	818	806	1,044	1,051	1,064	1,122	1,112
General and administrative	1,484	1,636	1,398	1,447	1,626	1,716	1,903	2,384	2,506
Loss on impairment of foreign subsidiary assets	—	—	—	—	—	—	—	773	—
Total operating expenses	4,117	4,356	4,321	4,573	5,039	5,388	5,677	7,446	6,833
Income from operations	2,171	1,587	1,760	2,389	2,834	4,208	5,223	3,661	7,073
Other income (expense), net	(273)	(12)	(35)	(197)	(165)	(170)	203	(81)	(81)
Income before income taxes	1,898	1,575	1,725	2,192	2,669	4,038	5,426	3,580	6,992
Provision for income taxes	686	698	813	970	1,025	1,551	2,083	103	2,269
Net income	$ 1,212	$ 877	$ 912	$ 1,222	$ 1,644	$ 2,487	$ 3,343	$ 3,477	$ 4,723

	Three Months Ended								
	Mar. 31, 2009	Jun. 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
Consolidated Statements of Operations Data:									
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	41.1	42.7	43.5	42.1	40.4	39.0	38.3	39.3	37.7
Gross profit	58.9	57.3	56.5	57.9	59.6	61.0	61.7	60.7	62.3
Operating expenses:									
Marketing and sales	17.4	19.1	19.6	19.3	18.0	16.6	15.3	17.4	14.4
Research and development	7.3	7.1	7.6	6.7	7.9	6.7	6.0	6.1	5.0
General and administrative	13.9	15.8	13.0	12.0	12.3	10.9	10.8	13.0	11.2
Loss on impairment of foreign subsidiary assets	—	—	—	—	—	—	—	4.2	—
Total operating expenses	38.6	42.0	40.2	38.0	38.2	34.2	32.1	40.7	30.6
Income from operations	20.3	15.3	16.3	19.9	21.4	26.8	29.6	20.0	31.7
Other income (expense), net	(2.6)	(0.1)	(0.3)	(1.6)	(1.2)	(1.1)	1.1	(0.4)	(0.4)
Income before income taxes	17.7	15.2	16.0	18.3	20.2	25.7	30.7	19.6	31.3
Provision for income taxes	6.4	6.7	7.5	8.1	7.8	9.9	11.8	0.6	10.2
Net income	11.3%	8.5%	8.5%	10.2%	12.4%	15.8%	18.9%	19.0%	21.1%

Liquidity and Capital Resources

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2010 and 2011.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)	(unaudited)	
Net cash provided by operating activities	$ 8,285	$ 8,395	$14,012	$2,048	$ 5,996
Net cash used in investing activities	(5,963)	(4,773)	(6,041)	(643)	(2,012)
Net cash used in financing activities	(2,316)	(3,407)	(4,229)	(777)	(425)
Effect of exchange rates on cash	177	(170)	(344)	(35)	27
Net increase in cash and cash equivalents	$ 183	$ 45	$ 3,398	$ 593	$ 3,586

Sources of Liquidity

Historically we have financed our operations and capital expenditures through operations, lease financing and the use of bank loans. In addition, we have financed our common stock repurchases through issuance of preferred stock, bank loans and cash balances. We had cash and cash equivalents of $9.7 million as of March 31, 2011, an increase of $3.6 million from December 31, 2010. The increase in our cash was due to cash generated by operations. The December 31, 2010 cash balance represented an increase of $3.4 million from the December 31, 2009 cash balance of $2.7 million, and this increase was also due to cash generated by operations.

Cash Flows from Operating Activities

Cash generated by operating activities was $6.0 million in the three months ended March 31, 2011. We had net income of $4.7 million, which included non-cash charges consisting of $0.9 million in depreciation and $0.2 million in stock-based compensation expense. Other sources of cash in operating activities totaled $0.2 million,

which included an increase in accounts receivable of $2.3 million, a decrease in pre-paid expenses of $0.1 million and an increase in inventory of $0.2 million. These were partially offset by an increase in income taxes payable of $1.1 million, an increase in accounts payable of $0.7 million and an increase in accrued liabilities of $0.7 million. The increase in accounts receivable reflects increases in revenue.

Cash generated by operating activities was $2.0 million in the three months ended March 31, 2010. We had net income of $1.6 million, which included non-cash charges consisting of $0.8 million in depreciation and $0.1 million in stock-based compensation expense. Other uses of cash in operating activities totaled $0.5 million, which included an increase in accounts receivable of $1.4 million, an increase in pre-paid expenses of $0.3 million and an increase in inventories of $0.1 million. These were partially offset by an increase in accrued expenses of $0.7 million, an increase in accounts payable of $0.2 million, and an increase in income taxes payable of $0.4 million. The increase in accounts receivable reflects increases in revenue.

Cash generated by operating activities was $14.0 million in 2010. We had net income of $11.0 million, which included non-cash charges consisting of $3.5 million in depreciation, an asset impairment charge of $0.8 million, an increase in deferred income taxes of $0.6 million and $0.3 million in stock-based compensation expense. Other uses of cash in operating activities totaled $2.1 million, which included an increase in accounts receivable of $3.0 million, an increase of $0.8 million in prepaid expenses, an increase in inventory of $0.5 million and a decrease in income taxes payable of $0.1 million. These were partially offset by an increase in accounts payable of $1.1 million and an increase in accrued liabilities of $1.2 million. The increase in accounts receivable reflects increased revenue. The increase in accounts payable was due to an increased level of operations.

Cash generated by operating activities was $8.4 million in 2009. We had net income of $4.2 million, which included non-cash charges consisting of $2.9 million in depreciation, an increase in deferred income taxes of $0.7 million, $0.2 million in stock-based compensation expense and a loss on disposal of fixed assets of $0.1 million. Other sources of cash in operating activities totaled $0.3 million, which included a decrease in accounts payable of $0.5 million, and a decrease in accrued expenses of $0.3 million. These were partially offset by a decrease in accounts receivable of $0.9 million and an increase in income taxes payable of $0.1 million. The decrease in accounts receivable reflects decreased revenue from new customer acquisitions and decreased revenue to existing customers. The decrease in accounts payable was due to a decreased level of operations.

Cash generated by operating activities was $8.3 million in 2008. We had net income of $6.9 million, which included non-cash charges consisting of $2.6 million in depreciation, $0.1 million in stock-based compensation expense and an increase in deferred income taxes of $0.1 million. Other uses of cash in operating activities totaled $1.4 million, which included an increase in accounts receivable of $1.8 million, an increase in inventory of $0.3 million and an increase in pre-paid expenses of $0.2 million. These were partially offset by an increase in accounts payable of $0.7 million and an increase in accrued liabilities of $0.2 million. The increase in accounts receivable reflects increased revenue from new customer acquisitions and increased revenue to existing customers. The increase in accounts payable was due to an increased level of operations.

Cash Flows from Investing Activities

Cash used in investing activities was $2.0 million in the three months ended March 31, 2011, consisting of $2.3 million for the purchase of property and equipment and a net reduction of short-term investments of $0.3 million.

Cash used in investing activities was $0.6 million in the three months ended March 31, 2010, consisting of $0.9 million for the purchase of property and equipment and a net reduction of short-term investments of $0.2 million.

Cash used in investing activities was $6.0 million in 2010, consisting of $7.1 million for the purchase of property and equipment and a net reduction of short-term investments of $1.0 million.

Cash used in investing activities was $4.8 million 2009, consisting of $5.1 million for the purchase of property and equipment and a net reduction of short-term investments of $0.3 million.

Cash used in investing activities was $6.0 million in 2008, consisting of $4.1 million for the purchase of property and equipment, an increase in short-term investments of $2.0 million and proceeds from the sale of fixed assets of $0.1 million.

Cash Flows from Financing Activities

Cash used in financing activities was $0.4 million in the three months ended March 31, 2011. The primary use of funds was for payments on debt of $0.6 million, which was partially offset by stock option and warrant exercises of $0.2 million.

Cash used in financing activities was $0.8 million in the three months ended March 31, 2010. The primary use of funds was for payments on debt.

Cash used in financing activities was $4.2 million in 2010. The primary use of funds was for payments on debt of $4.3 million, which was partially offset by stock option and warrant exercises of $0.1 million.

Cash used in financing activities was $3.4 million in 2009. The use of funds was for payments on debt.

Cash used in financing activities was $2.3 million in 2008. This consisted of cash used in the purchase of our common stock of $66.3 million, which was partially offset by cash provided from the sale of Series A Preferred Stock of $51.8 million, debt financings of $8.2 million, tax benefit from stock-based compensation of $3.5 million and stock option exercises of $0.6 million.

Operating and Capital Expenditure Requirements

We believe, based on our current operating plan, that the net proceeds from this offering, together with our cash balances, cash generated through operations and interest income, will be sufficient to meet our anticipated cash requirements through at least the next 12 months. From time to time we may seek to sell additional equity or convertible debt securities or enter into credit facilities. The sale of additional equity and convertible debt securities may result in dilution to our shareholders. If we raise additional funds through the issuance of convertible debt securities or enter into credit facilities, these securities and debt holders could have rights senior to those of our common stock, and this debt could contain covenants that would restrict our operations. We may require additional capital beyond our currently forecasted amounts. Any such required additional capital may not be available on terms acceptable to us, or at all.

Our future capital requirements will depend on many factors, including the following:

- the revenue generated by Firstcut and Protomold services;
- costs of operations, including costs relating to expansion, growth, and transition to a public company;
- the emergence of competing or complementary technological developments;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual product rights, or participating in litigation-related activities; and
- the acquisition of businesses, products and technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

Contractual Obligations

As of December 31, 2010, our contractual obligations and the effect such obligations are expected to have on our liquidity and cash flows in future periods were as follows:

		Payment Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(in thousands)		
Operating leases	$3,930	$ 663	$1,505	$1,456	$ 306
Capital leases	1,807	736	935	136	—
Long-term debt	3,400	3,100	300	—	—
Interest on long-term debt	41	40	1	—	—
Total	$9,178	$ 4,539	$2,741	$1,592	$ 306

The table above reflects only payment obligations that are fixed and determinable. Our commitments for operating leases relate to one of our U.S. manufacturing facilities as well as our European and Japanese facilities. Our commitments for capital leases relate to equipment financing for our European and Japanese operations.

Financing Arrangements

In June 2007, we received a $3.0 million loan, or equipment note, from Wells Fargo Equipment Finance, Inc. to finance previously purchased equipment. The equipment note was payable in monthly principal payments of $50,000 plus interest, which is calculated using an interest rate equal to the sum of the daily one-month London Interbank Offered Rate, or LIBOR, and 1.4%. The outstanding principal amounts under the equipment note were $1.5 million and $0.9 million at December 31, 2009 and 2010, respectively, and $1.4 million and $0.8 million at March 31, 2010 and 2011, respectively. We paid the remaining principal balance in May 2011. The equipment note was secured by a first lien against certain equipment.

In August 2008, we established a $5.0 million revolving credit facility, or revolving note, and a $10.0 million term loan, or term note, with Wells Fargo Bank, N.A. In November 2009, we amended the credit agreement, revolving note, and term note, which then had an outstanding principal amount of $6.7 million. We have had no borrowings under the revolving note during 2009, 2010 or 2011. We paid off the term note in May 2011. The revolving note and the term note bear interest at either (i) the fixed rate equal to the sum of 2.0% per annum and LIBOR, in effect from time to time, or (ii) the fluctuating rate equal to the sum of 2.0% per annum and the daily one-month LIBOR in effect from time to time. Our revolving note terminates on March 31, 2012. The term note is payable in equal quarterly payments, and the final installment of the remaining principal amount is due on September 30, 2011. The revolving note and the term note are secured by a first lien on substantially all of our personal property and on the real property at our Maple Plain, Minnesota facility.

The following table summarizes our financing arrangements as of December 31, 2009 and 2010, and March 31, 2011.

	December 31, 2009	December 31, 2010	March 31, 2011 (unaudited)
	(dollars in thousands)		
Equipment note payable to a bank with interest at daily one-month LIBOR plus 1.4%, due in monthly principal payments of $50 plus interest, through June 2012, secured by certain assets of the Company	$ 1,500	$ 900	$ 750
Term note payable to a bank with interest at daily one-month LIBOR plus 2.0%, due in quarterly principal payments of $833 plus interest monthly, through September 2011, secured by certain assets of the Company	5,833	2,500	1,666
Various obligations under capital leases, with interest rates from 4.5% to 9.9%, dues in various monthly installments, including interest, through various dates through April 2015, secured by equipment	1,963	1,632	2,001
	9,296	5,032	4,417
Less current portion	4,605	3,742	2,977
	$ 4,691	$ 1,290	$ 1,440

Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

Critical Accounting Policies and Use of Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenue, expenses and related disclosures. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, the allowance for doubtful accounts, inventory valuation, stock-based compensation and income taxes. We base our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Management has discussed the development, selection and disclosure of these estimates with the audit committee of our board of directors. Our actual results may differ significantly from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements. See Notes to Consolidated Financial Statements included in this prospectus for additional information about these critical accounting policies, as well as a description of our other accounting policies.

Revenue Recognition

We recognize revenue in accordance with ASC 605—*Revenue Recognition*, which states that revenue is realized or realizable and earned when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the price to the buyer is fixed or determinable, and (4) collectability is reasonably assured.

Revenue is generally recognized upon transfer of title and risk of loss, which for us is upon shipment of parts.

Allowance for Doubtful Accounts

We carry our accounts receivable at their face amount less an allowance for doubtful accounts. On a periodic basis, we evaluate our accounts receivable and establish an allowance for doubtful accounts based on a combination of specific customer circumstances and credit conditions taking into account the history of write-offs and collections. A receivable is considered past due if payment has not been received within the period agreed upon in the invoice. Accounts receivable are written off after all collection efforts have been exhausted. To date, we have not incurred any write-offs of accounts receivable significantly different than the amounts reserved. We believe appropriate reserves have been established, but they may not be indicative of future write-offs. Our allowance for doubtful accounts as of December 31, 2009 and 2010 and March 31, 2011 was $0.2 million, $0.2 million and $0.1 million, respectively.

Inventory Valuation and Inventory Reserves

Inventory consists primarily of raw materials, which are recorded at the lower of cost or market, using the average-cost method, which approximates first-in, first-out, or FIFO, cost. We periodically review our inventory for slow-moving, damaged and discontinued items and provide reserves to reduce such items identified to their recoverable amounts. Our inventory allowance for obsolescence is not material as of December 31, 2009 or 2010 or March 31, 2011.

Stock-Based Compensation

We determine our stock-based compensation in accordance with ASC 718, *Compensation—Stock Compensation,* or ASC 718, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and non-employee directors based on the grant date fair value of the award.

Determining the appropriate fair value model and calculating the fair value of stock option grants requires the input of highly subjective assumptions. We use the Black-Scholes option pricing model to value our stock option awards. Stock-based compensation expense is significant to our consolidated financial statements and is calculated using our best estimates, which involve inherent uncertainties and the application of management's judgment. Significant estimates include our expected term, stock price volatility and forfeiture rates.

The Black-Scholes option pricing model requires inputs such as the risk-free interest rate, expected term, expected volatility and expected dividend yield. We base the risk-free interest rate that we use in the Black-Scholes option pricing model on zero coupon U.S. Treasury instruments with maturities similar to the expected term of the award being valued. The expected term represents the weighted average period that our stock options are expected to be outstanding. The expected term is based on the observed and expected time to post-vesting exercise of options by employees and non-employee directors and considers the impact of post-vesting award forfeitures. As we have been operating as a private company since inception with a limited market for our stock, we have based our assumptions on the volatility of stock price using outside valuation services and an estimate of the volatility of our common stock based on volatility of a peer group of comparable publicly traded companies for which historical information is available. We have never paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero in the option pricing model. In order to properly attribute compensation expense, we are required to estimate pre-vesting forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. If our actual forfeiture rate is materially different from our estimate, stock-based compensation expense could be significantly different from what has been recorded.

The fair value of each new employee/director option awarded was estimated on the date of grant for the periods below using the Black-Scholes option pricing model with the following assumptions:

	Year Ended December 31,		
	2008	2009	2010
Risk-free interest rate	3.60% - 4.10%	3.05 - 3.44%	3.35%
Expected term (years)	5	5 - 10	10
Expected volatility	25.92 - 43.24%	39.00 - 48.22%	38.05%
Expected dividend yield	0.00%	0.00%	0.00%
Weighted average grant date fair value	$26.40	$44.26	$59.71

If in the future we determine that another method for calculating the fair value of our stock options is more reasonable, or if another method for calculating the above input assumptions is prescribed by authoritative guidance, the fair value calculated for our employee stock options could change significantly.

There are significant differences among option valuation models, and this may result in a lack of comparability with other companies that use different models, methods and assumptions. If factors change and we employ different assumptions in the application of ASC 718 in future periods, or if we decide to use a different valuation model, such as a lattice model, the stock-based compensation expense that we record in the future under ASC 718 may differ significantly from what we have recorded using the Black-Scholes option pricing model and could materially affect our operating results.

We allocate stock-based compensation expense on a straight-line basis over the requisite service period. We recorded stock-based compensation expense of $0.1 million, $0.2 million, $0.3 million, $0.1 million and $0.2 million during 2008, 2009 and 2010, and the three months ended March 31, 2010 and March 31, 2011, respectively. As of March 31, 2011, we had $3.1 million of unrecognized stock-based compensation costs, net of estimated forfeitures, that is expected to be recognized over a weighted average period of 4.5 years. We issued no stock options in the three months ended March 31, 2010 and 2011.

In future periods, our stock-based compensation expense is expected to increase due to the issuance additional stock-based awards to continue to attract and retain employees and non-employee directors and our existing unrecognized stock-based compensation.

Pre-IPO Common Stock Valuation

Historically, we have granted stock options with exercise prices equal to the fair value of our common stock as determined at the date of grant by our board of directors. The fair value of our common stock is used to determine the expense recognition of equity-based payments made to employees. Because we are a privately held company with no public market for our common stock, our board of directors has considered numerous objective and subjective factors in determining the value of common stock in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. These objective and subjective factors include:

- recent valuation analysis furnished by either an independent third-party valuation specialist or a professional investor in our company;
- our stage of development;
- actual and forecasted operating and financial performance;
- our capital resources or financial condition;
- trends and risks in our industry;
- U.S. and global capital market conditions;
- arm's length, third-party sales of our common and preferred stock;
- the preferences of our preferred stock relative to those of common stock;
- the lack of a public market for our common stock; and
- the prospects for increased liquidity in our common stock through an initial public offering, sale of our company or otherwise.

Valuations that we have performed require significant use of estimates and assumptions. If different estimates and assumptions had been used, our common stock valuations could be significantly different and related stock-based compensation expense may be materially impacted.

The following table summarizes, by grant date, the number of shares underlying stock options granted since January 1, 2008 and the per share exercise price and grant date fair value of our common stock for each of these grants. The per share exercise price equaled the per share grant date fair value of our common stock, as determined by our board of directors, for each of these grants.

Grant Date	Number of Shares	Exercise Price Per Share	Grant Date Fair Value Per Share
March 11, 2008	5,500	$ 63.60	$ 63.60
May 12, 2008	2,500	69.93	69.93
June 3, 2008	2,000	69.93	69.93
June 11, 2008	500	69.93	69.93
September 25, 2008	2,500	121.00	121.00
April 28, 2009	16,000	77.85	77.85
October 28, 2009	500	77.85	77.85
December 21, 2010	47,000	110.00	110.00
June 22, 2011	16,000	281.00	281.00

March 11, 2008 Grants. In February 2008, our board of directors performed a valuation of our common stock as of December 31, 2007. The valuation analysis was based on the market approach methodologies utilized by a professional investor in our common stock when it had purchased stock both from our company and other shareholders in 2005, 2006 and 2007. Our board used these methodologies, updated with current company data. Using these methodologies, our board determined the fair value of our common stock based on a multiple of

our average trailing twelve months EBITDA with certain adjustments for cash, debt and outstanding stock options and warrants. Our board utilized the same multiple that had been utilized by the professional investor referred to above in determining the price at which it would be willing to purchase shares in 2007. Our board concluded that it was appropriate to rely on the valuation analysis as of December 31, 2007 for purposes of the March 11, 2008 option grants in large part based on its determination that there were no significant changes to our business, including our recent and forecasted financial results, between December 31, 2007 and the date of these grants.

May 12, 2008, June 3, 2008 and June 11, 2008 Grants. In April 2008, the board of directors performed a valuation of our common stock as of March 31, 2008. The valuation analysis was based on the market approach methodologies utilized by a professional investor in our common stock when it had purchased stock both from our company and other shareholders in 2005, 2006 and 2007 and by us in connection with our March 11, 2008 grants, as described above. Our board of directors used these methodologies, updated with current company data. Our board concluded that it was appropriate to rely on the valuation analysis as of March 31, 2008 for purposes of the May 12, 2008, June 3, 2008 and June 11, 2008 option grants in large part based on its determination that there were no significant changes to our business, including our recent and forecasted financial results, between March 31, 2008 and the respective dates of these grants.

September 25, 2008 Grant. On August 1, 2008, we sold 427,985 shares of our Series A preferred stock at $122.06 per share in an arms-length transaction with North Bridge. On September 25, 2008, our board determined the then fair value of our common stock to be $121.00 per share and granted an option for 2,500 shares with an exercise price of $121.00 per share to a single individual based on that determination. Some of the key factors the board considered in this fair value determination were:

- The recent arms-length sale of preferred stock, in particular given the limited preferences of the preferred in relation to our common stock and the fact that each of those preferred shares is convertible into one share of our common stock. Since this is the only preferred stock financing in which we have engaged since our inception, this option grant represents the only instance where we have ever based a fair value determination in part on an arms-length preferred stock sale.
- Though the U.S. economy as well as the capital and debt markets were in the early stages of the recession, the situation was uncertain and hope remained for a relatively quick recovery.
- Our financial results for the month of September 2008 were strong and significantly better than our corresponding financial results for September 2007, had improved over the results from the prior month and at that time appeared to be continuing to remain strong heading into October 2008.

April 28, 2009 and October 28, 2009 Grants. In April 2009, our board of directors obtained a valuation analysis as of December 31, 2008 from an independent third-party valuation specialist, which it utilized in part in connection with its fair value determination for the April 28, 2009 grants. In determining the fair value of our common stock for these grants, our board used the market approach and income approach valuation methods that were also used by the third-party valuation specialist. Market approaches are a general way of determining a value indication of a business ownership interest or security by using one or more methods that compare the subject to similar businesses, business ownership interests, or securities that are publicly traded or have been sold. In the market approach, estimates of market value are developed by comparing our company to selected publicly traded companies or acquired companies that possess similar business risks and returns. On the basis of the comparative analysis, valuation multiples derived from the guideline companies are applied to financial data of our company to develop an indication of the enterprise value.

In the income approach, our board utilized the discounted cash flow method to determine an indication of value. In the discounted cash flow method, several years of future cash flows are estimated. These cash flows are then discounted to a present value using a discount rate that our board believed to be appropriate to compensate for the risk of attaining the projected cash flows. The discounted cash flow method is a multi-period income approach because it considers multiple years of income and cash flow. This valuation method is highly sensitive to projected future performance as well as selected terminal multiples and discount rates. A weighted average cost of capital of 22.6% was used in our board's analysis. Our board believed the discounted cash flow method provided the most relevant indication of our company's enterprise value given our projected growth. Our board concluded that it was

appropriate to rely on the valuation as of December 31, 2008 for purposes of the April 28, 2009 grants, in large part based on its determination that there were no significant changes in our business, including our recent and forecasted financial results, between December 31, 2008 and the date of these grants, as well as for the additional reasons described below.

For the October 28, 2009 grant, our board relied in part upon the same valuations and assumptions described above in connection with the April 28, 2009 grants. Our board concluded that it was appropriate to rely on the valuation as of December 31, 2008 for purposes of the October 28, 2009 grant, in large part on its determination that there were no significant changes to our business, including our recent and forecasted financial results, between December 31, 2008 and the date of these grants, as well as for the additional reasons described below.

In addition, from December 31, 2008 through April 28, 2009 and October 28, 2009, the U.S. economy and markets were in significant turmoil. Access to the capital and debt markets was very challenging, with initial public offerings being nearly non-existent in the United States during this period. We believe much of the hope for a relatively quick recovery that existed at the time of our September 2008 grants had dissipated as we faced the reality of ongoing recession and economic crisis. And unlike our financial performance at the time of our September 2008 grants, our financial performance during this period was also significantly down. And given the fact that our business is based on new product development and companies committing capital to related research and development activities, and these types of expenditures are often curtailed during times of economic uncertainty and crisis, the uncertainty surrounding our business and future prospects was particularly acute during this period. These considerations also impacted our fair valuation determinations as of December 31, 2008, April 28, 2009 and October 28, 2009, particularly as a growth company whose valuation is largely dependent on financial performance and future prospects.

December 21, 2010 Grants. In December 2010, our board of directors obtained a valuation analysis as of September 30, 2010 from an independent third-party valuation specialist, which it utilized in part in connection with its fair value determination for the December 21, 2010 grants. In determining the fair value of our common stock for these grants, our board used the market approach and income approach valuation methods described above, except a weighted average cost of capital of 23.0% was used for the discounted cash flow analysis.

Our board concluded that it was appropriate to rely on the valuation analysis as of September 30, 2010, for purposes of the December 21, 2010 option grants in large part based on its determination that there were no significant changes to our business, including our forecasted financial results, between September 30, 2010 and the date of these grants, as well as for the reasons described below.

In addition, from September 30, 2010 through December 21, 2010, though the U.S. economy and markets continued to face challenges, they had improved since our 2009 grants. This corresponded with improvement in our financial performance as compared to 2009. However, at this time, we still faced economic and market uncertainty, and therefore were not engaged in the initial public offering process. These considerations also impacted our fair valuation determinations as of September 30, 2010 and December 21, 2010.

June 22, 2011 Grants. In May 2011, our board of directors obtained a valuation analysis as of April 30, 2011 from an independent third–party valuation specialist, which it utilized in part in connection with its fair value determination for the June 22, 2011 grants. In determining the fair value of our common stock for these grants, our board used the valuation methods from the market approach and income approach described above, except a weighted average cost of capital of 25.0% was used in our discounted cash flow analysis. Our board used a weighted average of the discounted cash flow method and the guideline public company method to provide the most relevant indication of our enterprise value given our projected growth. The option pricing method was used to allocate the enterprise value between the different classes of securities. Due to our decision to pursue an initial public offering, or IPO, we also completed an IPO probability-weighted expected return method to value the common equity. The results of these two methods were combined in a weighted average, giving 60% weight to the IPO probability weighted expected return method and 40% weight to the option pricing method based on the discounted cash flow and guideline public company method.

Our board concluded that it was appropriate to rely on the valuation analysis as of April 30, 2011 for purposes of the June 22, 2011 option grants because there were no significant changes to the business, including our forecasted financial results, between April 30, 2011 and the date of these grants, as well as for the reasons described below.

In addition, from April 30, 2011 through June 22, 2011, the U.S. economy and markets had improved significantly since 2010. Access to the capital and debt markets was promising during this period compared to 2010, especially for technology based companies engaging in initial public offerings. Comparable company performance was positive. We also had much greater confidence in new product development and related research and development spending than we did in 2010. This all corresponded with record financial performance by us during this period and a significant upward revision to our financial forecast. And on June 6, 2011, as contemplated on April 30, 2011, given the positive developments described above, we officially launched our initial public offering activities with an organizational meeting. These considerations also impacted our fair valuation determinations as of April 30, 2011 and June 22, 2011, particularly as a growth company whose valuation is largely dependent on financial performance and future prospects and that was contemplating engaging in an initial public offering during this period.

Income Taxes

We account for income taxes in accordance with ASC Topic 740, *Income Taxes*, or ASC 740. Under this method, the Company determines tax assets and liabilities based upon the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. The tax consequences of most events recognized in the current year's financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities and equity, revenues, expenses, gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax basis of assets or liabilities and their reported amounts in the financial statements. Because we assume that the reported amounts of assets and liabilities will be recovered and settled, respectively, a difference between the tax basis of an asset or liability and its reported amount in the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of the assets are recovered, giving rise to a deferred tax asset or liability.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements. Additionally, ASC 740 provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have established a liability for uncertain tax positions of $0.4 million as of December 31, 2010.

Quantitative and Qualitative Disclosure of Market Risks

Our exposure to market risk is confined to our cash and cash equivalent balances and short-term investments. The primary goals of our investment policy are preservation of capital, fulfillment of liquidity needs and fidiciary control of cash and cash equivalent balances. We also seek to maximize income from our investments without assuming significant risk. To achieve our goals, we maintain a portfolio of short-term and highly liquid time deposits. The time deposits in our portfolio, due to their very short-term nature, are subject to minimal interest rate risk. In future periods, we will continue to evaluate our investment policy in order to continue our overall goals.

Foreign Currency Risk

As a result of our foreign operations, we have revenue and expenses, assets and liabilities that are denominated in foreign currencies. A number of our employees are located in Europe and Japan. Therefore, a portion of our payrolls and operating expenses are paid and incurred in the British Pound, Euro and Yen. Our operating results and cash flows are adversely impacted when the U.S. dollar depreciates relative to other foreign currencies. As we expand internationally, our results of operations and cash flows will become increasingly subject to changes in foreign exchange rates. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

Recent Accounting Pronouncements

In January 2010, FASB issued Accounting Standards Update, or ASU, 2010-06, *Improving Disclosure about Fair Value Measurements,* or ASU 2010-06. ASU 2010-06 revises two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. The amendments also clarify that disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010.

In August 2010, FASB issued a proposed accounting standard update on the proper accounting for leases, ASC 840, *Leases*, or ASC 840. The proposed requirements would supersede the current guidance in ASC 840 that classifies leases into two categories: capital leases and operating leases. Lessees would be most affected if they have a significant portfolio of assets held under operating leases, especially those with leases of property. At present, we account for operating lease payments by recognizing them in the period in which they occur. The proposals would require lessees to recognize the assets and liabilities arising from those leases.

Although the proposed changes may be less fundamental for leases currently classified as capital leases, they would result in significant changes in the measurement of the assets and liabilities arising from those leases because of the way this exposure draft proposes to account for options and contingent rentals. In addition, the pattern of income and expense recognition in the income statement would change significantly. The proposed standard is still in the comment period, and we are not able to ascertain the likely impact on our financial statements at this time.

In May 2011, FASB issued ASU 2011-04*, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.* This accounting update generally aligns the principles for fair value measurements and the related disclosure requirements under U.S. GAAP and International Financial Reporting Standards. From a U.S. GAAP perspective, the amendments are largely clarifications, but some could have a significant effect on certain companies. A number of new disclosures also are required. Except for certain disclosures, the guidance applies to public and nonpublic companies and is to be applied prospectively. For public companies and nonpublic companies, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early adoption by public companies is not permitted. Nonpublic companies may apply the amendments early, but no earlier than for interim periods beginning after December 15, 2011.

Business

Our Company

We are a leading online and technology-enabled quick-turn manufacturer of custom parts for prototyping and short-run production. We provide “Real Parts, Really Fast” to product developers worldwide, who are under increasing pressure to bring their finished products to market faster than their competition. We utilize computer numerical control, or CNC, machining and injection molding to manufacture custom parts for our customers. Our proprietary technology eliminates most of the time-consuming and expensive skilled labor conventionally required to quote and manufacture parts in low volumes. Our customers conduct nearly all of their business with us over the Internet. We target our services to the millions of product developers who use three-dimensional computer-aided design, or 3D CAD, software to design products across a diverse range of end-markets. We have established our operations in the United States, Europe and Japan, three of the largest geographic markets where these product developers are located. We believe our use of advanced technology enables us to offer significant advantages at competitive prices to many product developers and is the primary reason we have become a leading supplier of low-volume custom parts.

We believe low-volume manufacturing has historically been an underserved market due to the inefficiencies inherent in the quotation, equipment set-up and non-recurring engineering processes required to produce custom parts. Our customers typically order low volumes of custom parts because they need a prototype to confirm the form, fit and function of one or more components of a product under development, or because they need an initial supply of parts to support pilot production while their high-volume production mold is being prepared, or because their product will only be released in a limited quantity. In each of these instances, we believe our solution provides product developers with an exceptional combination of speed, competitive pricing, ease of use and reliability that they typically cannot find among conventional custom parts manufacturers. Our technology enables us to ship parts in as little as one business day after receipt of a customer’s design submission.

Our proprietary technology enables us to automate and integrate the majority of activities involved in procuring custom low-volume parts, starting with our elegant web interface through which a product developer submits a 3D CAD part design. We have developed complex algorithms to quickly analyze the geometry of the design to analyze its manufacturability. In many cases, our software provides suggested design modifications to enhance manufacturability, presented to the product developer in a color-coded 3D representation of the part. Our automated pricing algorithm generates a firm price that is incorporated into a highly interactive web-based quotation, which allows the product developer to change a variety of parameters and instantly receive an updated price. Once the order is entered online, our manufacturing software calculates the required instructions for a CNC machine to make the part or related mold. Our system is highly scalable and capable of processing a large number of design submissions. As a result of the factors described above, we have significantly reduced many of the inefficiencies involved in serving the low-volume manufacturing market, while scaling our business to generate quotations on over 50,000 design submissions in the second quarter of 2011. And, as a further result, many of our customers tend to return to Proto Labs to meet their ongoing needs, with approximately 67%, 77% and 76% of our revenue in 2008, 2009 and 2010, respectively, derived from existing customers who had placed orders with us in prior years.

Our manufacturing services currently include CNC machining and plastic injection molding. We continually seek to expand the range of size and geometric complexity of the parts we can make with these processes, to extend the variety of materials we are able to support and to identify additional manufacturing processes to which we can apply our technology in order to better serve the evolving preferences and needs of product developers. We also plan to grow our business by further penetrating the universe of product developers at the customer companies we have already served, attracting new customer companies in the geographic markets in which we already have an established presence, and selectively entering new geographic markets.

We have experienced significant growth since our inception in 1999. We have grown our total revenue from $25.8 million in 2006 to $64.9 million in 2010 and $22.3 million in the three months ended March 31, 2011. We have grown our income from operations from $7.4 million in 2006 to $15.9 million in 2010 and $7.1 million in the three months ended March 31, 2011.

Industry Overview

Our Industry

We serve product developers worldwide who bring new ideas to market in the form of products containing one or more custom mechanical parts. Many of these product developers use 3D CAD software to create digital models representing their custom part designs that are then used to create physical parts for prototyping, functional testing, market evaluation or eventual production.

Custom prototype parts play a critical role in the product development process, as they provide product developers with the ability to confirm their intended performance requirements and explore design alternatives. Early in the product development process, product developers often leverage their use of 3D CAD to obtain prototype parts from a manufacturer using one of the “additive rapid prototyping” processes such as stereolithography, selective laser sintering, fused deposition modeling or 3D printing. While these processes can quickly produce an approximate physical representation of a part, these representations often do not meet product developers’ requirements for dimensional accuracy, cosmetics and material properties.

As an alternative or supplement to additive rapid prototyping, CNC machining can be used to produce low volumes of high-quality custom parts in either metal or plastic. CNC machining is a process by which a block of the required material is cut to a specified shape by a machine under computer commands, which are referred to as tool paths. For follow-on functional testing, market evaluation and production runs, plastic parts are typically manufactured using injection molding. Injection molding is a process of injecting molten plastic into a pre-made mold to form a part with the shape of the mold cavity. Both CNC machining and injection molding yield a part with the look, feel and performance of the finished product.

Our Market Opportunity

We know of no published third-party estimates of our specific addressable markets. Our Protomold injection molding service addresses a subset of the plastic injection molding market, which Plastics Custom Research, a market research firm, estimates was $50.3 billion in North America in 2010. Our Firstcut CNC machining service addresses a subset of the machine shop services segment, which IBISWorld, a market research firm, estimates was $34.9 billion in the United States in 2010.

Another way to gauge our market opportunity is by the number of product developers who use 3D CAD software. According to Jon Peddie Research, a market research firm, in December 2009 there were approximately 13 million users of CAD software worldwide, of which approximately 41%, or 5.3 million, were users of 3D CAD software. We believe a substantial portion of these 3D CAD users were product developers working in industries we serve, although we do not serve every application within these industries. From the inception of our company in 1999 through June 30, 2011, we have filled orders for approximately 17,000 product developers.

Trends Affecting the Product Development Process

There are several important trends impacting product developers worldwide.

Increasing E-Commerce Expectations

The Internet is a tool that is deeply integrated into the everyday activities of product developers, many of whom have come to expect a comprehensive set of integrated web-based capabilities and 24 hours a day, seven days a week access from their vendors. As product developers increasingly work with partners and vendors across various geographies and time zones, the Internet allows them to work collaboratively and immediately access information at anytime and from anywhere in the world.

Accelerating Time to Market

Product developers are facing increased pressure from global competitors to be first to market with their finished products. In addition, rapid advances in technology and consumer demand for the latest products are driving shorter product life cycles in many industries. This makes it ever more critical to obtain prototype parts quickly and identify problems in a product design early to minimize delays.

Increasing Adoption of 3D CAD Software

For product developers involved in mechanical part design, 3D CAD has inherent advantages over 2D CAD because it provides a complete description of the part's geometric design. As a result, many of these product developers continue to migrate from using 2D CAD to using 3D CAD for their design needs. According to Jon Peddie Research, the number of CAD users increased from approximately 11.5 million as of December 2007 to almost 13 million by the end of 2009, with 3D CAD users growing from 30% to 41% of active CAD software users during the same time period.

Challenges Confronting Product Developers

The trends affecting our industry create a variety of challenges for product developers.

Inadequate Turnaround Time

We believe most conventional custom parts manufacturers do not have the automated capability to analyze a design and then quote, manufacture and ship custom parts fast enough to satisfy the time-to-market needs of many product developers. Quotation and order placement from these custom parts manufacturers can take anywhere from a few days to weeks, and frequently require face-to-face interaction. In addition, once an order is placed, conventional custom parts manufacturers typically require a significant amount of manual engineering before manufacturing can begin.

Difficulty in Sourcing Low-Volume Custom Parts

We believe many custom parts manufacturers prefer the higher asset utilization inherent in high-volume production and therefore may decline or assign a lower priority to low-volume orders. In addition, those custom parts manufacturers that do take low-volume orders often lack the scale to produce significant numbers of different parts at the same time. This is particularly problematic for product developers with products requiring multiple custom parts, as these developers consequently may need to disperse and coordinate orders among several manufacturers.

Most Custom Parts Manufacturers Lack an Interactive Web-Based Interface

We believe most custom parts manufacturers lack the technology to offer an interactive web-based interface and quoting system, which can result in significant inconveniences for product developers. Business can typically be transacted only during the business day, frequently requires face-to-face interactions and is generally conducted without the web-centric convenience that product developers have come to expect in other aspects of their professional and personal lives.

High Cost

Many product developers find low-volume custom parts manufacturing to be expensive due to the manufacturer's significant up-front non-recurring engineering costs and the additional costs incurred to support high-volume production, both of which must be absorbed over a small quantity of parts. Therefore, we believe most custom parts manufacturers are not well equipped to fulfill significant numbers of low-volume orders at competitive prices.

Our Solution

We have developed proprietary software and advanced manufacturing processes that automate much of the skilled labor conventionally required in quoting, production engineering and manufacturing custom parts. We believe our interactive web-based interface and highly automated processes address the desires of many product developers for a fast, efficient and cost-effective means of obtaining low-volume custom parts. We also believe the use of our advanced technology to bring speed and efficiency at competitive prices to product developers is the primary reason we have become a leading supplier of low-volume custom CNC-machined and injection molded parts.

Key elements of our solution include:

Sophisticated Technology that Reduces Turnaround Time

Our web-based interface and proprietary software automate many of the manual and time-consuming processes typically required to obtain custom CNC machined or injection molded parts from conventional suppliers. Our platform automates many aspects of the entire process from design submission through manufacturability analysis and feedback, quotation, order submission, mold design, tool path generation and mold or part manufacture. Our prospective customers upload a 3D CAD file of their required part through our website, and often within minutes our software analyzes the manufacturability of the product and, if we are able to make the part, returns a firm price quotation with any recommendations for design modifications. Our quoting system is highly interactive, enabling our prospective customers to change the material, finish, quantity or shipping schedule of orders, and to instantly receive an updated quotation. Once an order is received, our software automates much of the mold design, tool path generation and mold or part manufacture that normally require skilled labor. As a result, in many cases we are able to quote orders in minutes and ship parts in as little as one business day.

Enhanced Customer Experience

Our web-based customer interface provides a straightforward means of submitting 3D CAD part designs. Our proprietary manufacturability analysis then quickly analyzes whether a part design falls within our manufacturing capabilities. In many cases, our software provides suggested design modifications to enhance manufacturability, presented to the product developer in an interactive quotation containing a color-coded 3D representation of the part. This allows product developers to quickly determine the manufacturability of their parts, what they will cost and when they can be shipped. Our interactive quotations provide instant visibility into the impact of changing an order's various parameters such as material, finish, quantity or shipping schedule. As a result, we provide product developers with an easy-to-use and consistent means of obtaining custom parts.

Attractive Low-Volume Pricing

Based on internal market research, we believe we generally have competitive pricing on low-volume orders. We believe this is a direct result of our technology and the efficiency of our operations, both of which were designed specifically for low-volume production. By automating and integrating many of the manual processes conventionally involved in quoting and manufacturing low-volume custom CNC machined and injection molded parts, we have significantly reduced or eliminated most of the non-recurring engineering labor costs associated with these processes. These costs are typically a significant portion of the total costs in the low-volume custom parts manufacturing environment, and as a result, we can typically offer product developers competitive prices on low-volume custom manufactured parts.

Scale to Process Large Numbers of Unique Part Designs

Our proprietary, highly scalable quoting technology addresses the manual processes conventionally involved in submitting a design, analyzing its manufacturability, making design revision recommendations and generating price quotations. This enables us to quickly analyze high volumes of 3D CAD part design submissions and provide feedback to our prospective product developer customers. In the second quarter of 2011 alone, we generated quotations for over 50,000 design submissions. Our proprietary manufacturing automation technology is also highly scalable, enabling us to process large numbers of unique designs and efficiently manufacture the related parts to meet the needs of product developers.

Our Competitive Advantages

We believe our leadership position is based on a number of distinct competitive advantages:

Advanced Proprietary Technology

Our proprietary technology automates much of the skilled labor conventionally required to quote and manufacture low-volume custom parts, including the often time-consuming steps of design submission, manufacturability analysis and feedback, quotation, order submission, mold design, tool path generation, mold or part manufacture, and production management. This technology has been developed and continually expanded and refined over our 12

years of providing custom mold and part manufacturing services to our customers. We believe our proprietary technology gives us significant advantages over our competitors, who typically lack the expertise and resources to develop similar technology.

Turnaround Speed

We believe we are generally the fastest provider of low-volume custom CNC machined or injection molded parts. By automating many of the manual and time-consuming steps conventionally required to obtain low-volume custom parts, we have established a unique advantage over our competitors that lack similar capabilities. Our proprietary technology and advanced manufacturing processes allow product developers to submit designs at any time and enable us to ship parts to our customers in as little as one business day. Our competitors often require several days just to generate a price quotation and may take even more time if the order parameters are subsequently changed by the product developer.

Operations Designed for Low-Volume Manufacturing

Unlike conventional custom parts manufacturers, our operating model is specifically designed for efficient low-volume production. Our customer interactions occur primarily online, and our proprietary technology eliminates much of the skilled labor conventionally required for manufacturability analysis and feedback, quotation, order submission, mold design, tool path generation and mold or part manufacture. These functions typically account for a significant portion of the total costs in the low-volume custom parts manufacturing environment. Our automation enables us to quote many thousands of CNC machined or injection molded part designs per month, which we believe few of our competitors can match.

Marketing and Sales Strength

We have developed expertise in marketing to product developers, both within our existing customer companies and at companies we have not yet served. We attract customers by using a variety of marketing tactics, resulting in both lead generation and brand reinforcement. Through June 30, 2011, we have generated a database of over 150,000 product developers that represent current or potential future users of our services.

We have also built a professionally-led international sales organization focused on quickly following up on marketing leads and quotation requests, understanding our customers' internal initiatives, converting prospects into customers by conveying our value proposition, and finding additional leads within our existing customer companies. We believe that our marketing and sales organization is a key competitive advantage and that most of our competitors lack the expertise and resources to establish and maintain an organized, international program of similar scale.

Deep Industry Knowledge

We believe that the volume of new custom part designs we process and the size and diversity of our customer base give us unique insight into the needs of our prospective customers. This has allowed us to focus our development resources on areas that we believe represent significant opportunities for our business. Through June 30, 2011, we have received over 500,000 uploaded part designs, sent over 480,000 part quotations and shipped over 100,000 unique parts to approximately 17,000 product developers representing over 8,000 customer companies across a wide range of industries.

Our Growth Strategy

The principal elements of our growth strategy are to:

Increase Penetration of Existing Customer Companies

We plan to expand our customer base to include more product developers within the companies that have already used our services. Individual product developers typically make or influence the choice of vendor when sourcing low-volume custom parts. We believe a significant opportunity exists for us to leverage highly satisfied product developers to encourage others within the same organization to utilize our services. We have historically generated a significant number of new customers through word-of-mouth referrals from other product developers, and we plan to combine these referrals with the efforts of our marketing and sales force to identify and market our services to the colleagues of our existing customers.

Acquire New Customer Companies in Existing Geographic Markets

We plan to use our marketing and sales capabilities to continue to pursue product developers within companies who have not yet used our services. Our presence in geographic regions that have high populations of 3D CAD users provides us with a broad universe of potential new customer companies on which to focus our marketing and sales efforts.

Expand the Range of Parts We Offer

We regularly analyze the universe of customer design submissions that we are currently unable to manufacture and focus a significant portion of our research and development efforts on expanding the range of parts that we can produce. Since we first introduced our Protomold injection molding service in 1999, we have steadily expanded the size and geometric complexity of the injection molded parts we are able to manufacture, and we continue to extend the diversity of materials we are able to support. Similarly, since first introducing our Firstcut CNC machining service in 2007, we have expanded the range of part sizes, design geometries and materials we can support. As we expand the range of our existing process capabilities, we believe we will meet the needs of a broader set of product developers and consequently convert a higher number of quotation requests into orders.

Introduce New Manufacturing Processes

We seek to identify additional manufacturing processes to which we can apply our technology and expertise to meet a greater range of product developers' needs. Introducing new manufacturing processes can both attract new customers and provide us with a significant opportunity to cross-sell with our existing services to our existing customer base. As an example of a new manufacturing process, our Firstcut service was first introduced in the United States in 2007 and has grown to represent 25% of our U.S. revenue in the quarter ended March 31, 2011. We regularly evaluate new manufacturing processes to offer product developers and introduce them when we are confident that a sufficient market need exists and that we can offer the same advantages our customers have come to expect from us.

Expand into New Geographic Markets

We plan to identify and expand into select additional geographic markets we view as attractive. We currently operate in the United States, Europe and Japan where we believe a substantial portion of the world's product developers are located. We entered the European market in 2005, and in the quarter ended March 31, 2011, this region had grown to represent approximately 17% of our revenue for that period. We launched operations in Japan in late 2009 and, while still in the development stage, have achieved enough growth there to prompt a search for a larger facility. We believe opportunities exist to serve the needs of product developers in select new geographic regions.

Capitalize on Increasing Customer Expectations for 24/7 Access to Comprehensive, User-Friendly E-Commerce Capabilities

We plan to further enhance the functionality and ease of use of our platform and expand the capabilities of our technology in order to further increase automation and meet the evolving needs of product developers worldwide. We believe product developers have come to expect advanced web-based tools and a fully integrated Internet platform from their vendors. We will continue to use the Internet to provide product developers with a standardized interface through which they can upload their 3D CAD models and obtain firm, interactive quotations quickly and efficiently.

Our Services

Our Firstcut and Protomold services offer many product developers the ability to quickly and efficiently outsource their low-volume, quick-turn custom parts manufacturing.

Firstcut

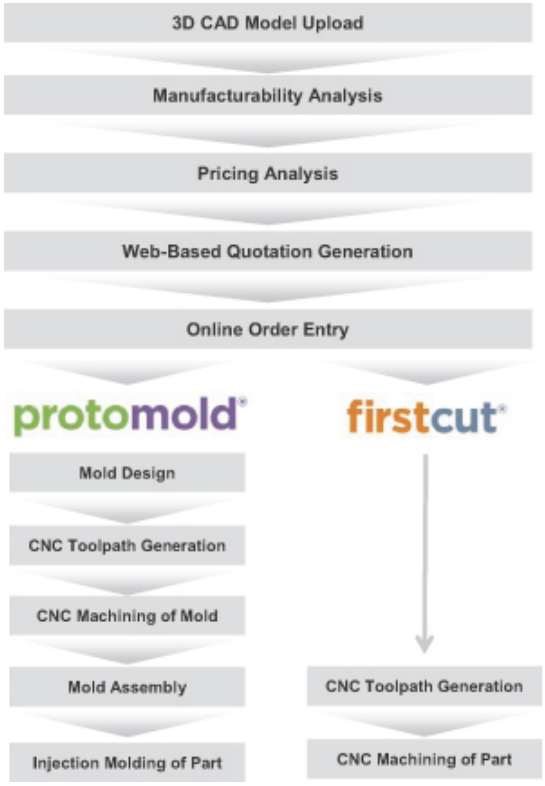
Our Firstcut service uses commercially-available CNC machines to cut blocks of material into one or more custom parts based on the 3D CAD model uploaded by the product developer. Our efficiencies derive from the automation of the programming of these machines and a proprietary fixturing process. The Firstcut service is well suited to produce small quantities, typically in the range of one to ten parts.

Protomold

Our Protomold service uses our 3D CAD-to-CNC machining technology for the automated design and manufacture of aluminum injection molds, which are then used to produce custom injection-molded plastic parts on commercially-available equipment. Our Protomold service is used for both prototype and short-run production. Prototype quantities typically range from 25 to 100 parts. Because we retain possession of the molds, customers who need short-run production often come back to Protomold for additional quantities typically ranging up to 10,000 parts. They do so either to support pilot production while their tooling for high-volume production is being prepared or because their product will only be released in a limited quantity. These additional part orders typically occur on approximately 50% of the molds that we make, typically accounting for approximately half of our total Protomold revenue.

The process for both Firstcut and Protomold begins when the product developer uploads one or more 3D CAD models representing the desired part geometry. Our proprietary software uses complex algorithms to analyze the 3D CAD geometry, analyze its manufacturability and support the creation of an interactive, web-based quotation containing pricing and manufacturability information. A link to the quotation is then e-mailed to the product developer, who can access the quotation, change a variety of order parameters and instantly see the effect on price before finalizing the order. For Firstcut, the tool paths are then reviewed and routed to our high-speed CNC machining centers for execution. In the case of Protomold, our proprietary software supports the creation of the mold design and the tool paths required to manufacture the mold components, which are then routed to our CNC machining centers for execution. Once the mold is assembled, it is placed in one of our injection molding presses to create the required parts. For both our Firstcut and Protomold services, we ship parts in as little as one business day from design submission.

The following diagram summarizes the technology-enabled processes described above:



Our Technology

Our technology eliminates much of the skilled labor conventionally associated with quoting and preparing a new part design for manufacture. Our proprietary software largely automates the areas of manufacturability analysis and feedback, price quotation, order submission, mold design, tool path generation, mold or part manufacture and production management. The more computationally intensive aspects of this software utilize a proprietary parallel processing software environment running on our in-house compute cluster servers.

Manufacturability Analysis

Our proprietary software analyzes the 3D CAD models submitted by our customers to determine the extent to which they are suitable for our standardized manufacturing processes. In the case of CNC machining, this manufacturability analysis identifies features that may be too fragile to be machined and areas that cannot be machined at all. For injection molding, problematic features such as undercuts, thin areas, thick areas and areas requiring geometry adjustments to allow the part to be ejected from the mold are identified. Many of our customers find this analysis particularly helpful, as it diagnoses and prevents potential problems prior to manufacturing. We can also provide a flow analysis to identify parts that may be so thin and large that plastic will solidify before the mold can be completely filled. Our manufacturability analysis plays a major role in our automated pricing algorithms.

Web-Based Quotation

We have branded our Firstcut and Protomold automated quotation systems as FirstQuote and ProtoQuote. Both deliver an interactive graphical quotation to the customer in the form of a web page that includes a color-coded 3D representation of the part highlighting features relevant to manufacturability. In some cases, features are indicated that must be changed to be compatible with our process. We also highlight and recommend design improvements that might be made to improve the manufacturability of the part, or to indicate any possible deviations between the part as it was designed and how it will be manufactured. The web-based quotation allows the customer to change material, finish, quantity or shipping schedule of orders. Pricing indicated on the web-based quote instantly updates after each of these changes.

Mold Design

Our software technology and mold manufacturing system have co-evolved over more than 12 years of development, resulting in a standardized and efficient process for taking a customer’s 3D CAD model and creating the physical mold needed to make plastic parts. Our software enables our mold designers to quickly create the mold geometry specific to the customer’s part and automates the design of most other mold features, thus eliminating much of the skilled labor normally associated with mold design in a conventional environment.

Automated Tool Path Generation

In support of both our Firstcut and Protomold services, our proprietary software automates much of the skilled labor conventionally needed to generate the tool paths necessary to machine the required parts and mold components. Our software automation allows our users to do in minutes what can often require hours or days of labor for manufacturers using commercial computer-aided manufacturing, or CAM, software.

Parallel Processing

The mathematical algorithms required to analyze manufacturability and generate tool paths are computationally intensive. We have developed a proprietary parallel processing software environment to accelerate the processing of individual jobs and allow straightforward scalability to a large number of jobs. This software system typically runs on a cluster of industry-standard 64-bit computers connected to each other and to our internal users’ computers over an isolated gigabit Ethernet local area network. We currently have clusters in multiple manufacturing facilities, two in the United States and one each in the United Kingdom and Japan.

Monitoring and Control

We have developed a proprietary, intranet-based monitoring and control system that allows us to monitor key aspects of our entire worldwide operations in real time using an easy to understand management dashboard. This system provides us with the ability to quickly react to new information across our organization.

Marketing

Our international, integrated marketing effort generates leads for our sales teams and seeks to strengthen our reputation as a leader in the field of quick turn, low-volume custom manufacturing. Much of our marketing activities occur over the Internet. We use marketing automation software to enhance the productivity of our sales and marketing teams and to track results of all campaigns to enhance our marketing return on investment.

We maintain brand awareness with product developers through the regular distribution of technical information including design guidelines, engineering white papers and a quarterly journal targeted at product developers. We also send out product giveaways that highlight technical aspects of injection molding we feel would be of interest to product developers. We believe these educational materials are key aspects of our lead generation efforts. In our Cool Idea! marketing program, we plan to award up to a total of $100,000 of our services to entrepreneurs with “cool ideas.” In addition to supporting entrepreneurs and innovative product development, we believe this program can generate good will, press coverage and word-of-mouth brand awareness.

Sales and Customer Service

We maintain an internal sales team trained in the basics of part design and the capabilities of our manufacturing services, as well as the key advantages of our services over alternative methods of low-volume custom parts manufacturing. We organize our sales team into two complementary roles: business development and account management, the former focused on selling to new customer companies and the latter focused on expanding sales within existing customer companies. We believe our sales staff is adept at researching customer companies and networking to find additional product developers that may have a need for our services. We also have a team of customer service engineers who can support highly technical engineering discussions with product developers as required during the sales process.

Competition

The market for low-volume custom parts manufacturing is fragmented, highly competitive and subject to rapid and significant technological change. Our potential competitors include:

- *Captive in-house services*. Many larger companies undertaking product development have established CNC machining, injection molding or additive rapid prototyping capabilities internally to support the prototyping requirements of their product developers.
- *Other custom manufacturers.* There are thousands of machine shops and plastic injection molding suppliers worldwide. The size and scale of these businesses range from very small specialty shops to large, high-volume production manufacturers.
- *Alternative manufacturing vendors*. Various manufacturing processes, other than CNC machining and injection molding, are offered by other vendors. We generically refer to the most well known of these processes as “additive rapid prototyping,” which have been commercialized under labels such as stereolithography, selective laser sintering, fused deposition modeling and 3D printing.

We believe that the key competitive factors in our industry include:

- Speed: turnaround time for quotations and parts;
- Price: mold and piece part pricing;
- Quality: dimensional accuracy, surface finish, material properties, color and cleanliness;
- Capability: size and dimensional complexity of the part, materials supported and post-processing provided;
- Capacity: ability to support multiple part designs in parallel; and
- Service: overall customer experience, from web interface to post-sales support.

We believe that we have competitive strengths that position us favorably in our markets. However, our industry is evolving rapidly and other companies, including potentially larger and more established companies, may begin to

focus on low-volume custom parts manufacturing. These companies could more directly compete with us, along with our existing competitors, and both could also launch new products and services that we do not offer that may quickly gain market acceptance. Any of the foregoing could adversely affect our ability to attract customers.

Intellectual Property

We regard our patents, trademarks, service marks, trade dress, trade secrets, copyrights, domain names and other intellectual property as valuable to our business and rely on patent, trademark and copyright law, trade secret protection and confidentiality and/or license agreements with our employees, customers, vendors and others to protect our proprietary rights. We register our patents, trademarks and service marks in the United States and other jurisdictions, as we deem appropriate. As of June 30, 2011, we own and have applications pending for patents relating to various aspects of our quoting and manufacturing processes as follows:

Jurisdiction	Issued Patents	Applications Pending
United States	12	4
United Kingdom	—	2
Germany	—	2

Our patents have expiration dates ranging from 2022 to 2028, not taking into consideration potential term extensions. We also own approximately 10 registered U.S. trademarks or service marks as of June 30, 2011, with corresponding registered protection in Europe and Japan for the most important of these marks such as PROTO LABS, PROTOMOLD, FIRSTCUT, PROTOQUOTE, FIRSTQUOTE and PROTOFLOW. There can be no assurance that the steps we take to protect our proprietary rights will be adequate or that third parties will not infringe or misappropriate such rights. We have been subject to claims and expect to be subject to legal proceedings and claims from time to time in the ordinary course of our business. In particular, we may face claims from third parties that we have infringed their patents, trademarks or other intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Employees

As of June 30, 2011, we had 432 full-time employees. None of our employees is covered by a collective bargaining agreement. We consider our current relationship with our employees to be good. We also regularly use independent contractors and other temporary employees across the organization to augment our regular staff. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel.

Properties

United States

Our corporate headquarters are located in Maple Plain, Minnesota in a facility we own encompassing approximately 95,000 square feet of office and manufacturing space. We also own a nearby facility encompassing approximately 35,000 square feet of manufacturing space. We lease an additional facility on a property adjacent to our headquarters that encompasses approximately 40,000 square feet of manufacturing space. The lease for this facility expires in 2017, subject to our option to renew for up to two additional five-year terms. We expect our growth will require us to obtain additional manufacturing and office space in the United States in the next 12 months.

Europe

Our European operations are headquartered in Telford, United Kingdom in a leased facility encompassing approximately 135,000 square feet of office and manufacturing space. The lease for this facility expires in 2016. We also lease office space in Mosbach, Germany and Chambery, France for sales and customer service and technical support staff. We expect that the existing European production facilities will provide sufficient space for our European operations for the foreseeable future.

Japan

Our Japan operations are headquartered in Ebina, Japan (southwest of Tokyo) in a leased facility encompassing approximately 14,000 square feet of office and manufacturing space. The lease for this facility expires in 2012, subject to our option to renew for additional three-year terms. The lease has a cancellation clause with six months' prior notice without penalty. We expect our growth will require us to obtain additional office and manufacturing space in Japan in the near future, and we have begun to consider options in this regard.

Legal Proceedings

From time to time, we are subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this prospectus, we do not believe we are party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business.

Management

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of June 30, 2011:

Name	Age	Position
Lawrence J. Lukis	63	Chairman and Chief Technology Officer
Bradley A. Cleveland	51	President, Chief Executive Officer and Director
William M. Dietrick	55	Vice President of Marketing
John R. Judd	54	Chief Financial Officer
Donald G. Krantz	56	Chief Operating Officer
Mark R. Kubicek	53	Executive Vice President
William R. Langton	46	Executive Vice President of Finance
Thomas H. Pang	51	Managing Director of Proto Labs G.K.
Jacqueline D. Schneider	46	Vice President of Sales and Customer Service
John B. Tumelty	40	Managing Director of Proto Labs, Limited
Rainer Gawlick [(1)]	43	Director
John B. Goodman [(2)(3)]	51	Director
Douglas A. Kingsley [(1)]	49	Director
Margaret A. Loftus [(1)(3)]	66	Director
Brian K. Smith [(2)]	51	Director
Sven A. Wehrwein [(2)(3)]	60	Director

(1) Member of Compensation Committee
(2) Member of Audit Committee
(3) Member of Nominating and Governance Committee

Lawrence J. Lukis. Mr. Lukis founded our company in 1999 and has served as our Chairman and Chief Technology Officer since November 2001. In 1985, Mr. Lukis co-founded LaserMaster Corp. (later ColorSpan), an innovator in laser printing products for desktop publishers and large format color inject printers, and served as a director and Chief Technology Officer from 1985 to 1997. ColorSpan was acquired by MacDermid Inc. in 2000 and was subsequently resold to Hewlett-Packard in 2007.

Mr. Lukis's institutional knowledge and his operational and technical experience allow him to provide guidance and leadership in his role as our Chairman. We believe his in-depth understanding of our company's strategic plan, technology, global business, and history enable Mr. Lukis to serve as an effective Chairman of our board of directors.

Bradley A. Cleveland. Mr. Cleveland has served as our President and Chief Executive Officer since November 2001. Prior to November 2001, Mr. Cleveland co-founded and was Vice President of AeroMet Corporation, a laser additive manufacturing subsidiary of MTS Systems Corporation.

Mr. Cleveland has gained meaningful leadership experience and institutional knowledge in his 10 years at our company. As Chief Executive Officer, he is responsible for determining our strategy, articulating priorities and managing our continued growth. These capabilities make him uniquely qualified to serve on our board of directors.

William M. Dietrick. Mr. Dietrick has served as our Vice President of Marketing since May 2008 and as an interim President of our subsidiary in Japan from April 2010 to October 2010. From June 2005 to May 2008, Mr. Dietrick was a partner with Premise Immersive Marketing, a marketing consulting firm. From December 2005 to February 2008, Mr. Dietrick served as General Manager of Witt Vending Co., a vending and catering company. From 2002 to 2005, Mr. Dietrick was Vice President and General Manager of Landscape Structures, a commercial playground equipment manufacturer.

John R. Judd. Mr. Judd has served as our Chief Financial Officer since June 2011. From June 2006 to June 2011, Mr. Judd served as Chief Financial Officer of Compellent Technologies, Inc., a network-storage company. From

October 2003 to July 2006, Mr. Judd served as Chief Financial Officer of ATS Medical, Inc., a medical device manufacturer. From June 2000 to October 2003, Mr. Judd served as Controller of American Medical Systems Holdings, Inc., a medical device manufacturer. From 1997 to 1999, Mr. Judd served as Chief Financial Officer of the Autoglass Division of Apogee Enterprises, Inc., a glass technology company.

Donald G. Krantz. Dr. Krantz has served as our Chief Operating Officer since January 2007. From November 2005 to January 2007, Dr. Krantz served as our Vice President of Development. Prior to joining our company, Dr. Krantz served in various roles at MTS Systems, Inc., a builder of custom precision testing and advanced manufacturing systems, including as a business unit Vice President, Vice President of Engineering, and most recently, Chief Technology Officer. Dr. Krantz was an Engineering Fellow at Alliant Techsystems and Honeywell, Inc., and was named the 2005 Distinguished Alumnus of the Department of Computer Science and Engineering at the University of Minnesota.

Mark R. Kubicek. Mr. Kubicek has served as our Executive Vice President since January 2009. Mr. Kubicek served as our Executive Vice President of Operations from September 2008 to January 2009 and as our Vice President of Operations from November 1999 to September 2008. Mr. Kubicek is also the owner, director, President and Chief Executive Officer of Diversified Ventures, Ltd, an operations management consulting company.

William R. Langton. Mr. Langton has served as our Executive Vice President of Finance since June 2011. From September 2006 to June 2011, Mr. Langton served as our Chief Financial Officer. From October 1997 to September 2006, Mr. Langton held various positions at Colder Products Company, a quick coupling manufacturing subsidiary of Dover Company, most recently as Chief Financial Officer.

Thomas H. Pang. Dr. Pang has served as the Managing Director of Proto Labs G.K. (Japan) since November 2010. Dr. Pang leads our company's operations in Japan. From June 1999 to November 2010, Dr. Pang held various positions at 3D Systems, Inc., a 3D content-to-print solutions company, most recently as Managing Director and as General Manager and Vice President of Asia-Pacific Operations at 3D Systems Japan K.K. and 3D Systems, Inc., respectively.

Jacqueline D. Schneider. Ms. Schneider has served as our Vice President of Sales and Customer Service since February 2007. From November 2005 to February 2007, Ms. Schneider served as National Sales Director for Comm-Works, LLC, a global technology provider.

John B. Tumelty. Mr. Tumelty has served as the Managing Director of Proto Labs, Limited, our subsidiary in the United Kingdom, since its inception in July 2005. Mr. Tumelty leads our company's operations in Europe. From March 1997 to June 2005, Mr. Tumelty held various positions at Western Thomson Plastics Ltd, an automotive systems supplier, most recently as Managing Director.

Rainer Gawlick. Dr. Gawlick has served as a director of our company since September 2008 and serves as the chair of the compensation committee. Since August 2008, Dr. Gawlick has been the Chief Marketing Officer of Sophos Ltd, a computer security company providing endpoint, network and data protection software. From April 2005 to August 2008, Dr. Gawlick served as Vice President of Worldwide Marketing and Strategy at SolidWorks Corp., a CAD software company. He also has held a variety of executive positions in other technology businesses and was a consultant with McKinsey & Company.

Dr. Gawlick has extensive marketing and product-management experience in the technology industry. Dr. Gawlick offers expertise in building brand awareness, managing marketing on a global scale and developing growth strategies, which enables him to counsel our company on its global expansion.

John B. Goodman. Mr. Goodman has served as a director of our company since 2001 and serves as a member of the audit committee and as chair of the nominating and governance committee. Since 2007, Mr. Goodman has been a director of Separation Kinetics Inc., a membrane company. From December 1982 to October 2010, Mr. Goodman held various positions at Entegris, Inc., a materials supplier, most recently as Senior Vice President and Chief Technology & Innovation Officer.

Mr. Goodman's technical background and experiences in supply chain networks, logistics and financial planning and reviews enable Mr. Goodman to provide guidance and counsel on our strategic plan, research and development, supplier relationships and finance functions.

Douglas A. Kingsley. Mr. Kingsley has served as a director of our company since August 2008 and serves as a member of the compensation committee. Since January 2007, Mr. Kingsley has been a General Partner at North Bridge, a venture capital firm. From January 1990 to December 2006, Mr. Kingsley held various positions at Advent International Corporation, a private equity firm, most recently as Special Partner. Mr. Kingsley also served as a director of Veeco Instruments Inc. from May 2000 to May 2009.

Mr. Kingsley's extensive experience in the financial industry allows him to provide guidance and counsel on financial matters and in his role on our compensation committee. His experiences working with growth companies in the course of his role at North Bridge, as well as his experience serving on the boards of directors of public and private companies, enables Mr. Kingsley to provide insight on strategic plans relating to our business and guidance on corporate governance.

Margaret A. Loftus. Ms. Loftus has served as a director of our company since April 2001 and serves as a member of the compensation and nominating and governance committees. Since June 1998, Ms. Loftus has been a director of Datalink Corporation, a data-center support company. She currently serves as Datalink Corporation's governance committee chair. Since 1991, Ms. Loftus has been the chair of the board of directors of Unimax Systems Corporation, a provider of voice-administration software. She also serves as Unimax Systems Corporation's audit committee chair. Ms. Loftus has provided consulting services to technology companies since 1989. Prior to 1989, she served as Vice President of Software for Cray Research, Inc., a supercomputer company. Ms. Loftus also served as a director of Analysts International Corp. from 1993 to 2008.

Ms. Loftus has public and private board and consulting experiences in the technology industry, which allow her to provide counsel on strategy and corporate governance and guidance in her role on our compensation and nominating and governance committees.

Brian K. Smith. Mr. Smith has served as a director of our company since June 2005 and serves as a member of the audit committee. Since December 1998, Mr. Smith has been President and an owner of Private Capital Management, Inc., a registered investment advisor. In his capacity as President of Private Capital Management, Inc., Mr. Smith has acted as a principal and director of approximately fifteen middle-market portfolio companies. From 1994 to 1998, Mr. Smith was the Managing Partner of Northland Business Capital, LLP, a private equity partnership, and Senior Vice President of The Northland Company, a financial services firm. Prior to 1994, Mr. Smith spent 15 years in the banking industry.

Mr. Smith has knowledge of financial matters, merger and acquisition activities and capital markets and experience in leadership positions with companies at a variety of stages. Mr. Smith's experiences enable him to provide oversight concerning general business matters and risk management and counsel on financial matters in his role on our audit committee.

Sven A. Wehrwein. Mr. Wehrwein has served as a director of our company since June 2011 and serves as chair of the audit committee and as a member of the nominating and governance committee. Mr. Wehrwein has been an independent financial consultant to emerging companies since 1999. He has more than 35 years of experience as an investment banker, chief financial officer and certified public accountant (inactive). He currently serves on the board of directors of Image Sensing Systems, Inc., a vehicle-detection software company, SPS Commerce, Inc., a supply-chain management software company, Synovis Life Technologies, Inc., a medical products company, and Uroplasty, Inc., a medical device company, all of which are publicly-traded companies. Mr. Wehrwein also served on the board of directors of Compellent Technologies, Inc. from April 2007 until its acquisition by Dell Inc. in February 2011 and on the board of directors of Vital Images, Inc. from May 1997 until its acquisition by Toshiba Medical Systems Corp. in June 2011. In 2005 and 2006, Mr. Wehrwein served as a director of six mutual funds in the Van Wagoner group.

Mr. Wehrwein's qualifications to serve on our board of directors include, among other skills and qualifications, his capabilities in financial understanding, strategic planning and auditing expertise, given his experiences in investment banking and in financial leadership positions. As chairman of the audit committee, Mr. Wehrwein also keeps the board abreast of current audit issues and collaborates with our independent auditors and senior management team.

Director Independence

Our board of directors has reviewed the materiality of any relationship that each of our directors has with us, either directly or indirectly. Based on this review, our board has determined that, with the exception of Mr. Cleveland and Mr. Lukis, all of the directors are “independent directors” as defined by Rule 5605(a)(2) of the NASDAQ Listing Rules.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and governance committee. The charters of these committees will be posted on our website upon the completion of this offering. Our website is not part of this prospectus.

The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board.

Audit Committee	Compensation Committee	Nominating and Governance Committee
Sven A. Wehrwein (chair)	Rainer Gawlick (chair)	John B. Goodman (chair)
John B. Goodman	Douglas A. Kingsley	Margaret A. Loftus
Brian K. Smith	Margaret A. Loftus	Sven A. Wehrwein

Audit Committee

Among other matters, our audit committee:

- oversees management’s processes for ensuring the quality and integrity of the company’s consolidated financial statements, the company’s accounting and financial reporting processes, and other financial information provided by the company to an governmental body or to the public;
- evaluates the qualifications, independence and performance of the company’s independent auditor and internal audit function; and
- supervises management’s processes for ensuring compliance by the company with legal, ethical and regulatory requirements.

Each of the members of our audit committee upon the completion of this offering meets the requirements for financial literacy under the applicable rules and regulations of the SEC and the NASDAQ stock market. Our board of directors has determined that Sven A. Wehrwein is an audit committee financial expert, as defined under the applicable rules of the SEC. Upon the completion of this offering, each member of our audit committee will satisfy the general NASDAQ stock market independence standards and, except for Mr. Smith, the independence standards of Rule 10A-3(b)(1) under the Exchange Act. Mr. Smith will serve for up to one year in compliance with the applicable phase-in rules.

Nominating and Governance Committee

Among other matters, our nominating and governance committee:

- identifies qualified individuals to become board members;
- determines the composition of the board’s committees and assesses and enhances the effectiveness of the board and individual directors;
- develops and implements corporate governance guidelines for the company; and
- ensures that succession planning takes place for critical senior management positions.

We expect that each member of our nominating and governance committee upon the completion of this offering will satisfy the NASDAQ stock market independence standards.

Compensation Committee

Among other matters, our compensation committee:

- reviews and approves compensation and employment arrangements for executive officers;
- administers compensation plans for employees; and
- determines the compensation of non-employee directors.

Each member of our compensation committee upon the completion of this offering will satisfy the NASDAQ stock market independence standards.

Board Leadership Structure

Our board of directors is led by Mr. Lukis in his role as Chairman. Mr. Lukis is also our founder and the Chief Technology Officer, or CTO. Our board also has designated as the lead independent director to complement the Chairman's role and to serve as the principal liaison between the independent directors and the Chairman.

Our board of directors believes that its current structure is the appropriate one for Proto Labs at this time. Specifically, our board believes that its current leadership structure provides independent board leadership and engagement while deriving the benefit of having our founder and CTO also serve as Chairman of the board. As the individual with primary responsibility for managing the company's technology and with in-depth knowledge and understanding of the company, he is best positioned to chair regular board meetings as the directors discuss key business and strategic issues. Coupled with a lead independent director, this combined structure provides independent oversight while avoiding unnecessary confusion regarding the board's oversight responsibilities and the day-to-day management of business operations. Our board continues to separately evaluate Mr. Lukis annually in each of his roles. Our board also believes that its lead independent director position effectively balances any risk of concentration of authority that may exist with a combined Chairman/CTO position.

functions as our lead independent director. As lead independent director, :

- presides at all meetings of the board of directors at which the Chairman is not present, including executive sessions of the independent directors;
- acts as a key liaison between the Chairman and the independent directors;
- conducts the annual performance review of the Chief Executive Officer, with input from the other independent directors;
- assists the Chairman in setting the board agenda and frequency of meetings; and
- has the authority to convene meetings of the independent directors at every meeting.

Role of the Board in Risk Oversight

Our management is responsible for defining the various risks facing the company, formulating risk management policies and procedures, and managing the company's risk exposures on a day-to-day basis. The board's responsibility is to monitor the company's risk management processes by using board meetings, management presentations and other opportunities to educate itself concerning the company's material risks and evaluating whether management has reasonable controls in place to address the material risks; the board is not responsible, however, for defining or managing the company's various risks. The full board is responsible for monitoring management's responsibility in the area of risk oversight. In addition, the audit committee and compensation committee have risk oversight responsibilities in their respective areas of focus, which they report on to the full board. Management reports from time to time to the full board, audit committee and compensation committee on risk management. The board focuses on the material risks facing the company, including operational, credit, liquidity, and legal risks, to assess whether management has reasonable controls in place to address these risks.

Board Representation Rights

Under the voting agreement, as amended, that we entered into with certain of our shareholders, the shareholders agree to vote all owned shares of the company's preferred and common stock to maintain the size of the board of directors at eight and to cause the election of the following directors: (1) for so long as North Bridge Growth Equity I, L.P., or North Bridge, and its affiliates own at least 15% of the common stock of the company on a fully-diluted, as-converted basis, one director from North Bridge and one director designated by North Bridge, and for so long as North Bridge and its affiliates own less than 15% but more than 3% of the common stock of the company on a fully-diluted, as-converted basis, one director designated by North Bridge, (2) for so long as Protomold Investment Company, LLC, or PIC, and its affiliates own at least 3% of the common stock of the company on a fully-diluted, as-converted basis, one director designated by PIC, (3) for so long as Lawrence Lukis, Yuri Dreizin, PIC, and Gustavus Adolphus College own at least 150,000 shares of the common stock of the company on a fully-diluted, as-converted basis, one director designated by the holders of a majority of the shares of common stock held by such shareholders, (4) the chief executive officer and (5) three independent directors mutually agreed by the other members of the board.

The voting agreement will terminate upon the completion of this offering. Pursuant to the voting agreement, Douglas Kingsley was elected as the North Bridge director, Rainer Gawlick was elected as the North Bridge-designated director, Brian Smith was elected as the PIC-designated director, Lawrence Lukis was elected as the designee of Mr. Lukis, Mr. Dreizin, and PIC, Bradley Cleveland was elected as the current Chief Executive Officer, and John Goodman, Margaret Loftus, and Sven Wehrwein were elected as the designees of the other members of the board. See "Certain Relationships and Related Party Transactions" for information concerning this arrangement.

Code of Conduct

We have adopted a code of business conduct and ethics relating to the conduct of our business by our employees, officers and directors, which will be posted on our website.

Compensation Committee Interlocks and Insider Participation

During 2010, Dr. Gawlick, Mr. Goodman, Mr. Kingsley, Ms. Loftus, and Mr. Smith served as the members of our compensation committee, and none of the members of the compensation committee during 2010 have served as employees or officers of the company. No executive officer of the company served as a member of the board of directors or compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity that had any of its executive officers serving as a member of our board of directors or compensation committee during 2010.

Director Compensation

Directors who are also our employees receive no additional compensation for serving on our board of directors. Each of our non-employee directors who is not affiliated with our significant shareholders currently receives a meeting fee of $1,000 for each board or committee meeting attended in person, and $500 for each such meeting attended by telephone, and has received one or more stock awards during his or her term of service as a director. No stock awards were made to non-employee directors during 2010. We have also from time to time paid non-employee directors who are not affiliated with our significant shareholders $1,000 per day for time spent with company management outside of board or committee meetings.

The following table sets forth information concerning annual compensation for our non-employee directors during the year ended December 31, 2010.

Non-Employee Director Compensation for 2010

Name [1]	Fees Earned or Paid in Cash ($)	Total ($)
Rainer Gawlick	7,000	7,000
John B. Goodman	4,000	4,000
Douglas A. Kingsley [2]	—	—
Margaret A. Loftus	3,500	3,500
Brian K. Smith [2]	—	—

[1] Sven A. Wehrwein first became a director of our company in June 2011. Lawrence J. Lukis, our Chairman and Chief Technology Officer, is an executive officer of our company but not one of our five "named executive officers." He does not receive additional compensation for his services provided as a director.

[2] Messrs. Kingsley and Smith are affiliated with significant shareholders and therefore do not receive compensation for service as non-employee directors of the company.

The following table summarizes for each of our non-employee directors the number of shares underlying unexercised option awards as of December 31, 2010, the end of our most recent year. These options were granted during the period from 2004 to 2009.

Name	Number of Shares Underlying Unexercised Options
Rainer Gawlick	2,500
John B. Goodman	1,500
Douglas A. Kingsley	—
Margaret A. Loftus	6,500
Brian K. Smith	—

Stock option awards to our non-employee directors have been made pursuant to our 2000 Stock Option Plan. These option awards have a ten-year term, are generally scheduled to ratably vest and become exercisable over a two- to five-year period and are subject to accelerated vesting and exercisability if the director dies or becomes disabled or if there is a change in control of our company. In certain circumstances in connection with a change in control of our company, the 2000 Stock Option Plan and the applicable award agreements provide our compensation committee with the discretion to cancel outstanding stock options in exchange for a cash payment to the option holder, or to act to protect outstanding options by substituting for them options or voting common stock of the corporation (or its parent) surviving the change in control transaction. For a more complete description of these circumstances and what constitutes a "change in control," see "Executive Compensation—Potential Payments Upon Termination or Change in Control."

In connection with the commencement of his service as a director and chair of the audit committee in June 2011, Mr. Wehrwein was granted 200 shares of our common stock and received a cash payment of $24,000.

Executive Compensation

Compensation Discussion and Analysis

Overview

The compensation provided to our named executive officers for 2010 is set forth in detail in the 2010 Summary Compensation Table and the other tables, accompanying footnotes and narrative that follow this section. This section explains our executive compensation philosophy, objectives and design, our compensation-setting process, our executive compensation program components and the decisions made in 2010 affecting the compensation of our named executive officers.

Throughout this section, we refer to the following individuals as our “named executive officers”:

- Bradley A. Cleveland, Chief Executive Officer, or CEO,
- William R. Langton, Chief Financial Officer, or CFO,
- Donald G. Krantz, Chief Operating Officer,
- Jacqueline D. Schneider, Vice President of Sales and Customer Service, and
- John Tumelty, Managing Director, Proto Labs Limited.

In June 2011, John R. Judd began employment as our CFO. Because he was not an executive officer as of the end of the most recent year for which compensation information is presented, under SEC regulations he is not considered a named executive officer for 2010. Mr. Langton assumed the position of Executive Vice President of Finance in connection with the commencement of Mr. Judd’s employment.

Executive Compensation Philosophy and Objectives

We believe our success depends in large measure on our ability to attract, retain and motivate a talented senior management team to effectively lead our company in a dynamic and changing business environment, and that a competitive executive compensation program is critical to that effort. We believe that our executive compensation program should support our short- and long-term strategic and operational objectives, and reward corporate and individual performance that contributes to creating value for our shareholders.

Consistent with this philosophy, our executive compensation program incorporates the following key principles and objectives:

- Provide a competitive total cash compensation opportunity that includes target bonus goals that are reasonably achievable yet represent appreciable and appropriate improvement over prior periods;
- Utilize equity-based awards in a manner designed to emphasize their retentive function;
- Recognize and reward the achievement of company, business unit and individual performance goals;
- Provide compensation commensurate with the level of business performance achieved;
- Provide greater compensation opportunities for individuals who have the most significant responsibilities and therefore the greatest ability to influence our achievement of strategic and operational objectives;
- Structure the compensation program so that it is understandable and easily communicated to executives, shareholders and other constituencies;
- Structure the compensation program so as to align the interests of our executive officers with those of our shareholders and our employees generally;
- Place increasing emphasis on incentive/variable compensation for positions of increasing responsibility; and
- Make benefit programs available to executive officers consistent with those provided to salaried employees.

Compensation Decisions and Processes

The compensation committee of our board of directors, which currently consists solely of non-employee directors, has generally been responsible for overseeing our executive compensation program, including annually reviewing the

ongoing compensation arrangements for each of our executive officers, including our President and CEO, Bradley A. Cleveland, and our Chairman and Chief Technology Officer, Lawrence J. Lukis. Our board of directors has approved all awards under our equity-based compensation plan. To date, we have not retained a compensation consultant to recommend or provide assistance in determining the amount or form of executive compensation we provide, but we have utilized such consultants from time to time in the past (most recently in 2008) to provide compensation market data.

Our compensation committee has regularly received and considered input from Mr. Cleveland regarding the compensation and performance of executive officers other than himself and Mr. Lukis, including recommendations as to compensation levels that he believes are commensurate with an individual's job performance, skills, experience, qualifications, criticality to the company, and development/career opportunities, as well as with our compensation philosophy, external market data and considerations of internal equity. In developing these recommendations, Mr. Cleveland consults with Mr. Lukis. With the assistance of our CFO and following review by and input from Mr. Lukis, Mr. Cleveland also provides recommendations to the compensation committee regarding the establishment of performance goals for the annual bonus plan based on the operating budget approved by our board of directors. The compensation committee meets with Mr. Lukis to consider and approve compensation actions for Mr. Cleveland and Mr. Lukis. Mr. Cleveland regularly attends meetings of our compensation committee, except where his own compensation is being considered. Mr. Cleveland makes no recommendations to the compensation committee regarding his own compensation or that of Mr. Lukis. The compensation committee communicates its views and decisions regarding compensation arrangements for our executive officers to Mr. Cleveland and Mr. Lukis, who are generally responsible for implementing the arrangements.

In determining executive compensation, our compensation committee reviews and considers a number of factors, including individual and corporate performance, input from Mr. Cleveland and Mr. Lukis, compensation market data and the committee's collective experience and knowledge. We do not benchmark total compensation or individual elements of compensation against specific comparable companies or establish specific compensation amounts or parameters for any executive officer position based on market data. Instead, market data is used primarily as a reference point to provide general guidance in assessing whether our compensation practices are reasonable and likely to achieve our objectives, and actually deliver compensation in amounts that are consistent with the compensation committee's assessment of our company's relative performance. For compensation provided in 2010 and 2011, we obtained market data about executive compensation levels and practices from third-party compensation surveys national in scope, such as the Watson Wyatt Top Management Compensation Survey and the Employers' Association National Executive Compensation Survey, as well as surveys that are geographically targeted on areas such as the upper-Midwest United States and the United Kingdom. We focused primarily on the compensation practices of those organizations considered most comparable to our company in terms of annual revenue, industry, number of employees and geographic location.

Following the completion of this offering, we expect that the elements of our executive compensation program will continue to evolve, as will our processes for determining executive compensation. For example, the compensation committee plans to engage an independent executive compensation consultant to provide input into the establishment and review of executive compensation programs, practices and decisions.

Elements of Executive Compensation

Our executive compensation program has historically been comprised of three elements—base salary, annual bonus and equity-based long-term incentives. While all elements of our executive compensation program are intended to collectively achieve our overriding purpose of attracting, retaining and motivating talented executives, the table below identifies the form and additional specific purposes of each element.

Compensation Component	Form of Compensation	Purpose
Base Salary	Cash	n Compensate each named executive officer relative to individual responsibilities, experience and performance n Provide steady cash flow not contingent on short-term variations in company performance
Annual Bonus	Cash	n Align compensation with our annual corporate financial performance n Reward achievement of short-term financial objectives n Provide participants with a meaningful total cash compensation opportunity (base salary + annual bonus)
Long-Term Incentives	Incentive and Non-Qualified Stock Options	n Encourage long-term retention n Create a long-term performance focus n Align compensation with our long-term returns to shareholders n Provide executive ownership opportunities

Our compensation committee has not adopted a formal or informal policy for allocating compensation among the various elements, or between cash and non-cash elements or between long- and short-term compensation. As noted earlier, however, we do place greater emphasis on incentive and variable forms of compensation for executives with more significant responsibilities, reflecting their greater capacity to affect our performance and results.

Base Salaries

At the time an executive officer is first hired, his or her base salary is generally established through individual negotiations between us and the executive officer, taking into account judgments as to the executive officer's qualifications, experience, responsibilities, prior salary and internal pay equity considerations.

The compensation committee annually reviews the base salaries of our executive officers near the end of each year and bases any adjustments for the following year on merit and market considerations. Merit-based adjustments primarily reflect a subjective assessment of an individual's performance. Any market-based adjustments reflect an assessment of the competitive positioning of an individual's salary with comparable positions in the market.

For 2010, each of our named executive officers received a 4% increase in base salary, reflecting in each case a merit-based adjustment and no market-based adjustment. In December 2010, the compensation committee approved annual base salaries for 2011 in the amounts shown in the following table for the named executive officers, reflecting merit-based increases of up to 6% and market-based increases of up to 12% from 2010 annualized base salary levels:

Name	2011 Base Salary ($)	Increase from 2010
Bradley A. Cleveland	241,084	15%
William R. Langton	182,342	15%
Donald G. Krantz	212,539	16%
Jacqueline D. Schneider	178,579	18%
John Tumelty	150,189	6%

In May 2011, the compensation committee approved an annual base salary of $240,000 for John R. Judd, our new CFO.

Annual Bonuses

All of our employees other than commissioned salespeople participate in our annual incentive bonus program. The 2010 program approved by our compensation committee in December 2009 provided our employees, including our named executive officers, with an incentive compensation opportunity based on our revenue growth from 2009 to 2010, so long as specified levels of EBITDA were also achieved. A target bonus payout expressed as a percentage of annual base salary was established for each named executive officer, with a 60% target payout established for

Mr. Cleveland and a 50% target payout established for each of the other named executive officers, levels that were unchanged from 2009. Threshold performance objectives were established below which no payouts could be earned, but no maximum payout levels were specified.

Revenue growth was selected as the financial objective that would determine the size of annual incentive bonus payouts because our primary objective is to grow our company. The 2010 program was also structured to provide an additional incentive for revenue growth above target-level objectives by increasing the payout factor for above-target revenue performance. At the same time, the 2010 program contained a requirement that no payouts could be made unless a specified minimum EBITDA objective was also attained, and that no payouts in excess of target amounts could be made unless a greater EBITDA objective was attained. This EBITDA gating factor was included to reduce any incentive our executive officers might have to take actions to increase revenue growth that would have an excessively negative impact on earnings.

In structuring the 2010 annual incentive bonus program, the compensation committee approved 2010 revenue objectives for our company as a whole and for each of our major geographic business units (the United States, the European Union and Japan) and EBITDA gating factors for our company and each business unit other than Japan. Including business unit performance objectives enables us to tailor annual bonus opportunities so as to reward each executive officer for the performance of those portion(s) of our company for which the officer had the most direct responsibility, and in 2010 to emphasize the importance of a successful start for our operations in Japan. The following table summarizes the allocation of each named executive officer's annual bonus opportunity among the various revenue objectives:

	Portion of Annual Bonus Dependent on Achievement of:			
Name	Company-wide Revenue Goal	U.S. Revenue Goal	European Union Revenue Goal	Japan Revenue Goal
Bradley A. Cleveland	80%	—	—	20%
William R. Langton	90%	—	—	10%
Donald G. Krantz	80%	—	—	20%
Jacqueline D. Schneider	—	100%	—	—
John Tumelty	—	—	100%	—

For 2010, the compensation committee's decisions regarding the numerical goals associated with the revenue growth objectives were influenced by the uncertain economic outlook at the end of 2009 as well as by the committee's stated philosophy of designating target objectives that are reasonably achievable but still reflect appreciable growth over the previous year. As a result, the compensation committee approved threshold revenue objectives for 2010 equal to actual revenue results for 2009, and target revenue objectives that reflected 21% revenue growth company-wide, 17% in the U.S. and 20% in the European Union. The following table summarizes the company-wide revenue objectives and EBITDA gating factors for 2010, as well as our actual performance during 2010:

	Performance Levels ($ millions) [1]			
Objective	Threshold (50% payout)	Target (100% payout)	Actual Performance	Final Payout Factor [2]
Revenue	$ 43.8	$ 52.9	$ 64.9	233%
EBITDA [3]	$ 5.6	$ 11.2	$ 20.5	Above target

(1) For revenue performance between threshold and target, the payout factor would increase proportionately between 50% and 100%, or about 5.5 percentage points for each $1 million in additional revenue. For revenue performance above target, the payout factor would increase at twice the rate specified for performance between threshold and target, or about 11 percentage points for each $1 million in additional revenue, with no maximum payout specified.

(2) The final payout factor represents the percentage of the target payout that would be made based on the actual company-wide revenue performance for 2010.

(3) The EBITDA objectives served as gating factors. Thus, regardless of revenue performance, no annual bonus would be paid if company-wide EBITDA was less than $5.6 million, and no annual bonus in excess of target-level payouts would be paid if company-wide EBITDA was less than $11.2 million.

With respect to our geographic business units, the 2010 revenue performance in the U.S. was comparable to that for our company as a whole, while revenue was greater than target in the European Union and was approximately at target in Japan. All EBITDA gating factors were satisfied at an above-target payout level.

Based on the factors described above, our compensation committee approved the following annual incentive bonuses to our named executive officers for 2010:

Name	Target Bonus as a % of Base Salary	Actual Bonus Amount ($)	Actual Bonus Amount as % of Base Salary	Actual Bonus Amount as % of Target Payout
Bradley A. Cleveland	60	261,262	134.6	224.4
William R. Langton	50	190,422	120.3	240.5
Donald G. Krantz	50	207,800	112.2	224.4
Jacqueline D. Schneider	50	213,521	141.3	282.6
John Tumelty	50	124,736	88.2	176.3

During 2010, Mr. Langton also received a $5,000 supplemental bonus in recognition of his work in connection with a specific project.

In December 2010, our compensation committee approved the 2011 annual incentive bonus program for our employees, including our named executive officers. The 2011 program is similar in structure to the 2010 program described above, maintaining the same target payouts as a percentage of base salary for the named executive officers, the same threshold payout levels as a percentage of the target payout, and revenue growth as the financial objective that would determine the size of payouts. The compensation committee did, however, adjust the quantitative revenue goals for 2011 for our company and its geographic business units to be consistent with the 2011 budget approved by our board of directors for 2011, adjust the allocations of the bonus opportunity among company and business unit revenue goals for the named executive officers, and discontinue the EBITDA gating factor for annual incentive bonus payouts. In May 2011, the compensation committee approved a target annual bonus of 50% of base salary for John R. Judd, our new CFO.

Long-Term Equity-Based Compensation

As a privately held company, we have used stock options exclusively as the equity-based element of our executive compensation program. Stock options are the only form of award authorized under our existing 2000 Stock Option Plan, or the 2000 Plan. Our compensation committee believes that stock options serve as an effective retention tool due to vesting requirements that are based on continued service with us, and also serve to align the interests of our executives with those of our shareholders by enabling our executives to participate in any future appreciation in our stock and obtain an ownership interest in our company.

Historically, we have not utilized a formulaic approach to determine the size of individual stock awards to our named executive officers. Instead, our compensation committee has generally determined the size of individual grants using its collective business judgment and experience, taking into account factors such as the role and responsibility of the individual executive officer, the size and value of the unvested portion of existing option awards and of existing holdings of our common stock, an evaluation of the expected and actual performance of each executive officer, internal pay equity considerations and compensation market conditions. Our CEO, Mr. Cleveland, has not received any stock options to date in light of his existing holdings of our common stock.

Similarly, we have not in the past made stock option awards on a fixed schedule to our named executive officers. Instead, our compensation committee has typically chosen to make option awards in connection with an individual’s initial employment with us, upon promotions or other changes in responsibilities, in recognition of significant achievements and generally when it believes that the number of unvested option shares held by a key employee is insufficient to constitute an effective retention tool.

In December 2010, each of the named executive officers other than Mr. Cleveland received a stock option award for the following number of shares: Mr. Langton, 2,500 shares; Dr. Krantz, 7,500 shares; Mr. Tumelty, 7,500 shares; and Ms. Schneider, 5,000 shares. The size of the forgoing grants was determined in accordance with the factors described above. In June 2011, Mr. Judd received a stock option award for 12,500 shares, reflecting the negotiation of his initial compensation arrangements upon joining our company. No named executive officer exercised a stock option during 2010.

Option grants to our named executive officers generally provide for ratable vesting over a period of years, with accelerated vesting occurring in the event of termination of employment due to death or disability and potentially in connection with a change in control of our company, as described more fully in the section “Potential Payments Upon Termination or Change in Control.” It has been our practice, which we expect to continue, that stock options will be granted with an exercise price that is not less than the fair market value of a share of our common stock on the date the grant is made.

Prior to the completion of this offering, we expect to adopt a 2011 Long-Term Incentive Plan, or the 2011 Plan, which will replace our 2000 Plan and which will authorize our compensation committee to award various forms of equity-based compensation in addition to stock options. Following the completion of this offering, our compensation committee may consider the use of alternative forms of equity-based compensation, such as restricted stock or restricted stock units, or a mix of equity-based awards, for our executive officers.

Other Executive Benefits

Our named executive officers generally receive health and welfare benefits under the same programs and subject to the same terms as our other salaried employees. These benefits include medical, dental and vision benefits, short- and long-term disability insurance, accidental death and dismemberment insurance and basic life insurance. Our named executive officers are also eligible to participate in our 401(k) retirement plan, under which our company provides a matching contribution in an amount equal to 100% of the first 3% of compensation contributed by a participant and 50% of the next 2% of compensation contributed.

Similarly, other benefits or perquisites provided on occasion to our named executive officers are also available to our salaried employees generally, such as reimbursement of spousal travel costs in connection with extended overseas assignments and withholding taxes associated with discretionary bonuses.

We also provide an automobile allowance and supplemental health insurance coverage to Mr. Tumelty, who is based in the United Kingdom, as part of a compensation package intended to be competitive in that market.

Employment Agreements, Severance and Change in Control Benefits

We have not entered into employment, severance or change in control agreements with any of our current named executive officers. In June 2011 we did, however, enter into an employment agreement with Mr. Judd, our new CFO, largely in recognition of the need to provide him certain protection if his employment should be involuntarily terminated without cause or terminated by him for “good reason” after a change in control of our company. We believe that this protection was necessary to induce him to leave his current employment, forego other opportunities and assume a critical position in our organization. For a summary of the material terms and conditions of this employment agreement, see the section “Potential Payments Upon Termination or Change in Control.”

Our existing stock option award agreements under the 2000 Plan generally provide for accelerated vesting and exercisability of awards if an executive officer’s employment terminates due to death or disability, or upon a change in control of our company. The choice of “single trigger” acceleration upon a change in control reflects the belief that in the context of a privately held company, such arrangements would help insure that executive officers would be effectively incented to obtain the highest value possible in a change in control transaction and be subject to a strong retention device during the uncertain times preceding the transaction.

Under the 2011 Plan which is expected to be adopted prior to the completion of this offering, the compensation committee would be provided with greater discretion in specifying the impact on outstanding equity awards of a change in control transaction, including providing in appropriate circumstances that vesting and exercisability of an outstanding award will not be accelerated if the award is continued, assumed or replaced in connection with a change in control transaction and the participant’s employment does not end within a specified period of time after

the change in control as a result of an involuntary termination without cause or a termination by the participant for "good reason." This "double trigger" acceleration of vesting and exercisability, requiring both a change in control and either a failure to continue, assume or replace outstanding awards or a termination of employment, enables the compensation committee to avoid an unintended windfall to executives who retain their employment and their equity awards in the event of a friendly change in control, while still providing them appropriate incentives to cooperate in negotiating any change in control in which they believe they could lose their jobs. For a more complete summary of the material terms and conditions of awards under the 2000 Option Plan and of the relevant provisions of the proposed 2011 Plan, see "Equity-Based Compensation Plans."

Tax Treatment of Compensation

Section 162(m) of the Internal Revenue Code, or Section 162(m), disallows a federal income tax deduction for any publicly held corporation with respect to individual compensation exceeding $1 million in any taxable year paid to the corporation's chief executive officer and each of the corporation's three other most highly compensated executive officers, other than its chief financial officer, unless the compensation is "performance-based" as defined under Section 162(m). In addition, in the case of a privately held corporation that becomes a public corporation, the $1 million limit generally does not apply for a limited period of time to compensation paid pursuant to a compensation plan or agreement that existed prior to the initial public offering. The time period during which this limit will not apply cannot extend longer than the corporation's first shareholders meeting at which directors are to be elected that occurs after the close of the third calendar year after the year in which the corporation's initial public offering occurred.

As we are not currently publicly held, the compensation committee has not previously taken the deductibility limit imposed by Section 162(m) into consideration in setting compensation. At such time in the future as the Section 162(m) $1 million limitation becomes applicable to us and the compensation of our named executive officers could exceed that limit, we expect that the compensation committee will consider the effects of Section 162(m) on the compensation paid to our named executive officers and the degree to which it would be advisable to structure the amount and form of compensation to our named executive officers so as to maximize our ability to deduct it.

2010 Summary Compensation Table

The following table summarizes the compensation provided to or earned by our named executive officers during the year ended December 31, 2010.

Name and Principal Position	Year	Salary ($)	Bonus ($) [1]	Option Awards ($) [2]	Non-Equity Incentive Plan Compensation ($) [3]	All Other Compensation ($) [4]	Total ($)
Bradley A. Cleveland Chief Executive Officer	2010	194,050	—	—	261,262	—	455,312
William R. Langton Executive Vice President of Finance and former Chief Financial Officer	2010	158,323	5,200	149,281	190,422	20,787	524,013
Donald G. Krantz Chief Operating Officer	2010	185,210	200	447,844	207,800	11,244	852,298
Jacqueline D. Schneider Vice President of Sales and Customer Service	2010	151,114	200	298,562	213,521	11,556	674,953
John Tumelty [5] Managing Director, Proto Labs Limited	2010	141,504	—	447,844	124,736	19,612	733,696

(1) Bonuses awarded for services during 2010 included $200 to each of Messrs. Langton and Krantz and Ms. Schneider as part of a discretionary bonus program for U.S. employees generally, and a $5,000 discretionary bonus to Mr. Langton to recognize his work in connection with a specific project.
(2) The amount shown for each individual represents the grant date fair value of a stock option award granted during the year computed in accordance with ASC Topic 718, *Compensation—Stock Compensation*, or ASC 718, utilizing the assumptions discussed in Note 5 of Notes to Consolidated Financial Statements for the year ended December 31, 2010 and disregarding the effects of any estimate of forfeitures related to service-based vesting.
(3) Amounts shown in this column represent amounts earned during 2010 under our annual incentive bonus program and paid to the executives in early 2011.
(4) Amounts shown in this column for 2010 include company contributions to our 401(k) retirement plan (and the comparable United Kingdom plan in which Mr. Tumelty participates), tax gross up payments in connection with the bonus payments discussed in Note 1 above and the reimbursement of spousal travel expenses, reimbursement of travel expenses incurred by Mr. Krantz's spouse when accompanying him on an overseas business trip, and an auto allowance and supplemental health insurance coverage provided to Mr. Tumelty. The amounts are summarized as follows:

Name	Contributions to Retirement Plans ($)	Tax Gross Ups ($)	Other ($)
William R. Langton	16,698	4,089	—
Donald G. Krantz	8,408	1,310	1,526
Jacqueline D. Schneider	11,444	112	—
John Tumelty	3,773	—	15,839

(5) Mr. Tumelty is paid in British pounds sterling and the U.S. dollar amounts shown in the "Salary," "Non-Equity Incentive Plan Compensation" and "All Other Compensation" columns for Mr. Tumelty have been converted from pounds sterling to U.S. dollars using the average currency conversion rate for 2010 of 1.5446. Option awards are valued in U.S. dollars and therefore no foreign currency conversion occurs.

Grants of Plan-Based Awards in 2010

The following table presents the plan-based awards made to our named executive officers during 2010.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	All Other Option Awards: Number of Securities Underlying Options (2) (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards (3) ($)
Bradley A. Cleveland	—	58,215	116,430	(4)	—	—	—
William R. Langton	—	39,581	79,162	(4)			
	12/21/10				2,500	110.00	149,281
Donald G. Krantz	—	46,303	92,605	(4)			
	12/21/10				7,500	110.00	447,844
Jacqueline D. Schneider	—	37,779	75,557	(4)			
	12/21/10				5,000	110.00	298,562
John Tumelty	—	35,376	70,752	(4)			
	12/21/10				7,500	110.00	447,844

(1) The amounts associated with these awards represent possible payouts under our 2010 annual incentive bonus program. The actual payouts for 2010 under this program are shown in the Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation." Additional information regarding the design of the 2010 annual incentive bonus program, including a description of the performance objectives applicable to the 2010 awards and the actual payouts for 2010, is provided above in the section "Compensation Discussion and Analysis—Annual Bonuses."

(2) The stock option awards shown in this column are non-qualified stock options granted under our 2000 Stock Option Plan. Each award will expire after ten years, and will vest and become exercisable as to 20% of the shares subject to the award on the grant date and on each of the first four anniversaries of the grant date, assuming the recipient's continued employment. Termination of employment results in the forfeiture of the unvested portion of the option, unless the termination is due to death or disability, in which case vesting of the option is accelerated in full. To the extent an option is exercisable at the time employment is terminated, it will remain exercisable after such termination for one year if termination is due to death or disability, or for three months if termination is for any other reason. In no event, however, will an option remain exercisable past its scheduled expiration date. The effect of a change in control on these option awards is described below under the caption "Potential Payments Upon Termination or Change in Control."
(3) The grant date fair values of these option awards were computed in accordance with ASC 718, as described in Note 2 to the Summary Compensation Table.
(4) Payouts under our 2010 annual incentive bonus program were not limited to any maximum amount.

Outstanding Equity Awards at 2010 Year-End

The following table provides information on each named executive officer's outstanding equity awards as of December 31, 2010, the last day of our most recent fiscal year.

	Option Awards				
Name	Option Grant Date (1)	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Bradley A. Cleveland	—	—	—	—	—
William R. Langton	9/11/06	15,000	—	37.30	9/11/16
	12/21/10	—	2,500	110.00	12/21/20
Donald G. Krantz	11/21/05	7,000	—	25.00	11/21/15
	12/21/10	—	7,500	110.00	12/21/20
Jacqueline D. Schneider	2/13/07	2,000	500	47.19	2/13/17
	3/11/08	1,500	1,000	63.60	3/11/18
	4/28/09	1,000	1,500	77.85	4/28/19
	12/21/10	—	5,000	110.00	12/21/20
John Tumelty	7/4/06 (2)	7,500	—	25.00	7/4/16
	12/21/10	—	7,500	110.00	12/21/10

(1) The option awards shown vest as to 20% of the shares subject to each award on the grant date, and as to an additional 20% of the shares subject to the award on each of the first four succeeding anniversaries of the grant date.
(2) The July 4, 2006 award to Mr. Tumelty involved a stock subscription warrant to purchase up to 15,000 shares of our common stock. The terms of the warrant are comparable to those of the stock options shown in this table.

Potential Payments Upon Termination or Change in Control

Other than the arrangements involving option awards described below, we are not parties to any agreement, plan or arrangement providing for payments or benefits to our current named executive officers upon termination of employment or in connection with a change in control of our company. We have, however, entered into an employment agreement effective June 1, 2011 with Mr. Judd, our new CFO, as described later in this section.

Under the 2000 Plan and the option award agreements under that plan, upon the death or disability of a named executive officer, all outstanding options vest in full, and the options remain exercisable until the earlier of (1) one year after the date employment ends or (2) the expiration date of the option. If employment ends for a reason other than death or disability, an option will remain exercisable until the earlier of (1) three months after the date employment ends or (2) the expiration date of the option, and may be exercised to the extent it was exercisable at or before employment ended.

The 2000 Plan provides that stock option awards may become fully vested and exercisable upon the occurrence of a change in control of our company, as defined below, if provided in the award agreement or by the compensation

committee. Generally, stock option award agreements under our 2000 Plan provide that option awards to employees will become fully vested and exercisable upon the occurrence of a change in control of our company. The 2000 Plan also provides our compensation committee with the discretion to cancel some or all outstanding stock options in connection with a change in control that does not involve a change in the majority of the members of our board of directors, and pay each holder of a canceled option an amount in cash equal to the excess of the fair market value of the shares subject to the option immediately prior to the change in control over the aggregate exercise price of the shares subject to the option, which we refer to as the "option spread." In addition, in the event of a merger, consolidation or statutory share exchange involving our company, a sale of substantially all of its assets, or its liquidation or dissolution, any of which are referred to as an "event," then our compensation committee will have the discretion to declare, prior to the event, that the exercisability of all options will be accelerated prior to the event and that all options will be canceled at the time of the event. The compensation committee may also, in such circumstances, pay each holder of a canceled option an amount in cash equal to the option spread, calculated using the value of the per share proceeds to be received by our shareholders upon the occurrence of the event. Alternatively, if the event is a merger, consolidation or statutory share exchange, our compensation committee may act to protect outstanding options by substituting for them either options to purchase voting common stock of the surviving corporation (or its parent) or voting common stock of the surviving corporation (or its parent) that have a fair market value equal to the option spread, calculated using the value of the per share proceeds to be received by our shareholders upon the occurrence of the event.

Under the 2000 Plan, a "change in control" generally occurs if (1) any person or group becomes the beneficial owner of 50% or more of the voting power of our equity securities (30% or more for options granted prior to January 22, 2007); (2) a majority of our board of directors no longer consists of individuals who were directors as of the effective date of the 2000 Plan or for whose election proxies have been solicited by our board of directors or who were appointed by our board of directors to fill a vacancy caused by death or resignation or a newly-created directorship; (3) our shareholders approve a merger, reorganization, consolidation or statutory share exchange involving our company, or a sale of all or substantially all of our company's assets (unless more than 70% of the voting power of the then outstanding shares of voting stock of the buyer or surviving party in the transaction is beneficially owned in substantially the same proportions by persons who were beneficial owners of our voting securities before the transaction); or (4) our shareholders approve a complete liquidation or dissolution of our company.

The 2000 Plan also provides that in the event any payment or benefit provided under our 2000 Plan together with any other payment which an individual has a right to receive in connection with a change in control event would constitute a "parachute payment" under Section 280G of the Internal Revenue Code, such payments will be reduced to an amount which does not trigger the excise tax under Section 4999 of the Internal Revenue Code.

On July 4, 2006, Mr. Tumelty was granted a stock subscription warrant entitling him to purchase up to 15,000 shares of our common stock at an exercise price of $25.00 per share. The terms of this warrant are substantially equivalent to the terms of stock option awards granted under the 2000 Plan, including the terms specifying the consequences of a change in control of our company. This warrant became fully vested and exercisable on July 4, 2010. As of March 31, 2011, 7,500 shares remain exercisable under the warrant.

The general effect of a change in control upon awards which may be granted in the future under the 2011 Plan is described in the description of the 2011 Plan in the "Equity-Based Compensation Plans" section below.

The following table shows the value of stock option awards whose vesting would have been accelerated under the 2000 Plan and the applicable award agreements if the named executive officer had died or become disabled on December 31, 2010, the last day of our most recent fiscal year, or if the vesting of such awards had been accelerated on that date in connection with a change in control of our company. In addition to the amounts shown in the table, each named executive officer would receive payments for amounts of base salary and vacation time accrued through the date of termination and payment for any reimbursable business expenses incurred prior to the date of termination.

Name	Value Realized on Accelerated Vesting ($) [1]
Bradley A. Cleveland	—
William R. Langton	—
Donald G. Krantz	—
Jacqueline D. Schneider	126,030
John Tumelty	—

[1] Amounts shown are equal to the value of stock option awards whose vesting and exercisability would have been accelerated. The value of each option award for these purposes is calculated based on the difference between the fair market value of our common stock on December 31, 2010 ($110.00) and the exercise price of that option. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Use of Estimates" for a discussion regarding the determination of the fair market value of our common stock.

In June 2011, we entered into an employment agreement with Mr. Judd, our new CFO. The agreement has a one-year term and will automatically be renewed for successive one-year periods unless either party provides a notice of non-renewal to the other at least 90 days before the end of any one-year period. The agreement provides that Mr. Judd's employment is "at will," and sets forth the elements of his initial compensation. See "Compensation Discussion and Analysis" for information regarding Mr. Judd's compensation. The agreement also provides that if, within 18 months after a change in control of our company, we terminate Mr. Judd's employment without cause, or Mr. Judd terminates his employment for "good reason," then he will be entitled to severance benefits so long as he complies with an ongoing confidentiality obligation and a two-year non-competition obligation. The severance benefits available to Mr. Judd consist of (i) a lump sum cash payment in an amount equal to his annual base salary in effect immediately prior to the change in control plus his target annual bonus for the year in which the change in control occurs, and (ii) our continued payment for 12 months after such termination of the employer's portion of the premiums for group health plan coverage for Mr. Judd and his dependents if he elects continued COBRA coverage under our plan.

For purposes of Mr. Judd's employment agreement, "change in control" is defined in a manner substantially similar to that in our 2000 Plan. "Cause" for termination is generally defined to include (i) conviction of a felony; (ii) gross negligence or willful misconduct injurious to our company; (iii) willful violation of directions of our board of directors; (iv) excessive absenteeism; (v) material failure to comply with the employment agreement; (vi) failure to cooperate with us in any investigation or formal proceeding; or (vii) any act of fraud injurious to our company. "Good reason" for termination is generally defined to include (i) a material reduction or diminution in his responsibilities or duties; (ii) a material reduction in his base salary; (iii) the relocation of his primary work location to a location more than 75 miles from the location of his prior primary work location; or (iv) the failure of any successor to or assignee of us to perform, in any material respect, our obligations under the employment agreement.

Equity-Based Compensation Plans

2011 Long-Term Incentive Plan

Prior to the completion of this offering, we expect to adopt and our shareholders to approve our 2011 Plan. The 2011 Plan will become effective upon shareholder approval and will terminate on the earliest of (i) the tenth anniversary of its effective date, (ii) the date on which all shares subject to the 2011 Plan are distributed, or (iii) the date our board of directors terminates the 2011 Plan. The purposes of the 2011 Plan are to attract and retain the best available personnel, to provide them with additional incentives and to align their interests with those of our shareholders. The material terms of the 2011 Plan are summarized below.

Share Reserve. Upon the effective date of the 2011 Plan, an aggregate of shares of our common stock will initially be reserved for issuance pursuant to the plan, plus shares that remain available for future awards under our 2000 Plan on the effective date of the 2011 Plan.

The number of shares of our common stock reserved for issuance under the 2011 Plan will automatically increase on January 1 of each year, starting on January 1, 2012 and continuing through January 1, 2021, by the lesser of (a) % of the total number of shares of our common stock outstanding on December 31 of the preceding

calendar year or (b) such number of shares of our common stock as determined by our board of directors. The aggregate number of shares subject to stock options and stock appreciation rights granted during any calendar year to any one participant will not exceed shares.

Shares subject to awards under the 2011 Plan or the 2000 Plan that are forfeited, expire or are settled for cash will, to the extent of such forfeiture, expiration or cash settlement, again become available for grant under the 2011 Plan. Shares that are tendered by a participant or withheld by the company to pay the exercise price of an option or withholding taxes in connection with an award, shares repurchased by us with proceeds received from the exercise of a stock option and shares subject to a stock appreciation right that are not issued in connection with the stock settlement of that right will not again become available for awards under the 2011 Plan. After the effective date of the 2011 Plan, no further awards may be made under the 2000 Plan.

Administration of Plan. The 2011 Plan will be administered by two or more non-employee directors designated by our board of directors who (i) satisfy the independence requirements for applicable stock exchange listing rules, (ii) are "non-employee directors" for the purposes of Rule 16b-3 under the Exchange Act and (iii) are "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code. Our board of directors has designated our compensation committee to administer the 2011 Plan, except that our board of directors will administer the 2011 Plan in connection with awards made to non-employee directors. Subject to the terms of the 2011 Plan, the compensation committee will have the authority to, among other things, interpret the 2011 Plan and determine who will be granted awards under the 2011 Plan, the types of awards granted and the terms and conditions of the awards, including the number of shares covered by awards, the exercise price of awards and the vesting schedule or other restrictions applicable to awards. The compensation committee also will have the power to make any determinations and take any action necessary or desirable for the administration of the 2011 Plan.

To the extent permitted by law and stock exchange rules, the 2011 Plan permits the compensation committee to delegate its authority under the 2011 Plan to one or more of its members or, with respect to awards made to individuals who are neither non-employee directors nor executive officers of our company, to one or more of our executive officers.

Eligibility. Our employees, non-employee directors and consultants and advisors who provide services to us are eligible to receive awards under the 2011 Plan. Incentive stock options may be granted only to our employees.

Awards. The 2011 Plan allows us to grant stock options, stock appreciation rights, or SARs, restricted stock, stock units, other stock-based awards and cash incentive awards. Each award will be evidenced by an agreement with the award recipient setting forth the terms and conditions of the award, except for awards that involve only the immediate issuance of unrestricted shares of our common stock. Awards under the 2011 Plan will have a maximum term of ten years from the date of grant. The compensation committee may provide that the vesting or payment of any award will be subject to the attainment of specified performance measures in addition to the satisfaction of any continued service requirements, and the compensation committee will determine whether such measures have been achieved. The compensation committee may generally amend the terms of any award previously granted, except that no stock option or SAR may be amended to decrease its exercise price or in any other way be "repriced" without the approval of our stockholders, and no award may be amended in a way that materially impairs the rights of a participant without the participant's consent (unless the amendment is necessary to comply with applicable law or stock exchange rules or any compensation recovery policy adopted by our board of directors or the compensation committee).

- *Stock Options.* Stock options permit the holder to purchase a specified number of shares of our common stock at a set price during a specified period of time. Options granted under the 2011 Plan may be either incentive or nonqualified stock options. The per-share exercise price of options granted under the 2011 Plan generally may not be less than the fair market value of a share of our common stock on the date of grant.

- *Stock Appreciation Rights.* SARs provide for payment to the holder of all or a portion of the excess of the fair market value of a specified number of shares of our common stock on the date of exercise over a specified exercise price. The per share exercise price of SARs granted under the 2011 Plan generally may not be less than the fair market value of a share of our common stock on the date of grant. Payment of an SAR may be made in cash or shares of our common stock or a combination of both, as determined by the compensation committee.
- *Restricted Stock.* Restricted stock awards are awards of shares of our common stock that are subject to transfer restrictions and forfeiture conditions until such time as the shares vest, as determined by the compensation committee. Recipients of a restricted stock award will have the rights of a shareholder except as limited by the 2011 Plan or the award agreement.
- *Stock Units.* Stock units provide the holder with the right to receive, in cash or shares of our common stock or a combination of both, the fair market value of a share of our common stock and will be subject to such vesting and forfeiture conditions and other restrictions as the compensation committee determines.
- *Other Stock-Based Awards.* The compensation committee, in its discretion, may grant stock and other awards that are valued by reference to and/or payable in whole or in part in shares of our common stock under the 2011 Plan. The compensation committee will set the terms and conditions of such awards.
- *Cash Incentive Awards.* A cash incentive award is to be a performance-based award the payment of which is contingent upon the degree to which one or more specified performance goals have been achieved over the relevant performance period. Payment of a cash incentive award may be made in cash, in shares of our common stock, in other forms of awards under the 2011 Plan, or in some combination of these alternatives.

Dividends and Dividend Equivalents. Dividends or distributions on unvested shares of restricted stock will generally be subject to the same restrictions as the underlying shares, but the compensation committee may permit the payment of unrestricted regular cash dividends on restricted stock awards. Stock unit awards and other stock-based awards may, at the discretion of the compensation committee, provide the holder with the right to receive dividend equivalent payments with respect to the units or other share equivalents subject to the award based on dividends actually declared on outstanding shares.

Substitute Awards. The compensation committee may grant awards under the 2011 Plan in substitution for awards granted by another entity acquired by our company or with which our company combines, and such awards will not count against the 2011 Plan's share reserve. The terms and conditions of these substitute awards will be comparable to the terms of the awards replaced, and may therefore differ from the terms and conditions otherwise set forth in the 2011 Plan.

Performance Awards. Under the 2011 Plan, our compensation committee may structure any "full value award" (an award other than an option, SAR or cash incentive award) or any cash incentive award in a manner designed to qualify the award as performance-based compensation that is not subject to the $1,000,000 limitation on the federal income tax deductibility of compensation paid to any covered executive officer that is imposed by Section 162(m) of the Internal Revenue Code. To so qualify these awards, our compensation committee will condition the vesting and payment of the awards on the achievement of pre-established performance goals during a designated performance period. The number of shares of our common stock that may be the subject of such performance-based full value awards granted to a participant in any calendar year may not exceed shares. The amount payable with respect to any such performance-based cash incentive awards and performance-based full value awards denominated other than in shares or share equivalents that are granted to any participant in any calendar year may not exceed $ multiplied by the number of full or partial years in the applicable performance period.

Transferability. Awards granted under the 2011 Plan generally are not transferable except by will or the laws of descent and distribution or to an appropriately designated beneficiary. The compensation committee may, however, permit the transfer of awards other than incentive stock options pursuant to a qualified domestic relations order or by way of gift to a family member.

Termination of Service. Unless otherwise provided in an award agreement or in connection with a change in control of our company, the effect of a termination of a participant's service with our company will be as described in this paragraph. Upon termination for cause, all unvested awards and all unexercised stock options and SARs will be forfeited. Upon termination due to death or disability, any award will immediately become vested and exercisable in full and options and SARs will remain exercisable for twelve months after the date of termination. Upon termination for any other reason, the then currently vested and exercisable portion of any option or SAR will remain exercisable for three months after termination (unless the participant dies during that three-month period, in which case the post-termination exercise period will be extended to twelve months). Any post-termination exercise period may, however, be extended by the compensation committee if the issuance of shares upon such exercise would then violate applicable registration requirements under the Securities Act. Any such post-termination exercise period may not, however, extend beyond the expiration date of any option or SAR. After giving effect to any accelerated vesting as provided above, all unvested and unexercisable portions of outstanding awards will be forfeited in connection with a termination of service.

Change in Control. Unless otherwise provided in an award agreement, if a change in control, as defined below, occurs that involves a sale of all or substantially all of our assets or a merger, consolidation, reorganization or statutory share exchange involving our company, our board of directors or compensation committee are to take one or more of the following actions with respect to outstanding awards under the 2011 Plan:

- Arrange for the surviving or successor entity to continue, assume or replace some or all of the outstanding awards under the 2011 Plan.
- Accelerate the vesting and exercisability of outstanding awards prior to and conditioned upon the occurrence of the event and provide that unexercised options and SARs will be terminated at the effective time of the event.
- Cancel any outstanding award in exchange for payment to the holder of the amount of the consideration that would have been received in the event for the number of shares subject to the award, less the aggregate exercise price (if any) of the award.
- Provide that if an award is continued, assumed or replaced in connection with such an event and if within 18 months after the event a participant experiences an involuntary termination of service other than for cause, the participant's outstanding awards will vest in full, will immediately become fully exercisable and will remain exercisable for one year following termination.
- Make adjustments to awards as described below under the caption "Adjustment of Awards."

In the event of a change in control that does not involve a merger, consolidation, reorganization, statutory share exchange or sale of all or substantially all of our company's assets, our board of directors or compensation committee, in its discretion, may provide that any outstanding award will become fully vested and exercisable upon the change in control or upon the termination of the participant's service without cause within 18 months after the change in control, that any outstanding option or SAR will remain exercisable during all or some specified portion of its remaining term, or that any outstanding award will be canceled in exchange for payment to the participant of the amount of the consideration that would have been received in the change in control for the number of shares subject to the award less the aggregate exercise price (if any) of the award.

Under the 2011 Plan, a "change in control" generally occurs if (i) any person or group becomes the beneficial owner of more than 50% of the voting power of our equity securities; (ii) a majority of our board of directors no longer consists of (1) individuals who are members of our board of directors on the effective date of the 2011 Plan or (2) individuals who are elected subsequent to the effective date and whose initial election or nomination was approved by at least a majority of the directors described in clause (1) or (2); or (iii) the consummation of any reorganization, merger, consolidation or statutory share exchange involving us or a sale or other disposition of all or substantially all of our assets, unless more than 50% of the voting power of the then outstanding shares of voting stock of the buyer or surviving party in the transaction is beneficially owned in substantially the same proportions by persons who were beneficial owners of our voting securities before the transaction.

The 2011 Plan provides that in the event any payments or benefits provided under our 2011 Plan taken together with other payments an individual may receive in connection with a change in control may constitute a "parachute payment" under Section 280G of the Internal Revenue Code, such payments or benefits may be reduced to provide the individual with the best after-tax result. Specifically, the individual will receive either a reduced amount so that the excise tax imposed under Section 4999 of the Internal Revenue Code is not triggered, or the individual will receive the full amount of the payments and benefits and then be liable for any excise tax.

Dissolution or Liquidation. Unless otherwise provided in an award agreement, in the event our shareholders approve our complete dissolution or liquidation, all outstanding awards will vest and become fully exercisable, and will terminate immediately prior to the consummation of such dissolution or liquidation.

Adjustment of Awards. In the event of an equity restructuring that affects the per share value of our common stock, including a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the compensation committee will make appropriate adjustment to: (1) the number and kind of securities reserved for issuance under the 2011 Plan, (2) the number and kind of securities subject to outstanding awards under the 2011 Plan, (3) the exercise price of outstanding options and SARs, and (4) any maximum limitations prescribed by the 2011 Plan as to grants of certain types of awards or grants to individuals with respect to certain types of awards. The compensation committee may also make similar equitable adjustments in the event of any other change in our company's capitalization, including a merger, consolidation, reorganization or liquidation.

Amendment and Termination. Unless earlier terminated, the 2011 Plan will automatically terminate ten years after its effective date, which we expect will be shortly before the completion of this offering. In addition, our board of directors may terminate, suspend or amend the 2011 Plan at any time, but, in general, no termination, suspension or amendment may materially impair the rights of any participant with respect to outstanding awards without the participant's consent (unless such action is necessary to comply with applicable laws or stock exchange rules). Awards that are outstanding on the 2011 Plan's termination date will remain in effect in accordance with the terms of the 2011 Plan and the applicable award agreements. Shareholder approval of any amendment of the 2011 Plan will be obtained if required by applicable law or the rules of the NASDAQ Stock Market.

Registration. We intend to file with the SEC a registration statement on Form S-8 covering the shares of our common stock issuable under the 2011 Plan.

2000 Stock Option Plan

Our 2000 Plan currently provides for the grant of nonqualified stock options. Such options may be granted to our employees, non-employee directors, and other consultants and advisors who provide services to us. A total of 475,000 shares of our common stock were reserved for issuance under the 2000 Plan. As of , 2011, options to purchase a total of shares of our common stock with a weighted average exercise price of $ per share were outstanding under the 2000 Plan, and shares remained available for future issuance under the 2000 Plan. We will not grant any additional awards under the 2000 Plan once the 2011 Plan becomes effective, and any shares available for issuance under the 2000 Plan on that date will become available for issuance under the 2011 Plan. All awards outstanding under the 2000 Plan will remain in effect and will continue to be governed by their existing terms after the completion of this offering.

Administration of Plan. Our compensation committee generally administers the 2000 Plan and the awards granted under it with authority and discretion comparable to that described above in connection with the 2011 Plan. Option awards to non-employee directors, however, are administered by our board of directors.

Awards. Only stock options may be awarded under the 2000 Plan, and no incentive stock option awards have been able to be made under the 2000 Plan since its tenth anniversary on January 15, 2010. The stock options that are outstanding under the 2000 Plan generally have a 10 year term, a per share exercise price equal to the fair market value of a share of our common stock on the date of grant, and vest and become exercisable as to 20% of the shares subject to an option on the grant date and on each of the first four anniversaries of the grant date.

Termination of Service. The effect of a termination of service upon a participant's stock option under the 2000 Plan is generally described in the "Potential Payments upon Termination or Change in Control" section above.

Transferability. Options granted under the 2000 Plan generally are not transferable except by will or the laws of descent and distribution, although nonqualified options may also be transferred pursuant to a qualified domestic relations order.

Change in Control. The effect of a change in control upon a participant's stock option as provided in the 2000 Plan and related award agreements is generally described in the "Potential Payments upon Termination or Change in Control" section above.

Adjustment of Awards. In the event of any stock dividend, stock split, spinoff, recapitalization, merger, consolidation, reorganization or other change in corporate structure or shares of our company, the compensation committee may make appropriate adjustments to the number and kind of securities reserved for issuance under the 2000 Plan, the number and kind of securities subject to outstanding options under the 2000 Plan, and the exercise price of outstanding options.

Registration. We intend to file with the SEC a registration statement on Form S-8 covering the shares of our common stock issuable under the 2000 Plan.

Certain Relationships and Related Party Transactions

Since January 1, 2008, we have engaged in the following transactions with certain of our executive officers, directors, holders of more than 5% of our voting securities and their affiliates and immediate family members:

2008 Financing and Recapitalization

In August 2008, we issued and sold to North Bridge Growth Equity I, L.P., or North Bridge, a total of 427,985 shares of our Series A preferred stock, at a price per share of $122.06, for total proceeds to the company of $52.2 million. We used the proceeds from the sale of Series A shares, together with cash on hand and borrowings from Wells Fargo, to repurchase a total of $66.3 million worth of our outstanding common stock, common stock options and common stock warrants from existing security holders in August 2008. We paid $121.00 per share for these repurchases (less the applicable exercise price in the case of options and warrants), which represented the Series A purchase price less $1.06 per share in expenses incurred by the company in connection with the transactions. The existing security holders from whom we repurchased securities included certain of our directors, executive officers and beneficial owners of 5% or more of our voting securities. Those directors and executive officers, and the proceeds they received, were as follows: Bradley Cleveland (who is also a greater than 5% holder), $7.38 million; John Goodman, $0.06 million; Donald Krantz, $0.77 million; Mark Kubicek, $2.59 million; Margaret Loftus, $0.71 million; Lawrence Lukis (who is also a greater than 5% holder) and his wife Donna Lukis, $25.67 million; and John Tumelty, $0.72 million. Those beneficial owners of 5% or more of our voting securities, and the proceeds they received, were as follows: Gregg Bloom (who ceased to be a 5% holder following this transaction), $7.30 million; Protomold Investment Company, LLC or PIC (an affiliate of our director, Brian Smith), $14.38 million. In connection with these transactions, we entered into a number of agreements, each as described in more detail below.

Investors' Rights Agreement

In August 2008, we entered into an investors' rights agreement with North Bridge and PIC. Under this agreement, we granted to North Bridge and PIC certain registration, information, preemptive and other customary investor rights. In addition, we granted PIC a "put right" whereby it may require us to repurchase its shares of our common stock anytime after August 2, 2018. The agreement was amended in July 2011 to also grant registration rights to Lawrence Lukis, Bradley Cleveland, the KEC 2011 Irrevocable Gift Trust, the JMC 2011 Irrevocable Gift Trust, Donald Krantz, and Mark Kubicek and to provide that the PIC put right will terminate upon the completion of this offering. The registration rights and related provisions are described in more detail under "Description of Capital Stock." Other than the registration rights and related provisions, all material provisions under the investors' rights agreement will terminate upon the completion of this offering.

We also entered into a management rights agreement with North Bridge in August 2008. This agreement, which provides North Bridge with certain additional management and information rights, will terminate upon the completion of this offering.

Right of First Refusal and Co-Sale Agreement

In August 2008, we entered into a right of first refusal and co-sale agreement with North Bridge, PIC, Lawrence Lukis, Bradley Cleveland and certain of our other security holders. Pursuant to the agreement, all parties except for North Bridge, PIC, Mr. Lukis, and Mr. Cleveland granted the company a right of first refusal (and granted North Bridge, PIC, Mr. Lukis and Mr. Cleveland a secondary right of refusal) with respect to certain proposed transfers of our capital stock. North Bridge and PIC were also given a co-sale right that permits them each to participate on a pro-rata basis in any proposed transfer for which the refusal rights apply, but are not exercised. In addition, all parties agreed to a lockup provision that restricts their ability to transfer our capital stock for 180 days following our initial public offering. Except for this lockup provision, all material provisions under this agreement will terminate upon the completion of this offering.

The directors, executive officers and beneficial holders of 5% or more of our voting securities that are parties to this agreement are: North Bridge, PIC, Lawrence Lukis, Bradley Cleveland, Gregg Bloom, Mark Kubicek, Margaret Loftus, Donald Krantz, John Goodman, and John Tumelty.

Voting Agreement

In August 2008, we entered into a voting agreement with North Bridge, PIC, Lawrence Lukis and Yuri Dreizin. The agreement was subsequently amended in June 2011. Pursuant to the agreement, as amended, the parties agree to vote their shares of our capital stock in favor of maintaining a board consisting of eight members, of whom two shall be designated by North Bridge (one of whom was initially Doug Kingsley), one shall be designated by PIC (initially Brian Smith), one shall be designated by a majority of the shares held by PIC, Lawrence Lukis, Yuri Dreizin and Gustavus Adolphus College (initially Lawrence Lukis), one shall be the CEO (initially Bradley Cleveland), and three shall be unaffiliated with the company and mutually acceptable to the other members of the board (initially John Goodman, Margaret Loftus, and Sven Wehrwein). This agreement will terminate upon the completion of this offering.

Agreement with Chief Financial Officer

We entered into an employment agreement with John Judd, our Chief Financial Officer, for the period June 1, 2011 through June 1, 2012. This agreement includes severance and change-in-control provisions and was implemented as an incentive tool to induce our Chief Financial Officer to join our management team and guide us through the initial public offering process and operations as a public company. Under this agreement, Mr. Judd is an at-will employee and receives a base salary of $240,000, is eligible for an annual target cash bonus of 50% of his base salary, and was granted a non-statutory stock option to purchase 12,500 shares of our common stock. Mr. Judd will receive a $75,000 cash bonus on the earlier of the completion of our initial public offering and March 15, 2012. This agreement provides for severance in the amount of his then-current base salary and his then-current target cash bonus if we terminate Mr. Judd without cause or if Mr. Judd resigns with good reason within 18 months following a change in control and if Mr. Judd executes a general waiver and release of claims in favor of the company.

Indemnification of Directors and Officers

We are subject to Minnesota Statutes Chapter 302A, the Minnesota Business Corporation Act, or the Corporation Act. Section 302A.521 of the Corporation Act provides in substance that, unless prohibited by its articles of incorporation or by-laws, a corporation must indemnify an officer or director who is made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person against judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorneys' fees and disbursements, incurred by such person in connection with the proceeding, if certain criteria are met. These criteria, all of which must be met by the person seeking indemnification, are (a) that such person has not been indemnified by another organization or employee benefit plan for the same judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorneys' fees and disbursements, incurred by the person in connection with the proceeding with respect to the same acts or omissions; (b) that such person must have acted in good faith; (c) that no improper personal benefit was obtained by such person and such person satisfied certain statutory conflicts of interest provisions, if applicable; (d) that in the case of a criminal proceeding, such person had no reasonable cause to believe that the conduct was unlawful; and (e) that, in the case of acts or omissions occurring in such person's performance in an official capacity, such person must have acted in a manner such person reasonably believed was in the best interests of the corporation or, in certain limited circumstances, not opposed to the best interests of the corporation. In addition, Section 302A.521, subd. 3, requires payment by us, upon written request, of reasonable expenses in advance of final disposition in certain instances. A decision as to required indemnification is made by a majority of the disinterested board of directors present at a meeting at which a disinterested quorum is present, or by a designated committee of disinterested directors, by special legal counsel, by the disinterested shareholders, or by a court.

We also maintain a director and officer insurance policy to cover our company, our directors and our officers against certain liabilities.

Related Party Transaction Approval Policy

In connection with this offering, our board of directors adopted a written statement of policy regarding transactions with related persons, which we refer to as our related person policy. Subject to the exceptions described below, our related person policy requires our audit committee to review and approve any proposed related person transaction

and all material facts with respect thereto. In reviewing a transaction, our audit committee will consider all relevant facts and circumstances, including (1) whether the terms are fair to the company, (2) whether the transaction is material to the company, (3) the role the related person played in arranging the transaction (4) the structure of the transaction, (5) the interests of all related persons in the transaction, and (6) whether the transaction has the potential to influence the exercise of business judgment by the related person or others. Our audit committee will not approve or ratify a related person transaction unless it determines that, upon consideration of all relevant information, the transaction is beneficial to our company and shareholders and the terms of the transaction are fair to our company. No related person transaction will be consummated without the approval or ratification of our audit committee. It will be our policy that directors interested in a related person transaction will recuse themselves from any vote relating to a related person transaction in which they have an interest. Under our related person policy, a related person includes any of our directors, director nominees, executive officers, any beneficial owner of more than 5% of our common stock and any immediate family member of any of the foregoing. Related party transactions exempt from our policy include payment of compensation by the company to a related person for the related person's service to the company as an employee, director or executive officer, transactions available to all of our employees and shareholders on the same terms and transactions between us and the related person that, when aggregated with the amount of all other transactions between us and the related person or its affiliates, involve $120,000 or less in a year. We did not have a formal review and approval policy for related party transactions at the time of any transaction described in this "Certain Relationships and Related Party Transactions" section.

Principal Shareholders

The following table sets forth information as of June 30, 2011 regarding the beneficial ownership of our common stock (1) immediately prior to and (2) as adjusted to give effect to this offering by:

- each person or group who is known by us to own beneficially more than 5% of our outstanding shares of common stock;
- each of our named executive officers;
- each of our directors and each director nominee; and
- all of the executive officers, directors and director nominees as a group.

For further information regarding material transactions between us and certain of our shareholders, see “Certain Relationships and Related Party Transactions.”

Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of June 30, 2011 are deemed to be outstanding and beneficially owned by the person holding the options or warrants. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Percentage of beneficial ownership is based on 1,348,922 shares of common stock outstanding and shares of common stock to be outstanding after the completion of this offering, including in each case common stock outstanding and common stock to be outstanding upon conversion of our Series A Preferred Stock in connection with this offering and assuming no exercise by the underwriters of their over-allotment option.

Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each shareholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the shareholder. Unless otherwise indicated in the table or footnotes below, the address for each beneficial owner is c/o Proto Labs, Inc., 5540 Pioneer Creek Drive, Maple Plain, Minnesota 55359.

Name and address of beneficial owner	Number of shares beneficially owned	Percentage of shares beneficially owned	
		Before offering	After offering
Greater than 5% shareholders:			
North Bridge Growth Equity I, L.P.	427,985 (1)	31.7%	
Protomold Investment Company, LLC	227,832	16.9%	
Directors and named executive officers:			
Bradley A. Cleveland	109,013 (2)	8.1%	
Rainer Gawlick	1,000 (3)	*	
John B. Goodman	1,500 (4)	*	
Douglas A. Kingsley	427,985 (5)	31.7%	
Lawrence J. Lukis	495,310	36.7%	
Margaret A. Loftus	10,000 (6)	*	
Brian K. Smith	227,832 (7)	16.9%	
Sven A. Wehrwein	200	*	
Donald G. Krantz	7,000 (8)	*	
William R. Langton	15,000 (9)	1.1%	
Jacqueline D. Schneider	4,500 (10)	*	
John B. Tumelty	7,500 (11)	*	
All directors and executive officers as a group (16 persons)	1,323,340 (12)	94.5%	

* Represents beneficial ownership of less than one percent.

(1) Includes 427,985 shares of common stock issuable upon conversion of Series A preferred stock. NBGE Manager, LLC, the managing manager of NBGE GP, LLC, or NBGE, which is the sole general partner of North Bridge Growth Management, L.P., which is the sole general partner of North Bridge Growth Equity I, L.P., has sole vesting and dispositive power over these shares. Douglas A. Kingsley, a director of our company, is a founding managing director of NBGE. Voting and investment power over such shares are vested in the managers of NBGE Manager, LLC, Edward T. Anderson and Richard A. D'Amore. Mr. Anderson, Mr. D'Amore and Mr. Kingsley disclaim beneficial ownership of such shares, except to the extent of any pecuniary interest in them.

(2) Includes 89,013 shares held by Bradley A. Cleveland, as Trustee of the Bradley A. Cleveland Declaration of Trust dated October 10, 2008, and 10,000 shares held by each of (a) Patricia M. Cleveland and Cornerstone Private Asset Trust Company, LLC, as Co-Trustees of the JMC 2011 Irrevocable Gift Trust and (b) Patricia M. Cleveland and Cornerstone Private Asset Trust Company, LLC, as Co-Trustees of the KEC 2011 Irrevocable Gift Trust. Mr. Cleveland disclaims beneficial ownership over the shares of the JMC 2011 Irrevocable Gift Trust and the KEC 2011 Irrevocable Gift Trust and has no voting rights over such shares.

(3) Includes 1,000 shares that Dr. Gawlick has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of stock options.

(4) Includes 1,500 shares that Mr. Goodman has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of stock options.

(5) Includes the shares referred to in footnote (1) above. Mr. Kingsley disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(6) Includes 6,500 shares that Ms. Loftus has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of stock options.

(7) Includes the shares of Protomold Investment Company, LLC, or PIC. Mr. Smith is President of PIC but disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest therein.

(8) Includes 7,000 shares that Dr. Krantz has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of stock options.

(9) Includes 15,000 shares that Mr. Langton has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of stock options.

(10) Includes 4,500 shares that Ms. Schneider has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of stock options.

(11) Includes 7,500 shares that Mr. Tumelty has the right to acquire from us within 60 days of the date of the table pursuant to the exercise of warrants.

(12) Includes the following held by our executive officers and directors, in the aggregate: (a) 44,500 shares that can be acquired from us within 60 days of the date of the table pursuant to the exercise of stock options, (b) 7,500 shares that can be acquired from us within 60 days of the date of the table pursuant to the exercise of warrants, and (c) 427,985 shares issuable upon conversion of Series A preferred stock.

Description of Capital Stock

The following is a description of the material terms of our third amended and restated articles of incorporation and amended and restated by-laws as they will be in effect upon the completion of this offering. They may not contain all of the information that is important to you. To understand them fully, you should read our third amended and restated articles of incorporation and amended and restated by-laws, copies of which are filed with the SEC as exhibits to the registration statement, of which this prospectus is a part.

Authorized Capitalization

Prior to the completion of this offering, our authorized capital stock consists of: (1) shares of common stock and (2) shares of Series A preferred stock. As of , 2011, there were holders of record of our common stock and one holder of record of our Series A preferred stock.

Upon the completion of this offering our third amended and restated articles of incorporation will provide that our authorized capital stock will consist of shares of common stock and shares of undesignated preferred stock. Upon the completion of this offering, all currently outstanding shares of our preferred stock will be converted into shares of a single class of common stock. Immediately following the completion of this offering, we expect to have shares of common stock and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Each share of common stock entitles the holder to one vote with respect to each matter presented to our shareholders on which the holders of common stock are entitled to vote. Our common stock votes as a single class on all matters relating to the election and removal of directors on our board of directors and as provided by law. Holders of our common stock will not have cumulative voting rights. Except in respect of matters relating to the election and removal of directors on our board of directors and as otherwise provided in our third amended and restated articles of incorporation or required by law, all matters to be voted on by our shareholders must be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of election of directors, all matters to be voted on by our shareholders must be approved by a plurality of the votes entitled to be cast by all shares of common stock.

Dividend Rights

Subject to preferences that may be applicable to any outstanding series of preferred stock, the holders of our common stock will receive ratably any dividends declared by our board of directors out of funds legally available for the payment of dividends. It is our present intention not to pay dividends on our common stock for the foreseeable future. Our board of directors may, at its discretion, modify or repeal our dividend policy. Future dividends, if any, with respect to shares of our common stock will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors deems relevant. Our credit facilities currently limit our ability to pay cash dividends. See “Dividend Policy.”

Liquidation Rights

In the event of our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of our common stock have no preemptive or other subscription rights.

Listing

We have applied to have our common stock listed on The NASDAQ Global Select Market under the symbol “PRLB.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Wells Fargo Shareowner Services.

Preferred Stock

On , 2011, there were 427,985 shares of preferred stock outstanding, held of record by one shareholder, North Bridge. Upon the completion of this offering, all outstanding shares of preferred stock will be converted into shares of our common stock. Our third amended and restated articles of incorporation will provide that we may issue up to shares of preferred stock in one or more series as may be determined by our board of directors. Our board has broad discretionary authority with respect to the rights of any new series of preferred stock and may establish the following with respect to the shares to be included in each series, without any vote or action of the shareholders:

- the number of shares;
- the designations, preferences and relative rights, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences; and
- any qualifications, limitations or restrictions.

We believe that the ability of our board to issue one or more series of preferred stock will provide us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that may arise. The authorized shares of preferred stock, as well as authorized and unissued shares of common stock, will be available for issuance without action by our shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded.

Our board may authorize, without shareholder approval, the issuance of preferred stock with voting and conversion rights that could adversely affect the voting power and other rights of holders of common stock. Although our board has no current intention of doing so, it could issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt of our company. Our board could also issue preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of our board, including a tender offer or other transaction that some, or a majority, of our shareholders might believe to be in their best interests or in which shareholders might receive a premium for their stock over the then-current market price. Any issuance of preferred stock therefore could have the effect of decreasing the market price of our common stock.

Our board will make any determination to issue such shares based on its judgment as to our best interests of our company and shareholders. We have no current plan to issue any preferred stock after this offering.

Warrants

We have issued and outstanding warrants to purchase 7,500 shares of our common stock with a weighted average exercise price of $25.00 per share.

Registration Rights

In August 2008, we entered into an investors' rights agreement with North Bridge and PIC. Under this agreement, we granted to North Bridge and PIC certain registration rights. In addition, the agreement was amended in July 2011 to also grant registration rights to Lawrence Lukis, Bradley Cleveland, Donald Krantz, and Mark Kubicek. The terms of the registration rights are described below.

Prior to the completion of this offering, the holders of approximately shares of our common stock, including shares of our preferred stock on an as if converted basis, are entitled to certain registration rights pursuant to the amended and restated investors' rights agreement described in "Certain Relationships and Related Party Transactions." After the completion of this offering, the holders of approximately shares of our common stock will continue to hold those certain registration rights.

Demand Registration Rights

After the completion of this offering, we will be obligated to effect up to three registrations on Form S-1, and up to two registrations on Form S-3 in any 12-month period, as requested by the holders of our common stock having registration rights. A request for registration on Form S-1 for which the aggregate offering price, net of selling expenses, is reasonably expected to be at least $5,000,000 may be made by any holder of registrable securities. After we become eligible to file a registration statement on Form S-3, one or more holders of then outstanding registrable securities may request that the company effect a registration on Form S-3 of a number of registrable securities for which the aggregate offering price, net of selling expenses, is reasonably expected to be at least $3,000,000. We may delay the filing of a registration statement in connection with a demand registration for a period of up to 105 calendar days if our board of directors determines in its good faith judgment that the filing of such registration would be materially detrimental to the company. If the managing underwriter advises us that the number of shares to be included in a demand registration should be limited due to market conditions or otherwise, all shares other than registrable securities will initially be excluded from the registration, and if additional shares must be excluded from the registration, holders of registrable securities will share pro rata in the number of shares to be excluded from the registration based on the respective numbers of registrable securities owned by such holders.

Piggyback Registration Rights

In the event that we propose to register any of our securities under the Securities Act, including this offering, but excluding the registration of securities (i) to be offered pursuant to a stock option or other employee benefit plan or a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities, (ii) relating to an SEC Rule 145 transaction, or (iii) for which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered, we are required to include in these registrations all securities with respect to which we have received written requests for inclusion under our amended and restated investors' rights agreement, subject to certain limitations. If the managing underwriter advises us that the number of shares to be included in such a registration should be limited due to market conditions or otherwise, and we initiated the registration, all shares other than registrable securities, excluding shares to be issued by us, will initially be excluded from the registration, and if additional shares must be excluded from the registration, holders of registrable securities will share pro rata in the number of shares to be excluded from the registration based on the respective numbers of registrable securities owned by such holders, and if further additional shares must be excluded from the registration, shares to be issued by us will be excluded.

We are obligated to pay up to $50,000 of registration expenses of the holders of the shares registered pursuant to the demand and piggyback registrations described above.

Anti-takeover Effects of Minnesota Law and Our Third Amended and Restated Articles of Incorporation and Amended and Restated By-laws

Certain provisions of our third amended and restated articles of incorporation and our amended and restated by-laws may make it less likely that our management would be changed or someone would acquire voting control of our company without our board's consent. These provisions may delay, deter or prevent tender offers or takeover attempts that shareholders may believe are in their best interests, including tender offers or attempts that might allow shareholders to receive premiums over the market price of their common stock.

Preferred Stock

Our board of directors can at any time, under our third amended and restated articles of incorporation, and without shareholder approval, issue one or more new series of preferred stock. In some cases, the issuance of preferred stock without shareholder approval could discourage or make more difficult attempts to take control of our company through a merger, tender offer, proxy contest or otherwise. Preferred stock with special voting rights or other features issued to persons favoring our management could stop a takeover by preventing the person trying to take control of our company from acquiring enough voting shares necessary to take control.

By-laws

Our amended and restated by-laws provide that any action required or permitted to be taken by the shareholders of the company may be effected only at a meeting of shareholders and prohibits shareholder action by less than unanimous written consent in lieu of a meeting.

Special Meetings of Shareholders

Our amended and restated by-laws provide that special meetings of shareholders may be called only by the board, any two or more directors, the Chief Executive Officer, the Chief Financial Officer or one or more shareholders holding 10% or more of the voting power of all shares entitled to vote. Special meetings of shareholders called by shareholders for the purpose of considering any action to facilitate a business combination, including any action to affect the composition of the board for that purpose, must be called by shareholders holding 25% or more of the voting power of all shares entitled to vote. Further, business transacted at any special meeting of shareholders is limited to matters relating to the purpose or purposes stated in the notice of the meeting.

Business Combinations

Several provisions of Minnesota law may deter potential changes in control of us that some shareholders may view as beneficial or that may provide a premium on our stock price. Under Section 302A.673 of the Minnesota Business Corporation Act, a shareholder that beneficially owns 10% or more of the voting power of our outstanding shares (an interested shareholder) generally cannot consummate a business combination with us, or any subsidiary of ours, within four years following the time the interested shareholder crosses the 10% stock ownership threshold, unless the business combination is approved by a committee of disinterested members of our board before the time the interested shareholder crosses the 10% stock ownership threshold.

Section 302A.675 of the Minnesota Business Corporation Act generally prohibits an offeror from acquiring our shares within two years following the offeror’s last purchase of our shares pursuant to a takeover offer with respect to that class, unless our shareholders may sell their shares to the offeror upon substantially equivalent terms as those provided in the earlier takeover offer. This provision does not apply if the share acquisition is approved by a committee of disinterested members of our board before the purchase of any shares by the offeror pursuant to the earlier takeover offer.

Shares Eligible for Future Sale

Prior to this offering, there has been no public market for our common stock. No prediction can be made as to the effect, if any, future sales of shares, or the availability of shares for future sales, will have on the market price of our common stock prevailing from time to time. The sale of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of our common stock.

Sale of Restricted Shares

Upon the completion of this offering, based upon the number of shares of our common stock outstanding as of , 2011, and assuming the conversion of all outstanding shares of our preferred stock into shares of common stock upon the completion of this offering, and further assuming no exercise of outstanding options and warrants, we will have shares of our common stock outstanding. Of these shares, shares, or in the event the underwriters' over-allotment option is exercised in full, shares, of our common stock sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares of our common stock purchased by our affiliates, as that term is defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below.

The remaining shares of our common stock outstanding upon the completion of this offering are deemed restricted shares, as that term is defined under Rule 144 of the Securities Act.

Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, which rules are described below.

The restricted shares and the shares held by our affiliates will be available for sale in the public market as follows:

- shares will be eligible for sale immediately on the date of this prospectus pursuant to Rule 144;
- shares will be eligible for sale at various times beginning 90 days after the date of this prospectus pursuant to Rules 144 and 701; and
- shares subject to the lock-up agreements will be eligible for sale at various times beginning 180 days after the date of effectiveness of the registration statement of which this prospectus forms a part pursuant to Rules 144 and 701.

Rule 144

Under Rule 144, in general, persons who became the beneficial owner of shares of our common stock prior to the completion of this offering may not sell their shares until the earlier of (i) the expiration of a six-month holding period, if we have been subject to the reporting requirements of the Exchange Act and have filed all required reports for at least 90 days prior to the date of the sale, or (ii) the expiration of a one-year holding period.

At the expiration of the six-month holding period, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available, and a person who was one of our affiliates at any time during the three months preceding a sale would be entitled to sell within any three-month period only a number of shares of common stock that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on The NASDAQ Global Select Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

At the expiration of the one-year holding period, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock without restriction. A person who was one of our affiliates at any time during the three months preceding a sale would remain subject to the volume restrictions described above.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchased shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering, or who purchased shares from us after that date upon the exercise of options granted before that date, are eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of this prospectus. If such person is not an affiliate, the sale may be made subject only to the manner-of-sale restrictions of Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

Options and Warrants

Upon the completion of this offering, stock options to purchase a total of shares of our common stock will be outstanding with a weighted average per share exercise price of $. We have reserved shares of common stock for issuance pursuant to our 2011 Long-Term Incentive Plan. This number is subject to increase on an annual basis and subject to increase for shares of stock subject to awards under our prior equity plans that expire unexercised or otherwise do not result in the issuance of shares subject to the award. Upon the completion of this offering, warrants to purchase a total of shares of our common stock will be outstanding with a weighted average per share exercise price of $. In general, under Rule 701 of the Securities Act as currently in effect, any of our employees, consultants or advisors who purchase shares of our common stock from us pursuant to options granted prior to the completion of this offering under one of our current or former stock option plans or other written agreement is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. Additionally, following the completion of this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our common stock issued or reserved for issuance under our 2000 Stock Option Plan and 2011 Long-Term Incentive Plan. The first such registration statement is expected to be filed soon after the date of this prospectus and will automatically become effective upon filing with the SEC. Accordingly, shares registered under such registration statement will be available for sale in the open market following the effective date, unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lock-up restrictions described below.

Lock-Up Agreements

We, each of our officers and directors, and substantially all of our other shareholders have agreed, subject to certain exceptions, with the underwriters not to dispose of or hedge any of the shares of common stock or securities convertible into or exchangeable for shares of common stock during the period ending 180 days after the effectiveness of the registration statement of which this prospectus forms a part without the prior written consent of Jefferies & Company, Inc. and Piper Jaffray & Co., except, in our case, for the issuance of common stock upon either the exercise of outstanding warrants or the exercise of options under existing option plans, the grant of equity awards under existing option plans, and certain other exceptions. Jefferies & Company, Inc. and Piper Jaffray & Co. may, in their sole discretion, release any of these shares from these restrictions at any time upon providing notice as required by applicable FINRA rules. Jefferies & Company, Inc. and Piper Jaffray & Co. have advised us that there are no specific criteria for the waiver of the lock-up restrictions. See “Underwriting.”

Registration Rights

Certain of our shareholders have registration rights pursuant to an amended and restated investors’ rights agreement amongst the company and those shareholders. See “Description of Capital Stock” for a more detailed description of registration rights.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

The following is a summary of material U.S. federal income and estate tax consequences of the purchase, ownership and disposition of our common stock to a non-U.S. holder that purchases shares of our common stock in this offering. For purposes of this summary, a "non-U.S. holder" means a beneficial owner of our common stock that is, for U.S. federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation or an entity treated as a foreign corporation for U.S. federal income tax purposes;
- a foreign estate; or
- a foreign trust.

In the case of a holder that is classified as a partnership for U.S. federal income tax purposes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partner and the partnership. If you are a partner in a partnership holding our common stock, then you should consult your own tax advisor.

This summary is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary. We have not sought and do not plan to seek any ruling from the U.S. Internal Revenue Service, which we refer to as the IRS, with respect to statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with our statements and conclusions.

This summary does not address all aspects of U.S. federal income taxes that may be relevant to non-U.S. holders in light of their personal circumstances, and does not deal with federal taxes other than the U.S. federal income tax or estate tax or with non-U.S., state or local tax considerations. Special rules, not discussed here, may apply to certain non-U.S. holders, including:

- U.S. expatriates;
- controlled foreign corporations;
- passive foreign investment companies;
- corporations that accumulate earnings to avoid U.S. federal income tax; and
- investors in pass-through entities that are subject to special treatment under the Code.

Such non-U.S. holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

This summary applies only to a non-U.S. holder that holds our common stock as a capital asset (within the meaning of Section 1221 of the Code).

If you are considering the purchase of our common stock, you should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our common stock, as well as the consequences to you arising under U.S. tax laws other than the federal income tax law or under the laws of any other taxing jurisdiction.

Dividends

As discussed under the section entitled "Dividend Policy" above, we do not currently anticipate paying dividends. In the event that we do make a distribution of cash or property with respect to our common stock, any such distributions will be treated as a dividend for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends paid to you generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be

specified by an applicable income tax treaty. However, dividends that are effectively connected with your conduct of a trade or business within the United States and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment, are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis in the same manner as if you were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If the amount of a distribution paid on our common stock exceeds our current and accumulated earnings and profits, such excess will be allocated ratably among each share of common stock with respect to which the distribution is paid and treated first as a tax-free return of capital to the extent of your adjusted tax basis in each such share, and thereafter as capital gain from a sale or other disposition of such share of common stock that is taxed to you as described below under the heading "—Gain on Disposition of Common Stock".

If you wish to claim the benefit of an applicable treaty rate to avoid or reduce withholding of U.S. federal income tax for dividends, then you must (a) provide the withholding agent with a properly completed IRS Form W-8BEN (or other applicable form) and certify under penalties of perjury that you are not a U.S. person as defined under the Code and are eligible for treaty benefits, or (b) if our common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that act as intermediaries (including partnerships).

If you are eligible for a reduced rate of U.S. federal income tax pursuant to an income tax treaty, then you may obtain a refund of any excess amounts withheld by filing timely an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

You generally will not be subject to U.S. federal income tax with respect to gain realized on the sale or other taxable disposition of our common stock, unless:

- the gain is effectively connected with your trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to your United States permanent establishment);
- if you are an individual, you are present in the United States for 183 days or more in the taxable year of the sale or other taxable disposition, and certain other conditions are met; or
- we are or have been during a specified testing period a "U.S. real property holding corporation" for U.S. federal income tax purposes, and certain other conditions are met.

We believe that we have not been and are not, and we do not anticipate becoming, a "U.S. real property holding corporation" for U.S. federal income tax purposes.

If you are an individual non-U.S. holder described in the first bullet point immediately above, you will be subject to tax on the net gain derived from the sale at generally applicable United States federal income tax rates, subject to an applicable income tax treaty providing otherwise. If you are an individual non-U.S. holder described in the second bullet point immediately above, you will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States source capital losses, even though you are not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code and, in addition, if a corporation, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

Federal Estate Tax

Common stock held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding Tax

We must report annually to the IRS and to you the amount of dividends paid to you and the amount of tax, if any, withheld with respect to such dividends, regardless of whether withholding was required. The IRS may make this information available to the tax authorities in the country in which you are resident.

In addition, you may be subject to information reporting requirements and backup withholding tax (currently at a rate of 28%) with respect to dividends paid on, and the proceeds of disposition of, shares of our common stock, unless, generally, you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person or you otherwise establish an exemption. Additional rules relating to information reporting requirements and backup withholding tax with respect to payments of the proceeds from the disposition of shares of our common stock are as follows:

- If the proceeds are paid to or through the U.S. office of a broker, the proceeds generally will be subject to backup withholding tax and information reporting, unless you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person (and we do not have actual knowledge or reason to know that you are a U.S. person) or you otherwise establish an exemption.
- If the proceeds are paid to or through a non-U.S. office of a broker that is not a U.S. person and is not a foreign person with certain specified U.S. connections (a "U.S.-related person"), information reporting and backup withholding tax generally will not apply.
- If the proceeds are paid to or through a non-U.S. office of a broker that is a U.S. person or a U.S.-related person, the proceeds generally will be subject to information reporting (but not to backup withholding tax), unless you certify under penalties of perjury (usually on IRS Form W-8BEN) that you are not a U.S. person or you otherwise establish an exemption.

Any amounts withheld under the backup withholding tax rules may be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is timely furnished by you to the IRS.

Additional Withholding Requirements

Under recently enacted legislation, the relevant withholding agent may be required to withhold 30% of any dividends and the proceeds of a sale of our common stock paid after December 31, 2012 to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders to the IRS and meets certain other specified requirements or is otherwise exempt from such withholding or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies with the relevant withholding agent that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements, or is otherwise exempt from withholding.

THE SUMMARY OF MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES ABOVE IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. POTENTIAL PURCHASERS OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS OF PURCHASING, OWNING AND DISPOSING OF OUR COMMON STOCK.

Underwriting

Subject to the terms and conditions set forth in the underwriting agreement to be dated on or about , 2011, between us and Jefferies & Company, Inc. and Piper Jaffray & Co., as representatives of the several underwriters, we have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from us, the number of shares of our common stock indicated in the table below:

Underwriter	Number of Shares of Common Stock
Jefferies & Company, Inc.	
Piper Jaffray & Co.	
William Blair & Company, L.L.C.	
Craig-Hallum Capital Group LLC	
Total	

Jefferies & Company, Inc. and Piper Jaffray & Co. are acting as joint book-running managers of this offering.

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares if any of them are purchased, other than those shares covered by the over-allotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that they currently intend to make a market in our common stock. However, the underwriters are not obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for our common stock.

The underwriters are offering the shares of our common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. In addition, the underwriters have advised us that they do not intend to confirm sales to any account over which they exercise discretionary authority.

Commission and Expenses

The underwriters have advised us that they propose to offer the shares of our common stock to the public at the initial public offering price set forth on the cover of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of $ per share to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds to be received by us as set forth on the cover of this prospectus.

The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Per Share		Total	
	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares
Public offering price	$	$	$	$
Underwriting discounts and commissions payable by us	$	$	$	$
Proceeds to us, before expenses	$	$	$	$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $.

Determination of Offering Price

Prior to the offering, there has not been a public market for our common stock. Consequently, the initial public offering price for our common stock will be determined by negotiations between us and the underwriters. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which our common stock will trade in the public market subsequent to the offering or that an active trading market for our common stock will develop and continue after the offering.

Listing

We have applied to have our common stock approved for listing on The NASDAQ Global Select Market under the trading symbol "PRLB."

Option to Purchase Additional Shares

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of our common stock at the public offering price set forth on the cover of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares than the total number set forth on the cover of this prospectus.

No Sales of Similar Securities

We, our officers and directors, and the holders of substantially all of our outstanding capital shares and other securities have agreed, subject to specified exceptions, not to directly or indirectly:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-l(h) under the Exchange Act, or
- otherwise dispose of any shares of our common stock, options or warrants to acquire shares of our common stock, or securities exchangeable or exercisable for or convertible into shares of our common stock currently or hereafter owned either of record or beneficially, or
- publicly announce an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of Jefferies & Company, Inc. and Piper Jaffray & Co.

These restrictions terminate after the close of trading of the shares of our common stock on and including the 180th day after the date of this prospectus. However, subject to certain exceptions, in the event that either:

- during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period,

then in either case the expiration of the 180-day restricted period will be extended until the expiration of the 18-day period beginning on the date of the issuance of an earnings release or the occurrence of the material news or event, as applicable, unless Jefferies & Company, Inc. and Piper Jaffray & Co. waive, in writing, such an extension.

Jefferies & Company, Inc. and Piper Jaffray & Co. may, in their sole discretion and at any time or from time to time before the termination of the 180-day period, without public notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the restricted period.

Stabilization

The underwriters have advised us that, pursuant to Regulation M under the Exchange Act, certain persons participating in the offering may engage in transactions, including over-allotment, stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of our common stock at a level above that which might otherwise prevail in the open market. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Establishing short sales positions may involve either “covered” short sales or “naked” short sales.

“Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

“Naked” short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of our common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of our common stock. A syndicate covering transaction is the bid for or the purchase of shares of our common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if shares of our common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

Electronic Distribution

A prospectus in electronic format may be made available by e-mail or on websites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of our common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' websites and any information contained in any other website maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

Affiliations

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and certain of their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Investors

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, no offer of any securities which are the subject of the offering contemplated by this prospectus has been or will be made to the public in that Relevant Member State other than any offer where a prospectus has been or will be published in relation to such securities that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the relevant competent authority in that Relevant Member State in accordance with the Prospectus Directive, except that with effect from and including the Relevant Implementation Date, an offer of such securities may be made to the public in that Relevant Member State:

(a) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Switzerland

The securities which are the subject of the offering contemplated by this prospectus may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. None of this prospectus or any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

None of this prospectus or any other offering or marketing material relating to the offering, us or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the securities.

United Kingdom

This prospectus is only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion)

Order 2005, as amended, or the Order, and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person").

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on these documents or any of their contents.

Australia

This prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, have not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

A. You confirm and warrant that you are:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made; or
- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor or professional investor under the Corporations Act, any offer made to you under this prospectus is void and incapable of acceptance.

B. You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and any other relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the underwriters will not offer or sell any securities,

directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means, unless otherwise provided herein, any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been and will not be lodged or registered with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or the invitation for subscription or purchase of the securities may not be issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person as defined under Section 275(2), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor as defined under Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;

(ii) where no consideration is given for the transfer; or

(iii) where the transfer is by operation of law.

Market and Industry Data

We obtained the market, industry and competitive position data in this prospectus from our own internal estimates and research as well as from industry and general publications and research surveys and studies conducted by third parties. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. In addition, while we believe our internal company research is reliable and the market definitions we use are appropriate, neither our internal research nor these definitions have been verified by any independent source.

Legal Matters

The validity of the common stock offered hereby will be passed upon for us by Faegre & Benson LLP, Minneapolis, Minnesota. Cooley LLP, San Francisco, California is counsel to the underwriters in connection with this offering.

Experts

The consolidated financial statements of Proto Labs, Inc. at December 31, 2009 and 2010, and for each of the three years in the period ended December 31, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Where You Can Find Additional Information

We have filed with the SEC a registration statement on Form S-1 under the Securities Act that registers the shares of our common stock to be sold in this offering. The registration statement, including the attached exhibits, contains additional relevant information about us and our common stock. The rules and regulations of the SEC allow us to omit from this document certain information included in the registration statement.

You may read and copy the reports and other information we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information regarding the operation of the public reference room by calling 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that website is http://www.sec.gov. This reference to the SEC's website is an inactive textual reference only and is not a hyperlink.

Upon the completion of this offering, we will become subject to the reporting, proxy and information requirements of the Exchange Act and, as a result, will be required to file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference room and the website of the SEC referred to above, as well as on our website, www.protolabs.com. This reference to our website is an inactive textual reference only and is not a hyperlink. The contents of our website are not part of this prospectus, and you should not consider the contents of our website in making an investment decision with respect to our common stock.

PROTO LABS, INC.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Proto Labs, Inc.

We have audited the accompanying consolidated balance sheets of Proto Labs, Inc. as of December 31, 2009 and 2010, and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Proto Labs, Inc. at December 31, 2009 and 2010 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
July 22, 2011

Proto Labs, Inc.

Consolidated Balance Sheets

	December 31, 2009	December 31, 2010	March 31, 2011 (unaudited)	Pro Forma Shareholders' Equity at March 31, 2011 (Note 2) (unaudited)
	(in thousands, except share and per share amounts)			
Assets				
Current assets				
Cash and cash equivalents	$ 2,703	$ 6,101	$ 9,687	
Short-term marketable securities	1,749	750	500	
Accounts receivable, net of allowance for doubtful accounts of $205, $158 and $107 as of December 31, 2009 and 2010 and March 31, 2011, respectively	5,472	8,373	10,742	
Inventory	1,069	1,606	1,771	
Prepaid expenses and other current assets	944	1,835	1,765	
Deferred tax assets	226	222	222	
Total current assets	12,163	18,887	24,687	
Property and equipment, net	16,634	19,467	20,887	
Total assets	$ 28,797	$ 38,354	$ 45,574	
Liabilities, redeemable convertible stock, and shareholders' equity (deficit)				
Current liabilities				
Accounts payable	$ 1,533	$ 2,755	$ 3,493	
Accrued compensation	1,141	1,706	2,182	
Accrued liabilities and other	250	260	304	
Income taxes payable	101	—	1,154	
Current portion of long-term debt obligations	4,605	3,742	2,977	
Total current liabilities	7,630	8,463	10,110	
Deferred tax liability	759	1,311	1,311	
Long-term debt obligations	4,691	1,290	1,440	
Other	217	666	804	
Redeemable convertible stock				
Redeemable convertible preferred stock, $0.001 par value, 427,985 shares authorized, issued and outstanding	57,717	61,896	62,927	$ —
Redeemable common stock, $0.001 par value, 227,832 shares issued and outstanding	819	819	819	—
Shareholders' equity (deficit)				
Common stock, $0.001 par value, authorized 2,077,985 shares; issued and outstanding 528,423, 572,375, 616,167 and 1,271,984 shares as of December 31, 2009 and 2010, March 31, 2011 and March 31, 2011 pro forma	1	1	1	1
Additional paid in capital	5,516	5,903	6,323	70,069
Accumulated deficit	(48,309)	(41,537)	(37,845)	(37,845)
Accumulated other comprehensive income	(244)	(458)	(316)	(316)
Total shareholders' equity (deficit)	(43,036)	(36,091)	(31,837)	$ 31,909
Total liabilities, redeemable convertible preferred stock, redeemable common stock and shareholders' equity (deficit)	$ 28,797	$ 38,354	$ 45,574	

The accompanying notes are an integral part of these consolidated financial statements.

Proto Labs, Inc.

Consolidated Statements of Operations

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(in thousands, except per share amounts)				
Statements of Operations:					
Revenue	$ 44,440	$ 43,833	$ 64,919	$ 13,214	$ 22,335
Cost of revenue	17,738	18,559	25,443	5,341	8,429
Gross profit	26,702	25,274	39,476	7,873	13,906
Operating expenses:					
Marketing and sales	7,481	8,262	10,867	2,369	3,215
Research and development	3,125	3,140	4,281	1,044	1,112
General and administrative	5,438	5,965	7,629	1,626	2,506
Loss on impairment of foreign subsidiary assets	—	—	773	—	—
Total operating expenses	16,044	17,367	23,550	5,039	6,833
Income from operations	10,658	7,907	15,926	2,834	7,073
Other income (expense), net	(374)	(517)	(213)	(165)	(81)
Income before income taxes	10,284	7,390	15,713	2,669	6,992
Provision for income taxes	3,421	3,167	4,762	1,025	2,269
Net income	6,863	4,223	10,951	1,644	4,723
Less: dividends on redeemable preferred stock	(1,752)	(4,180)	(4,179)	(1,031)	(1,031)
Less: undistributed earnings allocated to preferred shareholders	(786)	(16)	(2,377)	(215)	(1,259)
Net income attributable to common shareholders	$ 4,325	$ 27	$ 4,395	$ 398	$ 2,433
Net income per share attributable to common shareholders:					
Basic	$ 4.41	$ 0.04	$ 5.55	$ 0.50	$ 2.94
Diluted	$ 3.60	$ 0.03	$ 4.71	$ 0.41	$ 2.65
Weighted average shares outstanding:					
Basic	980,747	754,639	791,388	790,131	827,245
Diluted	1,200,240	942,983	932,247	982,541	919,161
Pro forma net income per share (unaudited)					
Basic			$ 8.98		$ 3.76
Diluted			$ 8.05		$ 3.51
Pro forma weighted average shares outstanding used in computing net income per share (unaudited)					
Basic			1,219,373		1,255,230
Diluted			1,360,232		1,347,146

The accompanying notes are an integral part of these consolidated financial statements.

Proto Labs, Inc.

Consolidated Statements of Shareholders' Equity (Deficit)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	(in thousands, except share amounts)			
Balance at January 1, 2008	786,852	$ 1	$ 2,285	$ 9,079	$ (97)	$ 11,268
Common stock issued on exercise of options	98,990	—	552	—	—	552
Preferred stock dividends	—	—	—	(1,752)	—	(1,752)
Stock-based compensation expense	—	—	123	—	—	123
Tax benefit from stock-based compensation	—	—	3,515	—	—	3,515
Repurchase of company stock and warrants	(362,419)	—	(1,239)	(62,542)	—	(63,781)
Other comprehensive income:						
Net income	—	—	—	6,863	—	6,863
Foreign currency translation adjustment	—	—	—	—	(299)	(299)
Comprehensive income						6,564
Balance at December 31, 2008	523,423	1	5,236	(48,352)	(396)	(43,511)
Common shares issued upon exercise of options	5,000	—	35	—	—	35
Preferred stock dividends	—	—	—	(4,180)	—	(4,180)
Stock-based compensation expense	—	—	245	—	—	245
Other comprehensive income:						
Net income	—	—	—	4,223	—	4,223
Foreign currency translation adjustment	—	—	—	—	152	152
Comprehensive income						4,375
Balance at December 31, 2009	528,423	1	5,516	(48,309)	(244)	(43,036)
Common shares issued upon exercise of options	43,952	—	56	—	—	56
Preferred stock dividends	—	—	—	(4,179)	—	(4,179)
Stock-based compensation expense	—	—	331	—	—	331
Other comprehensive income:						
Net income	—	—	—	10,951	—	10,951
Foreign currency translation adjustment	—	—	—	—	(214)	(214)
Comprehensive income						10,737
Balance at December 31, 2010	572,375	1	5,903	(41,537)	(458)	(36,091)
Common shares issued upon exercise of options	43,792	—	222	—	—	222
Preferred stock dividends	—	—	—	(1,031)	—	(1,031)
Stock-based compensation expense	—	—	198	—	—	198
Other comprehensive income:						
Net income	—	—	—	4,723	—	4,723
Foreign currency translation adjustment	—	—	—	—	142	142
Comprehensive income						4,865
Balance at March 31, 2011 (unaudited)	616,167	$ 1	$ 6,323	$ (37,845)	$ (316)	$ (31,837)

The accompanying notes are an integral part of these consolidated financial statements.

Proto Labs, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)	(unaudited)	
Operating activities					
Net income	$ 6,863	$ 4,223	$10,951	$ 1,644	$ 4,723
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	2,612	2,907	3,483	813	893
Compensation expense related to stock options	123	245	331	71	198
Deferred taxes	59	679	561	—	—
Loss on impairment of foreign subsidiary assets	—	—	773	—	—
Loss on disposal of property and equipment	8	84	26	—	—
Changes in operating assets and liabilities:					
Accounts receivable	(1,813)	920	(2,993)	(1,439)	(2,324)
Inventories	(344)	(44)	(537)	(95)	(152)
Prepaid expenses and other	(172)	34	(801)	(295)	94
Income taxes	(20)	82	(104)	417	1,146
Accounts payable	731	(462)	1,148	238	710
Accrued liabilities and other	238	(273)	1,174	694	708
Net cash provided by operating activities	8,285	8,395	14,012	2,048	5,996
Investing activities					
Proceeds from sale of property and equipment	129	61	30	—	—
Purchases of property and equipment	(4,092)	(5,086)	(7,069)	(892)	(2,262)
Purchases of marketable securities	(4,000)	(5,750)	(1,504)	(751)	—
Proceeds from sale of marketable securities	2,000	6,002	2,502	1,000	250
Net cash used in investing activities	(5,963)	(4,773)	(6,041)	(643)	(2,012)
Financing activities					
Proceeds from issuance of debt	10,091	1,015	417	417	637
Payments on debt	(1,930)	(4,457)	(4,702)	(1,212)	(1,284)
Proceeds from sale of preferred stock	51,786	—	—	—	—
Repurchase of company stock	(66,330)	—	—	—	—
Excess tax benefit from stock-based compensation	3,515	—	—	—	—
Proceeds from exercises of warrants and stock options	552	35	56	18	222
Net cash used in financing activities	(2,316)	(3,407)	(4,229)	(777)	(425)
Effect of exchange rate changes on cash	177	(170)	(344)	(35)	27
Net increase in cash and cash equivalents	183	45	3,398	593	3,586
Cash and cash equivalents, beginning of period	2,475	2,658	2,703	2,703	6,101
Cash and cash equivalents, end of period	$ 2,658	$ 2,703	$ 6,101	$ 3,296	$ 9,687
Supplemental cash flow disclosure					
Cash paid for interest	$ 413	$ 347	$ 256	$ 87	$ 53
Cash paid for taxes	$ 1,616	$ 2,338	$ 4,663	$ 600	$ 503

The accompanying notes are an integral part of these consolidated financial statements.

Proto Labs, Inc.

Notes to Consolidated Financial Statements

1. Nature of Business

Organization and business

Proto Labs, Inc. and its subsidiaries (Proto Labs or the Company) is an online and technology-enabled manufacturer of quick-turn computer numerical control (CNC) machined and injection molded custom parts for prototyping and short-run production. The Company's customers are product developers worldwide who require a faster and less expensive way to obtain low volumes of parts. The Company's proprietary technology eliminates most of the time-consuming and expensive skilled labor conventionally required to quote and manufacture parts in low volumes, and its customers conduct nearly all of their business with the Company over the Internet. The Company targets its services to the millions of product developers who use three-dimensional (3D) computer-aided design (CAD) software to design products across a diverse range of end-markets. The Company has established operations in the United States, Europe and Japan, three of the largest geographic markets where these product developers are located. The Company's primary manufacturing services currently include Firstcut, which is a CNC machining service, and Protomold, which is a plastic injection molding service. Proto Labs, Inc. is located in Maple Plain, Minnesota. The Company's subsidiaries, Proto Labs Limited and Proto Labs G.K. are located in Telford, United Kingdom and Ebina City, Kanagawa, Japan, respectively.

2. Summary of Significant Accounting Policies

Unaudited interim financial information

The accompanying balance sheet as of March 31, 2011, statements of operations and cash flow for the three months ended March 31, 2010 and 2011, statement of shareholders' equity for the three months ended March 31, 2011 and related financial data and other information disclosed in these Notes to Consolidated Financial Statements as of March 31, 2011 and for the three month periods ended March 31, 2010 and 2011 are unaudited. In the opinion of the Company's management, the unaudited interim financial statements have been prepared on the same basis as the annual audited financial statements and all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, cash flows, and changes in shareholders' deficit at March 31, 2011 and for the interim periods ended March 31, 2010 and 2011 have been made. Interim results are not necessarily indicative of the results that will be achieved for the year or any other interim period for any future year.

Upon the consummation of the initial public offering contemplated by the Company, all of the outstanding shares of convertible preferred stock will automatically convert into shares of common stock. The March 31, 2011 unaudited pro forma consolidated balance sheet data has been prepared assuming the conversion of the redeemable convertible preferred stock outstanding into 427,985 shares of common stock, and the redemption rights associated with the redeemable common stock being extinguished resulting in the reclassification of 227,832 shares of common stock into Shareholders' Equity.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Proto Labs Limited and Proto Labs G.K. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and other highly liquid investments with maturities of three months or less at the date of purchase. Cash equivalents are stated at fair value. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are reported face amount less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances and credit conditions taking into account the history of write-offs and collections. A receivable is considered past due if payment has not been received within the period agreed upon in the invoice. Accounts receivable are written off after all collection efforts have been exhausted. Recoveries of trade receivables previously written off are recorded when received.

Inventory

Inventory consists primarily of raw materials, which are recorded at the lower of cost or market, using the average-cost method, which approximates first-in, first-out (FIFO) cost. The Company periodically reviews its inventory for slow-moving, damaged and discontinued items and provides allowances to reduce such items identified to their recoverable amounts.

Property, equipment and leasehold improvements

Property, equipment and leasehold improvements are stated at cost. Major improvements that substantially extend an asset’s useful life are capitalized. Repairs, maintenance and minor improvements are charged to operations as incurred. Depreciation, including amortization of leasehold improvements, is calculated using the straight-line method over the estimated useful lives of the individual assets and ranges from 3 to 39 years. Manufacturing equipment is depreciated over 3 to 7 years, office furniture and equipment are depreciated over 3 to 7 years, computer hardware and software are depreciated over 3 to 5 years, building costs are depreciated over 39 years, leasehold improvements are depreciated over the estimated lives of the related assets or the life of the lease, whichever is shorter, and building and land improvements are depreciated over 10 to 39 years. Assets not in service are not depreciated until the related asset is put into use.

Accounting for long-lived assets

The Company periodically reviews the carrying amount of its property, equipment and leasehold improvements to determine if circumstances exist indicating an impairment or if depreciation periods should be modified. If facts or circumstances support the possibility of impairment, the Company will prepare a projection of the undiscounted future cash flows of the specific assets to determine if the assets are recoverable. If an impairment exists based on these projections, an impairment adjustment will be made to reduce the carrying amount of the specific assets to fair value.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Revenue is recognized upon transfer of title and risk of loss, which is generally upon the shipment of parts. Mold revenue is recognized upon the shipment of the parts made from the mold. Freight billed to customers is included in revenues, and all freight expenses paid by the Company are included in cost of revenue.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies (continued)

Income taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes* (ASC 740). Under this method, the Company determines tax assets and liabilities based upon the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. The tax consequences of most events recognized in the current year's financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities and equity, revenues, expenses, gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax basis of assets or liabilities and their reported amounts in the financial statements. Because the Company assumes that the reported amounts of assets and liabilities will be recovered and settled, respectively, a difference between the tax basis of an asset or liability and its reported amount in the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of the assets are recovered, giving rise to a deferred tax asset or liability.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements. Additionally, ASC 740 provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Stock-based compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, *Compensation—Stock Compensation* (ASC 718). Under the fair value recognition provisions of ASC 718, the Company measures stock-based compensation cost at the grant date fair value and recognizes the compensation expense over the requisite service period, which is the vesting period, using a straight-line attribution method. The amount of stock-based compensation expense recognized during a period is based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting award forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will only be for those awards that vest. The Company's awards are not eligible to vest early in the event of retirement, however, the awards vest early in the event of a change in control.

In determining the compensation cost of the options granted, the fair value of options granted has been estimated on the date of grant using the Black-Scholes option-pricing model.

Advertising costs

Advertising is expensed as incurred and was approximately $3.7 million, $3.5 million and $3.6 million for the years ended December 31, 2008, 2009 and 2010, respectively. Advertising costs for the three months ended March 31, 2010 and 2011 were $0.8 million and $1.2 million, respectively.

Research and development

Research and development expenses consist primarily of personnel costs related to the development of new processes and services, enhancement of existing services, quality assurance, and testing. The Company follows ASC 350-40, *Internal Use Software*, in accounting for internally developed software. At December 31, 2008, 2009 and 2010, all internal use software projects were in the post-implementation/operation stage and therefore, no software development costs were capitalized. No software development costs were capitalized during the three months ended March 31, 2010 or 2011.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies (continued)

Foreign currency translation/transactions

The Company translated the balance sheets of its foreign subsidiaries, Proto Labs Limited and Proto Labs G.K., at period-end exchange rates and the income statement at the average exchange rates in effect throughout the period. The Company has recorded the translation adjustment as a separate component of consolidated shareholders' equity (deficit). Foreign currency transaction gains and losses are recognized in the consolidated statements of operation.

Comprehensive income

Components of comprehensive income include net income and foreign currency translation adjustments. Comprehensive income is disclosed in the accompanying consolidated statements of shareholders' equity (deficit).

Net income per common share

Basic net income or loss per share is calculated in accordance with ASC Topic 260, *Earnings Per Share* (ASC 260) . Basic earnings per share (EPS) is calculated using the weighted average common shares outstanding in each period under the two-class method. The two class method requires that the Company include in its basic EPS calculation when dilutive, the effect of the Company's convertible preferred stock as if that stock were converted into common shares. The convertible preferred shares are not included in the Company's basic EPS calculation when the effect of inclusion would be antidilutive.

Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents, unless the effect of inclusion would result in the reduction of a loss or the increase in income per share. For purposes of this calculation, the Company's stock options are considered to be potential common shares and are only included in the calculation of diluted EPS when the effect is dilutive. The shares used to calculate basic and diluted EPS represent the weighted average common shares outstanding. The Company's preferred shareholders have the right to participate with common shareholders in the dividends and unallocated income. Net losses are not allocated to the preferred shareholders. Therefore, when applicable, basic and diluted EPS are calculated using the two-class method as the Company's convertible preferred shareholders have the right to participate, or share in the undistributed earnings with common shareholders.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies (continued)

The following table presents the calculation of net income per basic and diluted share attributable to common shareholders:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(In thousands, except share and per share amounts)				
Net Income	$ 6,863	$ 4,223	$ 10,951	$ 1,644	$ 4,723
Less: dividends on redeemable preferred stock	(1,752)	(4,180)	(4,179)	(1,031)	(1,031)
Less: undistributed earnings allocated to preferred shareholders	(786)	(16)	(2,377)	(215)	(1,259)
Net income attributable to common shareholders	$ 4,325	$ 27	$ 4,395	$ 398	$ 2,433
Basic shares:					
Weighted average shares used to compute basic net income per share	980,747	754,639	791,388	790,131	827,245
Diluted shares:					
Effect of potentially dilutive options and warrants	219,493	188,344	140,859	192,410	91,916
Weighted average shares used to compute diluted net income per share	1,200,240	942,983	932,247	982,541	919,161
Net income per share attributable to common shareholders:					
Basic	$ 4.41	$ 0.04	$ 5.55	$ 0.50	$ 2.94
Diluted	$ 3.60	$ 0.03	$ 4.71	$ 0.41	$ 2.65

Weighted average diluted shares excludes redeemable convertible preferred stock as it was anti-dilutive for all periods presented.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies (continued)

The following table sets forth the calculation of unaudited pro forma net income per basic and diluted share which gives effect to the conversion of all outstanding shares of redeemable convertible preferred stock as if the conversion had occurred on January 1, 2010:

	Year Ended December 31, 2010	Three Months Ended March 31, 2011
	(unaudited) (in thousands, except share and per share amounts)	
Net income attributable to common shareholders, as reported	$ 4,395	$ 2,433
Dividends on redeemable convertible preferred shares	4,179	1,031
Undistributed earnings allocated to preferred shareholders	2,377	1,259
Pro forma net income	$ 10,951	$ 4,723
Basic weighted average shares outstanding, as reported	791,388	827,245
Add: common shares from conversion of redeemable convertible preferred shares	427,985	427,985
Pro forma basic weighted average shares outstanding	1,219,373	1,255,230
Effect of potentially dilutive options and warrants	140,859	91,916
Pro forma diluted weighted average shares outstanding	1,360,232	1,347,146
Pro forma net income per share		
Basic	$ 8.98	$ 3.76
Diluted	$ 8.05	$ 3.51

Recent accounting pronouncements

In January 2010, FASB issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosure about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 revises two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. The amendments also clarify that disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. The ASU is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010.

In May 2011, FASB issued *ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.* This accounting update generally aligns the principles for fair value measurements and the related disclosure requirements under U.S. GAAP and International Financial Reporting Standards. From a U.S. GAAP perspective, the amendments are largely clarifications, but some could have a significant effect on certain companies. A number of new disclosures also are required. Except for certain disclosures, the guidance applies to public and nonpublic companies and is to be applied prospectively. For public companies and nonpublic companies, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early adoption by public companies is not permitted. Nonpublic companies may apply the amendments early, but no earlier than for interim periods beginning after December 15, 2011.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

3. Fair value measurements

ASC Topic 820, *Fair Value Measurement* (ASC 820), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

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

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

The Company's cash and equivalents consist of bank deposits. The Company's short-term marketable securities consist of certificates of deposits at various banks and treasury notes. The Company determines the fair value of all investments using Level I inputs.

A summary of financial assets measured at fair value on a recurring basis is as follows:

	Total	Quoted Market Price in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
December 31, 2008				
Cash and cash equivalents	$2,658	$ 2,658	$ —	$ —
Short term marketable securities	$2,000	$ 2,000	$ —	$ —
December 31, 2009				
Cash and cash equivalents	$2,703	$ 2,703	$ —	$ —
Short term marketable securities	$1,749	$ 1,749	$ —	$ —
December 31, 2010				
Cash and cash equivalents	$6,101	$ 6,101	$ —	$ —
Short term marketable securities	$ 750	$ 750	$ —	$ —
March 31, 2011 (unaudited)				
Cash and cash equivalents	$9,687	$ 9,687	$ —	$ —
Short term marketable securities	$ 500	$ 500	$ —	$ —

During 2010, the Company determined certain equipment held by Proto Labs G.K. was impaired. In accordance with ASC 360, *Property, Plant and Equipment*, the Company adjusted these assets to their estimated fair value. The non-recurring fair value measurement was determined using Level II inputs including estimated selling prices and transportation costs, and these assets have been reported at their estimated fair value of 1.3 million at December 31, 2010.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

4. Property and Equipment

Property and equipment consists of the following:

	December 31, 2009	December 31, 2010	March 31, 2011 (unaudited)
		(in thousands)	
Land	$ 1,220	$ 1,730	$ 1,730
Buildings and improvements	3,155	4,679	4,679
Machinery and equipment	16,074	19,325	20,235
Computer hardware and software	2,506	3,130	3,323
Leasehold improvements	1,954	1,809	1,819
Construction in progress	370	841	2,146
	25,279	31,514	33,932
Accumulated depreciation and amortization	(8,645)	(12,047)	(13,045)
Property and equipment, net	$16,634	$ 19,467	$ 20,887

Depreciation and amortization expense for the years ended December 31, 2008, 2009 and 2010 was $2.6 million, $2.9 million and $3.5 million, respectively. Depreciation and amortization expense for the three months ended March 31, 2010 and 2011 was $0.8 million and $0.9 million, respectively.

During 2010, the Company determined that certain equipment held by Proto Labs G.K. was impaired. This resulted in an impairment charge of $0.8 million for the year ended December 31, 2010.

5. Inventory

The Company's inventory consists of the following:

	December 31, 2009	December 31, 2010	March 31, 2011 (unaudited)
		(in thousands)	
Raw materials	$ 996	$1,509	$ 1,690
Work in process	118	154	145
Total inventory	1,114	1,663	1,835
Allowance for obsolescence	(45)	(57)	(64)
Inventory, net of allowance	$1,069	$1,606	$ 1,771

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

6. Financing Obligations

The Company's debt consists of the following:

	December 31, 2009	December 31, 2010	March 31, 2011 (unaudited)
		(in thousands)	
Equipment note payable to a bank with interest at daily one-month LIBOR plus 1.4%, due in monthly principal payments of $50 plus interest, through June 2012, secured by certain assets of the Company	$ 1,500	$ 900	$ 750
Term note payable to a bank with interest at daily one-month LIBOR plus 2.0%, due in quarterly principal payments of $833 plus interest monthly, through September 2011, secured by certain assets of the Company	5,833	2,500	1,666
Various obligations under capital leases, with interest rates from 4.5% to 10.3%, dues in various monthly installments, including interest, through various dates through April 2015, secured by equipment	1,963	1,632	2,001
	9,296	5,032	4,417
Less current portion	4,605	3,742	2,977
	$ 4,691	$ 1,290	$ 1,440

Maturities on long-term debt obligations at December 31, 2010 are as follows:

Years Ending December 31,	(in thousands)
2011	$ 3,742
2012	886
2013	273
2014	110
2015	21
	$ 5,032

The Company has a revolving line of credit expiring March 31, 2012 (revolving note), if not renewed. Under this revolving note, the Company may borrow a maximum amount of $5,000,000 at an interest rate equal to LIBOR plus 2.0 percent (2.26 percent on December 31, 2010 and 2.375 percent on March 31, 2011). The revolving note is subject to borrowing base requirements on assets of the Company, including inventory and accounts receivable and is secured by substantially all assets of the Company. The revolving note requires the Company to comply with certain financial covenants. The Company was in violation of a covenant relating to capital expenditures for the year ended December 31, 2010, which was waived subsequent to year-end. There were no advances outstanding on the revolving note as of December 31, 2008, 2009, and 2010 and for the three months ended March 31, 2011.

7. Employee Benefit Plans

The Company maintains a 401(k) retirement plan that covers most of its employees. Under the plan, a full-time or regular part-time (over 20 hours/week) employee becomes a participant after completing six months of employment. Employees may elect to contribute up to 50 percent of regular gross pay, subject to federal law limits on the dollar

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

7. Employee Benefit Plans (continued)

amount that participants may contribute to the plan, each calendar year. The Company matches part of the employee contributions and may make a discretionary contribution to the plan. Total employer contributions were approximately $0.3 million in each of 2008, 2009 and 2010 and $0.1 million in each of the three months ended March 31, 2010 and 2011.

The Company also sponsors a defined contribution retirement plan that covers the employees of Proto Labs Limited. Total employer contributions were approximately $32,000 for the year ended December 31, 2010. There were no employer contributions to this plan during 2008 or 2009.

8. Stock-Based Compensation

Under the 2000 Stock Option Plan (the Plan), a total of 475,000 shares of common stock of the Company are authorized for the granting of incentive stock options and nonqualified stock options and warrants to various individuals and entities who provide services to the Company or any of its subsidiaries. The Plan is administered by a committee of two or more directors of the Company appointed by the board of directors. The exercise price of any stock options granted is equal to their fair market value per share at the date of the grant. Options and warrants expire 10 years after the date of the grant and are subject to various rights and restrictions contained in the Plan. Options and warrants typically vest on a graded scale over a period of five years.

The Company determines its stock-based compensation in accordance with ASC 718, *Compensation—Stock Compensation* (ASC 718), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and non-employee directors based on fair value.

Determining the appropriate fair value model and calculating the fair value of stock option grants requires the input of highly subjective assumptions. The Company uses the Black-Scholes option pricing model to value its stock option awards. Stock-based compensation expense is calculated using our best estimates, which involve inherent uncertainties and the application of management's judgment. Significant estimates include its expected term, fair value of Company common stock, stock price volatility and forfeiture rates.

The expected term represents the weighted average period that the Company's stock options are expected to be outstanding. The expected term is based on the observed and expected time to post-vesting exercise of options by employees and non-employee directors and considers the impact of post-vesting award forfeitures. The Company estimates the fair value of its common stock using the assistance of an independent third-party valuation specialist using the income and market approach. As the Company has been operating as a private company since inception with a limited market for its stock, the Company has based its assumptions on the volatility of stock price using outside valuation services and an estimate of the volatility of its common stock based on volatility of similar sized public entities. The Company bases the risk-free interest rate that it uses in the Black-Scholes option pricing model on U.S. Treasury instruments with maturities similar to the expected term of the award being valued. The Company has never paid and does not anticipate paying, any cash dividends in the foreseeable future and, therefore, the Company uses an expected dividend yield of zero in the option pricing model. In order to properly attribute compensation expense, the Company is required to estimate pre-vesting forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense for those awards that are expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, stock-based compensation expense could be significantly different from what has been recorded. The Company allocates stock-based compensation expense on a straight-line basis over the requisite service period.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

8. Stock-Based Compensation (continued)

The following table provides the assumptions used in the Black-Scholes option pricing model for the years ended December 31, 2008, 2009 and 2010:

	Year Ended December 31,		
	2008	2009	2010
Risk-free interest rate	3.60 - 4.10%	3.05 - 3.44%	3.35%
Expected life (years)	5	5 - 10	10
Expected volatility	25.92 - 43.24%	39.00 - 48.22%	38.05%
Expected dividend yield	0%	0%	0%
Weighted average grant date fair value	$26.40	$44.26	$59.71

The Company issued no stock options in the three months ended March 31, 2010 and 2011.

The following table summarizes stock option activity and the weighted average exercise price for the years 2008, 2009, and 2010 and for the three months ended March 31, 2011 (unaudited):

	Number of Shares	Weighted Average Exercise Price
Options outstanding at January 1, 2008	226,909	$ 11.09
Granted	13,000	77.07
Exercised	(98,990)	5.58
Cancelled	(500)	51.39
Options outstanding at December 31, 2008	140,419	20.93
Granted	16,500	77.85
Exercised	(5,000)	7.00
Cancelled	(3,300)	104.12
Options outstanding at December 31, 2009	148,619	25.61
Granted	47,000	110.00
Exercised	(43,952)	1.20
Cancelled	(6,000)	56.31
Options outstanding at December 31, 2010	145,667	73.44
Granted	—	—
Exercised	(4,500)	9.00
Cancelled	—	—
Options outstanding at March 31, 2011 (unaudited)	141,167	$ 60.05
Exercisable at March 31, 2011 (unaudited)	69,367	$ 30.36

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

8. Stock-Based Compensation (continued)

The following table summarizes information about stock options outstanding at December 31, 2010:

	Options Outstanding, Vested and Expected to Vest			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price ($)	Number Exercisable	Weighted Average Exercise Price ($)
$1.00 to $10.00	40,017	2.50	6.60	40,017	6.60
$25.00 to $47.19	24,500	5.51	34.79	23,500	34.27
$51.39 to $59.81	12,150	6.34	52.43	6,650	52.66
$63.60 to $69.93	10,500	7.29	66.61	4,500	66.84
$77.85	11,500	8.35	77.85	2,300	77.85
$110.00	47,000	9.98	110.00	—	—

The fair value of share-based payment transactions is recognized in the statements of operations. As of March 31, 2011, there was $3.1 million of total unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted average period of 4.2 years.

9. Commitments

The Company leases property from third parties. The Company leases a portion of its U.S. facilities, and the lease term expires in July 2017. The Company leases office and manufacturing space in the United Kingdom, and the initial term expires February 2016. The Company leases office and manufacturing space in Japan, and the initial term expires February 2012; however, the Company has the option to extend the term of this lease in three-year periods indefinitely. The Company also has the ability to terminate this lease, with no penalty, upon six months' notice.

The Company has acquired capital equipment under capital leases.

Future minimum commitments under non-cancelable leases at December 31, 2010, are as follows:

	Capital Leases	Operating Leases
	(in thousands)	
Years ending:		
2011	$ 736	$ 663
2012	640	777
2013	295	728
2014	115	728
2015	21	728
2016	—	306
Total future minimum lease payments	1,807	$ 3,930
Less interest cost	(175)	
Net present value of minimum lease payments	$1,632	

Rental expense was approximately $0.7 million, $0.8 million, and $0.9 million for the years ended December 31, 2008, 2009 and 2010, respectively, and $0.2 million for each of the three months ended March 31, 2010 and 2011.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

10. Income Taxes

The provision for income taxes is based on income before income taxes reported for financial statement purposes. The components of income before income taxes are as follows:

	Year Ended December 31,			Three Months Ended March 31, 2011
	2008	2009	2010	(unaudited)
	(in thousands)			
United States	$ 9,504	$ 8,933	$17,073	$ 7,123
International	780	(1,543)	(1,360)	(131)
Total	$10,284	$ 7,390	$15,713	$ 6,992

Significant components of the provision for income taxes for the following periods are as follows:

	December 31,		
	2008	2009	2010
	(in thousands)		
Current:			
Federal	$2,910	$2,379	$ 3,493
State	270	113	185
Foreign	—	231	528
Deferred:			
Federal	48	379	627
State	(35)	30	8
Foreign	157	(987)	(1,227)
Valuation allowance	71	1,022	1,148
Total	$3,421	$3,167	$ 4,762

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

A reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

	Year Ended December 31,		
	2008	2009	2010
Federal tax statutory rate	34.0%	34.0%	34.0%
State tax (net of federal benefit)	1.3	2.1	1.0
Qualified subsidiary election	0.0	0.0	(11.0)
Research and development credit	(1.0)	(2.8)	(0.9)
Valuation allowance against deferred tax assets	0.7	13.8	7.3
Foreign rate differential	(0.6)	(2.9)	(1.7)
Tax reserves	0.0	0.0	2.3
Domestic manufacturing deduction	0.0	(2.1)	(1.9)
Effect of IRS adjustment	(0.8)	0.0	(0.4)
Provision to return	(0.6)	(0.6)	0.5
Miscellaneous	0.3	1.3	1.1
Effective income tax rate	33.3%	42.8%	30.3%

Significant components of deferred tax assets and liabilities are as follows:

	December 31,	
	2009	2010
	(in thousands)	
Deferred tax asset:		
Accrued Expenses	$ 154	$ 108
Warrants and stock options	106	120
Intangibles	91	103
Inventories	107	118
Net operating loss	1,093	2,241
Less valuation allowance	(1,093)	(2,241)
Total deferred tax assets	458	449
Deferred tax liabilities:		
Depreciation	(991)	(1,538)
Total deferred tax liabilities	(991)	(1,538)
Net deferred tax liability	$ (533)	$(1,089)

The Company has recorded no U.S. deferred taxes related to the undistributed earnings of its non-U.S. subsidiaries as of December 31, 2010. Such amounts are intended to be reinvested outside of the United States indefinitely. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings.

The valuation allowances established for foreign subsidiaries are due to lack of sufficient positive evidence to realize the deferred tax assets associated with the net operating losses. At December 31, 2008, 2009 and 2010 and March 31, 2011, the Company has operating loss carry forwards of $0.2 million, $2.7 million, $5.5 million and

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

10. Income Taxes (continued)

$6.3 million, respectively, which expire at various times beginning in 2015 through 2018. The Company has established a valuation allowance against these net operating loss carry forwards as it does not believe they will be realizable before expiration.

The Company has liabilities related to unrecognized tax benefits totaling $0.4 million at December 31, 2010, that if recognized would result in a reduction of the Company's effective tax rate. No liabilities related to unrecognized tax benefits were recognized during 2008 or 2009. The liabilities were classified as other long-term liabilities in the accompanying consolidated balance sheets. The Company does not anticipate that total unrecognized tax benefits will materially change in the next twelve months. The Company recognizes interest and penalties related to income tax matters in income tax expense and reports the liability in current or long-term income taxes payable as appropriate. The Company has not recognized any interest and penalties as of the periods listed below. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31, 2010
	(in thousands)
Balance at beginning of period	$ —
Gross increases for tax positions of current year	392
Balance at period end	$ 392

11. Warrants

At December 31, 2008, 2009 and 2010, the Company had issued and outstanding fully vested warrants for the purchase of up to 109,013 shares of common stock at an exercise price of $4.58 per share and for the purchase of up to 7,500 shares at an exercise price of $25.00 per share. These warrants were held by two executive officers. During the three months ended March 31, 2011, certain of these warrants with an exercise price of $4.58 per share were exercised, resulting in the issuance of 39,292 shares of common stock. As of March 31, 2011, common stock warrants to purchase 69,721 shares at an exercise price of $4.58 per share and 7,500 shares at an exercise price of $25.00 remained outstanding.

12. Redeemable Convertible Preferred Stock

In August 2008, the Company sold 427,985 shares of redeemable convertible preferred stock. The shares are entitled to one vote per equivalent common share. Each share of redeemable convertible preferred stock is convertible at any time at the option of the holder into the same number of shares of common stock of the Company.

The redeemable convertible preferred stock is entitled to receive an 8% annual dividend. The dividends accrue daily, whether or not declared, and are cumulative. These dividends are only payable when and if declared by the board of directors. Upon liquidation and/or sales of the assets of the Company, each holder of redeemable convertible preferred stock shall be entitled to the greater of $122.06, plus any accrued dividends or such amount per share as would have been payable had all shares of redeemable convertible preferred stock been converted into common stock. Upon the successful completion of an initial public offering, all accrued dividends expire.

At any time on or after August 1, 2014, the holders of the redeemable convertible preferred stock have the right to have the Company purchase up to 50% of their shares of redeemable convertible preferred stock then outstanding at a per share purchase price equal to the greater of $122.06 plus any accrued dividends or the fair market value per share of the shares redeemed. At any time on or after August 1, 2015, the holders of the redeemable convertible preferred stock have the right to have the Company purchase up to 100% of their shares of redeemable convertible preferred stock then outstanding.

Proto Labs, Inc.

Notes to Consolidated Financial Statements, Continued

13. Redeemable Common Stock

During 2008, the Company executed an Investors' Rights Agreement with certain investors that supplements the Stock Purchase Agreement executed in 2005. The Investors' Rights Agreement provides the investors certain rights, including the right to require the Company to redeem the 227,832 shares of common stock owned by the investor at the then current fair market value. The investor may exercise these rights any time after August 2, 2018 and these redemption rights expire upon the completion of an initial public offering of Company securities.

14. Litigation

From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business. Although the results of litigation and claims cannot be predicted with certainty, the Company does not believe it is a party to any litigation the outcome of which, if determined adversely, would individually or in the aggregate be reasonably expected to have a material adverse effect on its business.

15. Segment and Geographic Information

The Company's two operating segments are Protomold injection molding and Firstcut CNC machining. The Company has aggregated the two operating segments into one reportable segment based upon their similar operational and economic characteristics.

Revenue to external customers and long-lived assets by geography are as follows (in thousands):

	Year Ended December 31,		
	2008	2009	2010
Revenue:			
United States	$34,099	$33,343	$48,059
International			
Europe	8,852	8,723	11,607
Other	1,489	1,767	5,253
Total international	10,341	10,490	16,860
Total revenue	$44,440	$43,833	$64,919

	December 31,	
	2009	2010
Long-lived assets:		
United States	$13,017	$16,476
International		
Europe	2,346	2,231
Other	1,271	760
Total international	3,617	2,991
Total long-lived assets	$16,634	$19,467

Table of Contents

Shares

Common Stock

PRELIMINARY PROSPECTUS

Jefferies
Piper Jaffray

William Blair & Company
Craig-Hallum Capital Group

, 2011

Part II
Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts, expected to be incurred by the registrant in connection with the sale of the common stock being registered. All amounts are estimates except the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee.

SEC registration fee	$11,610
FINRA filing fee	10,500
NASDAQ listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent fees and expenses	*
Miscellaneous	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

We are subject to Minnesota Statutes Chapter 302A, the Minnesota Business Corporation Act, or the Corporation Act. Section 302A.521 of the Corporation Act provides in substance that, unless prohibited by its articles of incorporation or by-laws, a corporation must indemnify an officer or director who is made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person against judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorneys' fees and disbursements, incurred by such person in connection with the proceeding, if certain criteria are met. These criteria, all of which must be met by the person seeking indemnification, are (a) that such person has not been indemnified by another organization or employee benefit plan for the same judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorneys' fees and disbursements, incurred by the person in connection with the proceeding with respect to the same acts or omissions; (b) that such person must have acted in good faith; (c) that no improper personal benefit was obtained by such person and such person satisfied certain statutory conflicts of interest provisions, if applicable; (d) that in the case of a criminal proceeding, such person had no reasonable cause to believe that the conduct was unlawful; and (e) that, in the case of acts or omissions occurring in such person's performance in an official capacity, such person must have acted in a manner such person reasonably believed was in the best interests of the corporation or, in certain limited circumstances, not opposed to the best interests of the corporation. In addition, Section 302A.521, subd. 3, requires payment by us, upon written request, of reasonable expenses in advance of final disposition in certain instances. A decision as to required indemnification is made by a majority of the disinterested board of directors present at a meeting at which a disinterested quorum is present, or by a designated committee of disinterested directors, by special legal counsel, by the disinterested shareholders, or by a court.

We also maintain a director and officer insurance policy to cover our company, our directors and our officers against certain liabilities.

Item 15. Recent Sales of Unregistered Securities

In the three years preceding the filing of this registration statement, we issued the securities indicated below that were not registered under the Securities Act. All share and price information in the table below does not reflect the impact of the conversion of all of our preferred stock into common stock upon the consummation of this offering, but does reflect the for forward stock split of our common stock that became effective on , 2011.

Person or Class of Person to whom Securities Sold	Type of Securities	Date of Sale	Preferred	Common	Total Consideration
Employee/Director Option or Warrant Exercise	Common	07/29/2008	0	11,840	$ 20,720
North Bridge Growth Equity I, L.P.	Preferred	08/01/2008	427,985	0	$ 52,239,849
Employee/Director Option or Warrant Exercise	Common	06/12/2009	0	5,000	$ 35,000
Employee/Director Option or Warrant Exercise	Common	01/04/2010	0	32,452	$ 16,226
Employee/Director Option or Warrant Exercise	Common	01/04/2010	0	3,000	$ 1,500
Employee/Director Option or Warrant Exercise	Common	12/29/2010	0	3,500	$ 28,000
Employee/Director Option or Warrant Exercise	Common	12/28/2010	0	1,000	$ 7,000
Employee/Director Option or Warrant Exercise	Common	12/29/2010	0	4,000	$ 4,000
Employee/Director Option or Warrant Exercise	Common	02/01/2011	0	39,292	$ 179,957
Employee/Director Option or Warrant Exercise	Common	02/23/2011	0	3,000	$ 30,000
Employee/Director Option or Warrant Exercise	Common	02/28/2011	0	1,500	$ 10,500
Employee/Director Option or Warrant Exercise	Common	06/13/2011	0	69,721	$ 319,322
Employee/Director Option or Warrant Exercise	Common	06/16/2001	0	7,217	$ 7,217

The above-described sale of Series A Preferred Stock was made in reliance upon the exemption from registration requirements of the Securities Act available under Section 4(2) of the Securities Act and Rule 506 of Regulation D. This sale did not involve any underwriters, underwriting discounts or commissions or any public offering. The recipient of the securities in this transaction represented that it was a sophisticated person and that it intended to acquire the securities for investment only and not with a view to, or for sale in connection with, any distribution thereof, and an appropriate legend was affixed to the share certificate and instrument issued in such sale. We believe that the purchaser either received adequate information about us or had adequate access, through its relationships with us, to such information.

All other issuances of common stock described above were made pursuant to the exercise of stock options or warrants granted to our officers, directors, employees and consultants in reliance upon an available exemption from the registration requirements of the Securities Act, including those contained in Rule 701 promulgated under Section 3(b) of the Securities Act. Among other things, we relied on the fact that, under Rule 701, companies that are not subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act are exempt from registration under the Securities Act with respect to certain offers and sales of securities pursuant to “compensatory benefit plans” as defined under that rule.

The following table sets forth information on the stock options issued by us in the three years preceding the filing of this registration statement.

Date of Issuance	Number of Shares	Exercise Price ($/Sh)
March 11, 2008	5,500	$ 63.60
May 12, 2008	2,500	$ 69.93
June 3, 2008	2,000	$ 69.93
June 11, 2008	500	$ 69.93
September 25, 2008	2,500	$ 121.00
April 28, 2009	16,000	$ 77.85
October 28, 2009	500	$ 77.85
December 21, 2010	47,000	$ 110.00
June 22, 2011	16,000	$ 281.00

No cash consideration was paid to us by any recipient of any of the foregoing options for the grant of such options. All of the stock options described above were granted to our officers, employees and consultants in reliance upon an available exemption from the registration requirements of the Securities Act, including those contained in Rule 701 promulgated under Section 3(b) of the Securities Act. Among other things, we relied on the fact that, under Rule 701, companies that are not subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act are exempt from registration under the Securities Act with respect to certain offers and sales of securities pursuant to "compensatory benefit plans" as defined under that rule.

Item 16. Exhibits and Financial Statement Schedules

See the Exhibit Index following the signature page.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the purchase agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this registration statement or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability under the Securities Act to any purchaser, if the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser;

(1) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(2) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(3) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(4) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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Signatures

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement, or amendment thereto, to be signed on its behalf by the undersigned, thereunto duly authorized, in Maple Plain, Minnesota on July 22, 2011.

PROTO LABS, INC.

By: /S/ BRADLEY A. CLEVELAND
Bradley A. Cleveland
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this registration statement, or amendment thereto, has been signed by the following persons in the capacities indicated on July 22, 2011.

Signature	Title	Date
*	Chairman and Chief Technology Officer	July 22, 2011
Lawrence J. Lukis		
/S/ BRADLEY A. CLEVELAND	President, Chief Executive Officer and Director	July 22, 2011
Bradley A. Cleveland	*(principal executive officer)*	
*	Chief Financial Officer	July 22, 2011
John R. Judd	*(principal financial and accounting officer)*	
*	Director	July 22, 2011
Rainer Gawlick		
*	Director	July 22, 2011
John B. Goodman		
*	Director	July 22, 2011
Douglas A. Kingsley		
*	Director	July 22, 2011
Margaret A. Loftus		
*	Director	July 22, 2011
Brian K. Smith		
*	Director	July 22, 2011
Sven A. Wehrwein		

BY: /S/ BRADLEY A. CLEVELAND
Bradley A. Cleveland
Attorney-in-Fact

* Signed on individual's behalf by attorney-in-fact

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Exhibit Index

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Articles of Incorporation of Proto Labs, Inc., as currently in effect
3.2*	Third Amended and Restated Articles of Incorporation of Proto Labs, Inc., to be in effect upon the completion of this offering
3.3	Amended and Restated By-Laws of Proto Labs, Inc., as currently in effect
3.4*	Amended and Restated By-Laws of Proto Labs, Inc., to be in effect upon the completion of this offering
4.1*	Form of certificate representing common shares of Proto Labs, Inc.
5.1*	Opinion of Faegre & Benson LLP as to the legality of the securities being offered
10.1	Voting Agreement, dated as of August 1, 2008, among Proto Labs, Inc., the Investors named on Schedule A thereto, and the Key Holders named on Schedule B thereto
10.2	Amendment No. 1 to Voting Agreement, dated as of May 31, 2011, among Proto Labs, Inc., North Bridge Growth Equity I, L.P., Protomold Investment Company, LLC, and Lawrence Lukis
10.3	Right of First Refusal and Co-Sale Agreement, dated as of August 1, 2008, among Proto Labs, Inc., the Investors named on Schedule A thereto, and the Key Holders named on Schedule B thereto
10.4	Management Rights Agreement, dated as of August 1, 2008, by Proto Labs, Inc.
10.5	Amended and Restated Investors' Rights Agreement, dated as of July 19, 2011, among Proto Labs, Inc. and the Investors named on Schedule A thereto
10.6†	Executive Employment Agreement, dated as of June 1, 2011, between Proto Labs, Inc. and John R. Judd
10.7†	2000 Stock Option Plan, as amended
10.8†	Form of Incentive Stock Option Agreement under 2000 Stock Option Plan
10.9†	Form of Non-Statutory Stock Option Agreement (Directors) under 2000 Stock Option Plan
10.10†	Form of Non-Statutory Stock Option Agreement (U.S. Employees) under 2000 Stock Option Plan
10.11†	Form of Non-Statutory Stock Option Agreement (U.S. Employees) under 2000 Stock Option Plan
10.12†	Form of Non-Statutory Stock Option Agreement (U.K. Employees) under 2000 Stock Option Plan
10.13†*	2011 Long-Term Incentive Plan
10.14†*	Form of Incentive Stock Option Agreement under 2011 Long-Term Incentive Plan
10.15†*	Form of Non-Statutory Stock Option Agreement (Directors) under 2011 Long-Term Incentive Plan
10.16†*	Form of Non-Statutory Stock Option Agreement (U.S. Employees) under 2011 Long-Term Incentive Plan
10.17†*	Form of Non-Statutory Stock Option Agreement (U.K. Employees) under 2011 Long-Term Incentive Plan
21.1	Subsidiaries of Proto Labs, Inc.
23.1*	Consent of Faegre & Benson LLP (included in their opinion filed as Exhibit 5.1)
23.2	Consent of Ernst & Young LLP
24.1	Powers of Attorney

* To be filed by amendment.
† Indicates management contract or compensatory plan or arrangement.

Exhibit 3.1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PROTO LABS, INC.

Proto Labs, Inc., a corporation organized and existing under and by virtue of the provisions of the Minnesota Business Corporation Act, Chapter 302A of the Minnesota Statutes (the "**MBCA**"),

DOES HEREBY CERTIFY:

1. That the name of this corporation is Proto Labs, Inc., and that this corporation was originally incorporated pursuant to the MBCA on May 5, 1999 under the name The ProtoMold Company, Inc.

2. That the Board of Directors duly adopted resolutions proposing to amend and restate the Articles of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its shareholders, and authorizing the appropriate officers of this corporation to solicit the consent of the shareholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the Articles of Incorporation of this corporation be amended and restated in its entirety to read as follows:

FIRST: The name of this corporation is Proto Labs, Inc. (the "**Corporation**").

SECOND: The address of the registered office of the Corporation in the State of Minnesota is 5540 Pioneer Creek Drive in the City of Maple Plain, County of Hennepin.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the MBCA.

FOURTH: The aggregate number of shares of all classes of stock that the Corporation shall have authority to issue is (i) two million seventy-seven thousand nine hundred eighty-five (2,077,985) shares of Common Stock, $.001 par value per share ("**Common Stock**"), and (ii) four hundred twenty-seven thousand nine hundred eighty-five (427,985) shares of Preferred Stock, $.001 par value per share ("**Preferred Stock**").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of Common Stock are subject to and qualified by the rights, powers and preferences of the holders of Preferred Stock set forth herein.

2. Voting. The holders of Common Stock are entitled to one vote for each share of Common Stock held at all meetings of shareholders (and written actions in lieu of meetings). No shareholder of the Corporation shall have any cumulative voting rights.

B. PREFERRED STOCK

All shares of the authorized and unissued Preferred Stock of the Corporation are hereby designated "**Series A Preferred Stock**" with the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. Unless otherwise indicated, references to "Sections" or "Subsections" in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.

1. Dividends.

From and after the date of the issuance of any shares of Series A Preferred Stock, dividends at the rate of 8% of the Series A Original Issue Price (as defined below) per share per annum shall accrue on such shares of Series A Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock) (the "**Accruing Dividends**"). Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative; provided however, that except as set forth in the following sentence of this Section 1 or in Subsection 2.1 and Section 6, such Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors, and the Corporation shall be under no obligation to pay such Accruing Dividends. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to obtaining any consents required elsewhere in the Articles of Incorporation) the holders of Series A Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Accruing Dividends then accrued on such share of Series A Preferred Stock and not previously paid, or (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series A Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to the Series A Original Issue Price (as defined below); provided that, if the

Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series A Preferred Stock pursuant to this Section 1 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series A Preferred Stock dividend; provided further that if the dividend paid to the holders of Series A Preferred Stock is an amount set forth in clause (ii) above, then all unpaid Accruing Dividends shall be deemed to be paid following the payment of such dividend. The "**Series A Original Issue Price**" shall mean $122.06 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock.

2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 Payments to Holders of Series A Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series A Original Issue Price, plus any Accruing Dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such liquidation, dissolution or winding up (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series A Liquidation Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1, the holders of shares of Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts that would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

2.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment of all preferential amounts required to be paid to the holders of shares of Series A Preferred Stock, the remaining assets of the Corporation available for distribution to its shareholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

2.3 Deemed Liquidation Events.

2.3.1 Definition. Each of the following events shall be considered a "**Deemed Liquidation Event**" unless the holders of at least a majority of the outstanding shares of Series A Preferred Stock elect otherwise by written notice sent to the Corporation at least 10 days prior to the effective date of any such event:

(a) a merger or consolidation (including a share exchange) in which

(i) the Corporation is a constituent party or

(ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this Subsection 2.3.1, all shares of Common Stock issuable upon exercise of Options (as defined below) outstanding immediately prior to such merger or consolidation or upon conversion of Convertible Securities (as defined below) outstanding immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged); or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

2.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 2.3.1(a)(i) unless the agreement or plan of merger or consolidation or exchange for such transaction (the "**Merger Agreement**") provides that the consideration payable to the shareholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2. The Corporation will provide the holders of Series A Preferred Stock with at least 30 days written notice prior to a Deemed Liquidation Event.

(b) In the event of a Deemed Liquidation Event referred to in Subsections 2.3.1(a)(ii) or 2.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the MBCA within 90 days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Series A Preferred Stock no later than the 90th day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Series A Preferred Stock, and (ii) if the holders of at least a majority of the then outstanding shares of Series A Preferred Stock so request in a written instrument delivered to the Corporation not later than 120 days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology

licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its shareholders (the **"Available Proceeds**"), to the extent legally available therefor, on the 150th day after such Deemed Liquidation Event, to redeem all outstanding shares of Series A Preferred Stock at a price per share equal to the Series A Liquidation Amount. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Series A Preferred Stock, the Corporation shall redeem a pro rata portion of each holder's shares of Series A Preferred Stock to the fullest extent of such Available Proceeds, based on the respective amounts that would otherwise be payable in respect of the shares to be redeemed if the Available Proceeds were sufficient to redeem all such shares, and shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor. The provisions of Subsections 6.2 through 6.4 shall apply, with such necessary changes in the details thereof as are necessitated by the context, to the redemption of the Series A Preferred Stock pursuant to this Subsection 2.3.2(b). Prior to the distribution or redemption provided for in this Subsection 2.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

2.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

3. Voting.

3.1 General. On any matter presented to the shareholders of the Corporation for their action or consideration at any meeting of shareholders of the Corporation (or by written consent of shareholders in lieu of a meeting), each holder of outstanding shares of Series A Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Articles of Incorporation, holders of Series A Preferred Stock shall vote together with the holders of Common Stock as a single class.

3.2 Election of Directors. The holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect two directors of the Corporation (the "**Series A Directors**") and the holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to elect five directors of the Corporation. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such shareholders duly called for that purpose or pursuant to a written consent of shareholders. If the holders of shares of Series A Preferred Stock or Common Stock, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively and as a separate class, pursuant to the first sentence of this Subsection 3.2, then any directorship not so filled shall remain vacant until such time as the

holders of Series A Preferred Stock or Common Stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by shareholders of the Corporation other than by the shareholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class. The holders of record of the shares of Common Stock and of any other class or series of voting stock (including the Series A Preferred Stock), exclusively and voting together as a single class, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 3.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Subsection 3.2. The rights of the holders of Series A Preferred Stock and the rights of the holders of Common Stock under the first sentence of this Subsection 3.2 shall be modified as follows: (A) on the first date following the Series A Original Issue Date on which the issued and outstanding shares of Series A Preferred Stock represent less than 15% but more than 3% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis), then the holders of record of shares of Series A Preferred Stock shall be entitled to elect one director of the Corporation and the holders of record of shares of Common Stock, exclusively and as a separate class, shall be entitled to elect six directors of the Corporation, and (B) on the first date following the Series A Original Issue Date on which the issued and outstanding shares of Series A Preferred Stock represent less than 3% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis), then the rights of the holders of Series A Preferred Stock and the rights of the holders of Common Stock under the first sentence of this Subsection 3.2 shall be terminated.

3.3 Series A Preferred Stock Protective Provisions. At any time when shares of Series A Preferred Stock issued and outstanding represent at least 3% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis), the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Articles of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(a) liquidate, dissolve or wind-up the business and affairs of the Corporation, or consent to any of the foregoing;

(b) amend, alter or repeal any provision of the Articles of Incorporation or By-Laws of the Corporation;

(c) create, or authorize the creation of, or issue or obligate itself to issue shares of, any class or series of capital stock or increase the authorized number of shares of Series A Preferred Stock or increase the authorized number of shares of any other class or series of capital stock, provided that the foregoing shall not apply to (i) issuances of up to an aggregate of 216,328 shares of Common Stock, Convertible Securities (as defined below in Subsection 4.4.1(c)) and Options (as defined below in Subsection 4.4.1(a)) (and issuances of Common Stock upon exercise of such Convertible Securities and such Options) approved by the

Board of Directors of the Corporation, (ii) issuances of Common Stock upon exercise of Options and Convertible Securities (as defined below in Subsection 4.4.1(c)) that are outstanding on the Series A Original Issue Date, or (iii) issuances of shares of Common Stock upon the conversion or exchange of Series A Preferred Stock;

(d) (i) reclassify, alter or amend any existing security of the Corporation that is equal in all respects to the Series A Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series A Preferred Stock in respect of any such right, preference or privilege, or (ii) reclassify, alter or amend any existing security of the Corporation that is junior to the Series A Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior or equal in all respects to the Series A Preferred Stock in respect of any such right, preference or privilege;

(e) purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Series A Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock, (iii) repurchases of Common Stock from former employees, officers, directors, consultants or other persons, except Larry Lukis and Brad Cleveland, who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof, (iv) redemptions from all security holders of the Corporation of shares of Common Stock, or options or warrants to acquire shares of Common Stock (provided that if any such redemption is oversubscribed, the Board shall determine, in its sole discretion, the maximum number of shares that a security holder may sell to the Corporation in such redemption (such maximum number shall be applicable to each security holder)), in an amount not to exceed, in any twelve month period beginning on August 1 and ending the following July 31, the lesser of (x) 5% of the fully diluted capital stock of the Corporation and (y) $10,000,000 worth of the Corporation's securities; provided that between September 1, 2008 and August 31, 2014, the Corporation shall not redeem more than $30,000,000 worth of the Corporation's securities in the aggregate pursuant to this Subsection 3.3(e)(iv), (v) as approved by the Board of Directors of the Corporation, including the approval of the Series A Director; and (vi) after August 1, 2018, redemptions of Common Stock from Protomold Investment Company, LLC pursuant to its Put Right as set forth in that certain Investors' Rights Agreement dated as of August 1, 2008 by and among the Corporation, Protomold Investment Company, LLC and North Bridge Growth Equity I, L.P.

(f) enter into or be a party to any Deemed Liquidation Event if such Deemed Liquidation Event occurs at any time on or before August 1, 2012, and results in payments to the holders of Series A Preferred Stock in respect of each share of Series A Preferred Stock in an amount per share less than two (2) times the Series A Original Issue Price (as adjusted for stock dividends, stock splits, combinations or other similar recapitalizations with respect to the Series A Preferred Stock);

(g) increase or decrease the size of the Board of Directors of the Corporation; or

(h) enter into or be a party to any transaction involving the acquisition of another person, entity or asset by the Corporation for an amount greater than $15,000,000.

4. Optional Conversion.

The holders of Series A Preferred Stock shall have conversion rights as follows (the "**Conversion Rights**"):

4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Series A Original Issue Price by the Series A Conversion Price (as defined below) in effect at the time of conversion. The **"Series A Conversion Price"** shall initially be $122.06, which amount is equal to the Series A Original Issue Price. The Series A Conversion Price, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a notice of redemption of any shares of Series A Preferred Stock pursuant to Section 6, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Series A Preferred Stock.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series A Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Series A Preferred Stock to voluntarily convert shares of Series A Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Series A Preferred Stock (or, if such registered holder alleges that a certificate has been lost, stolen or destroyed, a

lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the principal office of the Corporation, together with written notice that such holder elects to convert all or any number of the shares of the Series A Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the Corporation of such certificate or certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate or certificates shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Series A Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Series A Preferred Stock represented by the surrendered certificate or certificates that were not converted into Common Stock and (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Series A Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles of Incorporation. Before taking any action that would cause an adjustment reducing the Series A Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, the Corporation will take any corporate action that may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series A Conversion Price.

4.3.3 Effect of Conversion. All shares of Series A Preferred Stock that shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2. Any shares of Series A Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Series A Conversion Price shall be made for any declared but unpaid dividends on the Series A Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes (but not income taxes) that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series A Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 Adjustments to Series A Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

(a) "**Option**" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(b) "**Series A Original Issue Date**" shall mean the date on which the first share of Series A Preferred Stock was issued.

(c) "**Convertible Securities**" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(d) "**Additional Shares of Common Stock**" shall mean all shares of Common Stock issued (or, pursuant to Subsection 4.4.3 below, deemed to be issued) by the Corporation after the Series A Original Issue Date, other than (1) the following shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (clauses (1) and (2), collectively, "**Exempted Securities**"):

(i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on, or upon conversion of, Series A Preferred Stock;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsections 4.5, 4.6, 4.7 or 4.8;

(iii) shares of Common Stock or Options issued to officers, employees, managers or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to the Corporation's 2000 Stock Option Plan, as amended (and any successor or replacement plan approved by the Board of Directors of the Corporation);

(iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such Option or Convertible Security was outstanding on the Series A Original Issue Date;

(v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Corporation, provided that the aggregate number of such shares issued in any calendar year shall not exceed 1% of the fully diluted capital stock of the Corporation;

(vi) shares of Common Stock, Options or Convertible Securities issued to suppliers or third party service providers in connection with the provision of goods or services pursuant to strategic transactions approved by the Board of Directors of the Corporation; or

(vii) shares of Common Stock, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization, provided, that such issuances are approved by the Board of Directors of the Corporation.

4.4.2 No Adjustment of Series A Conversion Price. No adjustment in the Series A Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of at least a majority of the then outstanding shares of Series A Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series A Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities that are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Series A Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Series A Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the Series A Conversion Price to an amount that exceeds the lower of (i) the Series A Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Series A Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities that are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4 (either because the consideration per share (determined pursuant to Subsection 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Series A Conversion Price then in effect, or because such Option or Convertible Security was issued before the Series A Original Issue Date), are revised after the Series A Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon

the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) that resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4, the Series A Conversion Price shall be readjusted to such Series A Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Series A Conversion Price provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Series A Conversion Price that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Series A Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Series A Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series A Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the Series A Conversion Price in effect immediately prior to such issue, then the Series A Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) \div (A + C)$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP_2" shall mean the Series A Conversion Price in effect immediately after such issue of Additional Shares of Common Stock;

(b) "CP_1" shall mean the Series A Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issue or upon conversion or exchange of Convertible Securities (including the Series A Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP_1 (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP_1); and

(e) "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.5 Determination of Consideration. For purposes of this Subsection 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration that covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing

(i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of

such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Series A Conversion Price pursuant to the terms of Subsection 4.4.4, and such issuance dates occur within a period of no more than 90 days from the first such issuance to the final such issuance, then, upon the final such issuance, the Series A Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series A Original Issue Date effect a subdivision of the outstanding Common Stock, the Series A Conversion Price in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series A Original Issue Date combine the outstanding shares of Common Stock, the Series A Conversion Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this Subsection 4.5 shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series A Original Issue Date shall make or

issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Series A Conversion Price in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Series A Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Series A Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series A Conversion Price shall be adjusted pursuant to this Subsection 4.6 as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of Series A Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series A Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Series A Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 2.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Series A Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.6 or 4.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Series A Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property that

a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series A Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of Series A Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the Series A Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Series A Preferred Stock.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 30 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Series A Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series A Preferred Stock (but in any event not later than 30 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Series A Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Series A Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Series A Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of Series A Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Series A Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding up, and the amount per share and character

of such exchange applicable to the Series A Preferred Stock and the Common Stock. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

5. Mandatory Conversion.

5.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (provided that if such a public offering is consummated before August 1, 2012, the per share offering price shall be at least two (2) times the Series A Original Issue Price (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization), resulting in at least $40,000,000 of aggregate gross proceeds to the Corporation) or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the "**Mandatory Conversion Time**"), (i) all outstanding shares of Series A Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Series A Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series A Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Series A Preferred Stock shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that a certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series A Preferred Stock converted pursuant to Subsection 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender their certificate or certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Series A Preferred Stock, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion. Such converted Series A Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly.

6. Redemption.

6.1 Redemption. After the sixth anniversary of the Series A Original Issue Date, each holder of Series A Preferred Stock, upon providing written notice to the Corporation requesting redemption of the shares of Series A Preferred Stock, may require the Corporation to redeem up to 50% of the total number of shares of Series A Preferred Stock then held by such holder (a "**Sixth Year Redemption Request**"). After the seventh anniversary of the Series A Original Issue Date, each holder of Series A Preferred Stock, upon providing written notice to the Corporation requesting redemption of the shares of Series A Preferred Stock, may require the Corporation to redeem up to 100% of the total number of shares of Series A Preferred Stock then held by such holder to the extent that such shares have not been previously redeemed (a "**Seventh Year Redemption Request**" and each of the Sixth Year Redemption Request and the Seventh Year Redemption Request being a "**Series A Redemption Request**"). Shares of Series A Preferred Stock shall be redeemed by the Corporation out of funds lawfully available therefor at a price equal to the greater of (i) the Series A Original Issue Price per share, plus any Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon, or (ii) the fair market value of the Series A Preferred Stock on the Redemption Date (as defined below), without taking into account any minority, illiquidity or other discounts, as determined in good faith by the Board of Directors of the Corporation (the "**Redemption Price**"). Such redemption shall occur on a date set by the Corporation, but in no event later than 60 days after the Corporation receives written notice from a holder of Series A Preferred Stock of such holder's intention to redeem shares of Series A Preferred Stock (provided that such 60-day period shall in no event begin earlier than the applicable anniversary of the Series A Original Issue Date). In the event that the Corporation receives a request to redeem any shares of Common Stock (a "**Common Stock Redemption Request**") at any time during which a Series A Redemption Request is outstanding and payable, no amounts will be paid pursuant to such Common Stock Redemption Request until all amounts payable pursuant to such Series A Redemption Request have been paid in full. The date on which any such redemption occurs shall be referred to as a "**Redemption Date**." If the Corporation does not have sufficient funds legally available to redeem on any Redemption Date all shares of Series A Preferred Stock to be redeemed on such Redemption Date, the Corporation shall redeem a pro rata portion of each holder's redeemable shares of such capital stock out of funds legally available therefor, based on the respective amounts that would otherwise be payable in respect of the shares to be redeemed if the legally available funds were sufficient to redeem all such shares, and shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor.

6.2 Surrender of Certificates; Payment. On or before the applicable Redemption Date, each holder of shares of Series A Preferred Stock to be redeemed on such Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in Section 4, shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that a certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, and thereupon the Redemption Price for

such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Series A Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Series A Preferred Stock shall promptly be issued to such holder.

6.3 Rights Subsequent to Redemption. With respect to any holder of Series A Preferred Stock who has duly notified the Corporation of such holder's intention to redeem such holder's shares of Series A Preferred Stock, if on the applicable Redemption Date the Redemption Price payable upon redemption of the shares of Series A Preferred Stock to be redeemed on such Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that the certificates evidencing any of the shares of Series A Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Series A Preferred Stock shall cease to accrue after such Redemption Date and all rights with respect to such shares shall forthwith after the Redemption Date terminate, except only the right of such holder to receive the Redemption Price without interest upon surrender of their certificate or certificates therefor.

7. Redeemed or Otherwise Acquired Shares. Any shares of Series A Preferred Stock that are redeemed or otherwise acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Series A Preferred Stock following redemption.

8. Waiver. Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein (including the redemption rights set forth in Section 6) may be waived on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Series A Preferred Stock then outstanding.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Series A Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the MBCA, and shall be deemed sent upon such mailing or electronic transmission.

FIFTH: Subject to any additional vote required by the Articles of Incorporation or the By-Laws of the Corporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the By-Laws of the Corporation.

SIXTH: Any action required or permitted to be taken at a meeting of the Board of Directors of the Corporation may be taken by unanimous written action signed, or consented to by authenticated electronic communication, by all of the members of the Board of Directors.

SEVENTH: Subject to any additional vote required by the Articles of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the By-Laws of the Corporation.

EIGHTH: Elections of directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

NINTH: Meetings of shareholders may be held within or without the State of Minnesota, as the By-Laws of the Corporation may provide. The books of the Corporation may be kept outside the State of Minnesota at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

TENTH: Any action required or permitted to be taken at a meeting of shareholders of the Corporation may be taken by written action signed, or consented to by authenticated electronic communication, by shareholders having voting power equal to the voting power that would be required to take the same action at a meeting of the shareholders at which all shareholders were present, but in no event may written action be taken by holders of less than a majority of the voting power of all shares entitled to vote on that action. Any action taken by written action, or consented to by electronic communication, of the shareholders of the Corporation shall not be effective unless, at least five (5) days prior to any such written action, the Corporation shall have delivered to each holder of Series A Preferred Stock a copy of the written action proposed to be taken pursuant to this Article Tenth.

ELEVENTH: To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this Article Eleventh shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for illegal distributions under Section 559 of the MBCA, (iv) for any transaction from which the director derived an improper personal benefit, or (v) for any act or omission occurring prior to the effective date of this Article Eleventh.

Any amendment, repeal or modification of this Article Eleventh shall not apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment, repeal or modification.

TWELFTH: To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers, employees and agents of the Corporation (and any other persons to which the MBCA permits the Corporation to provide indemnification) through By-Law provisions, agreements with such agents or other persons, the vote of shareholders or disinterested directors or otherwise.

Any amendment, repeal or modification of the foregoing provisions of this Article Twelfth shall not adversely affect any right or protection of any director, officer, employee or other agent of the Corporation existing at the time of such amendment, repeal or modification.

THIRTEENTH: No shareholder of the Corporation shall have any preemptive rights to subscribe for, purchase or acquire (i) any shares of the Corporation of any class or series, whether unissued or now or hereafter authorized, (ii) any obligations or other securities convertible into or exchangeable for (or that carry any other right to acquire) any such shares, securities or obligations, or (iii) any other rights to purchase any such shares, securities or obligations. The Corporation shall have the power, however, in its discretion to grant such rights by agreement or other instrument to any person or persons (whether or not they are shareholders).

* * *

3. That the foregoing amendment and restatement was approved by the holders of the requisite number of shares of this corporation in accordance with Section 441 of the MBCA.

4. That these Amended and Restated Articles of Incorporation, which restate and integrate and further amend the provisions of this corporation's Articles of Incorporation, have been duly adopted in accordance with Sections 135 and 139 of the MBCA.

IN WITNESS WHEREOF, these Amended and Restated Articles of Incorporation have been executed by a duly authorized officer of this corporation as of the date first written above.

/s/ Bradley A. Cleveland

Bradley A. Cleveland
President and Chief Executive Officer

Exhibit 3.3

AMENDED AND RESTATED BY-LAWS
of
THE PROTOMOLD COMPANY, INC.

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This Table of Contents is not part of the By-Laws of the Corporation. It is intended merely to aid in the utilization of the By-Laws.

AMENDED AND RESTATED BY-LAWS

of

THE PROTOMOLD COMPANY, INC.

SHAREHOLDERS

Section 1.01 Place of Meetings. Each meeting of the shareholders shall be held at the principal executive office of the Corporation or at such other place as may be designated by the Board of Directors or the Chief Executive Officer; provided, however, that any meeting called by or at the demand of a shareholder or shareholders shall be held in the county where the principal executive office of the Corporation is located. The Board of Directors may determine that a meeting of the shareholders shall not be held at a physical place, but instead solely by means of remote communication. Participation by remote communication constitutes presence at the meeting.

Section 1.02 Regular Meetings. Regular meetings of the shareholders may be held on an annual or other less frequent basis as determined by the Board of Directors; provided, however, that if a regular meeting has not been held during the immediately preceding 15 months, a shareholder or shareholders holding three percent or more of the voting power of all shares entitled to vote may demand a regular meeting of shareholders by written demand given to the Chief Executive Officer or Chief Financial Officer of the Corporation. At each regular meeting the shareholders shall elect qualified successors for directors who serve for an indefinite term or whose terms have expired or are due to expire within six months after the date of the meeting and may transact any other business, provided, however, that no business with respect to which special notice is required by law shall be transacted unless such notice shall have been given.

Section 1.03 Special Meetings. A special meeting of the shareholders may be called for any purpose or purposes at any time by the Chief Executive Officer; by the Chief Financial Officer; by the Board of Directors or any two or more members thereof; or by one or more shareholders holding not less than ten percent of the voting power of all shares of the Corporation entitled to vote (except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the Board for that purpose, must be called by shareholders holding not less than 25 percent of the voting power of all shares of the Corporation entitled to vote), who shall demand such special meeting by written notice given to the Chief Executive Officer or the Chief Financial Officer of the Corporation specifying the purposes of such meeting.

Section 1.04 Meetings Held Upon Shareholder Demand. Within 30 days after receipt of a demand by the Chief Executive Officer or the Chief Financial Officer from any shareholder or shareholders entitled to call a meeting of the shareholders, it shall be the duty of the Board of Directors of the Corporation to cause a special or regular meeting of shareholders, as the case may be, to be duly called and held on notice no later than 90 days after receipt of such demand. If the Board fails to cause such a meeting to be called and held as required by this Section, the shareholder or shareholders making the demand may call the meeting by giving notice as provided in Section 1.06 hereof at the expense of the Corporation.

Section 1.05 Adjournments. Any meeting of the shareholders may be adjourned from time to time to another date, time and place. If any meeting of the shareholders is so adjourned, no notice as to such adjourned meeting need be given if the adjourned meeting is to be held not more than 120 days after the date fixed for the original meeting and the date, time and place at which the meeting will be reconvened are announced at the time of adjournment.

Section 1.06 Notice of Meetings. Unless otherwise required by law, written notice of each meeting of the shareholders, stating the date, time and place and, in the case of a special meeting, the purpose or purposes, shall be given at least ten days and not more than 60 days prior to the meeting to every holder of shares entitled to vote at such meeting except as specified in Section 1.05 or as otherwise permitted by law. Notice may be given to a shareholder by means of electronic communication if the requirements of Minnesota Statutes Section 302A.436, Subdivision 5, as amended from time to time, are met. The business transacted at a special meeting of shareholders is limited to the purposes stated in the notice of the meeting.

Section 1.07 Waiver of Notice. A shareholder may waive notice of the date, time, place and purpose or purposes of a meeting of shareholders. A waiver of notice by a shareholder entitled to notice is effective whether given before, at or after the meeting, and whether given in writing, orally, by authenticated electronic communication or by attendance. Attendance by a shareholder at a meeting, including attendance by means of remote communication, is a waiver of notice of that meeting , unless the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 1.08 Voting Rights. Subdivision 1. A shareholder shall have one vote for each share held which is entitled to vote. Except as otherwise required by law, a holder of shares entitled to vote may vote any portion of the shares in any way the shareholder chooses. If a shareholder votes without designating the proportion or number of shares voted in a particular way, the shareholder is deemed to have voted all of the shares in that way.

Subdivision 2. The Board of Directors may fix a date not more than 60 days before the date of a meeting of shareholders as the date for the determination of the holders of shares entitled to notice of and entitled to vote at the meeting. When a date is so fixed, only shareholders on that date are entitled to notice of and permitted to vote at that meeting of shareholders.

Section 1.09 Proxies. A shareholder may cast or authorize the casting of a vote by (a) filing a written appointment of a proxy, signed by the shareholder, with an officer of the Corporation at or before the meeting at which the appointment is to be effective, or (b) by telephonic transmission or authenticated electronic communication, whether or not accompanied by written instructions of the shareholder, of an appointment of a proxy with the Corporation or the Corporation's duly authorized agent at or before the meeting at which the appointment is to be effective. The telephonic transmission or authenticated electronic communication must set forth or be submitted with information from which it can be determined that the appointment was authorized by the shareholder. Any copy, facsimile telecommunication, or other reproduction of the original of either the writing or transmission may be used in lieu of the original, provided that it is a complete and legible reproduction of the entire original.

Section 1.10 Quorum. The holders of a majority of the voting power of the shares entitled to vote at a shareholders meeting are a quorum for the transaction of business. If a quorum is present when a duly called or held meeting is convened, the shareholders present may continue to transact business until adjournment, even though the withdrawal of a number of the shareholders originally present leaves less than the proportion or number otherwise required for a quorum.

Section 1.11 Acts of Shareholders. Subdivision 1. Except as otherwise required by law or specified in the Articles of Incorporation of the Corporation, the shareholders shall take action by the affirmative vote of the holders of the greater of (a) a majority of the voting power of the shares present and entitled to vote on that item of business or (b) a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at a duly held meeting of shareholders.

Subdivision 2. A shareholder voting by proxy authorized to vote on less than all items of business considered at the meeting shall be considered to be present and entitled to vote only with respect to those items of business for which the proxy has authority to vote. A proxy who is given authority by a shareholder who abstains with respect to an item of business shall be considered to have authority to vote on that item of business.

Section 1.12 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the Corporation may be taken without a meeting by written action signed, or consented to by authenticated electronic communication, by all of the shareholders entitled to vote on that action or, if the Articles of Incorporation so provide, by shareholders having voting power equal to the

voting power that would be required to take the same action at a meeting of the shareholders at which all shareholders were present, but in no event may written action be taken by holders of less than a majority of the voting power of all shares entitled to vote on that action. The written action is effective when it has been signed, or consented to by authenticated electronic communication, by the required shareholders, unless a different effective time is provided in the written action. If written action is permitted to be taken, and is taken, by less than all shareholders, then all shareholders must be notified of its text and effective time within five days after its effective time.

DIRECTORS

Section 2.01 Number; Qualifications. Except as authorized by the shareholders pursuant to a shareholder control agreement or unanimous affirmative vote, the business and affairs of the Corporation shall be managed by or under the direction of a Board of one or more directors. Directors shall be natural persons. The shareholders at each regular meeting shall determine the number of directors to constitute the Board, provided that thereafter the authorized number of directors may be increased by the shareholders or the Board and decreased by the shareholders. Directors need not be shareholders.

Section 2.02 Term. Each director shall serve for an indefinite term that expires at the next regular meeting of the shareholders. A director shall hold office until a successor is elected and has qualified or until the earlier death, resignation, removal or disqualification of the director.

Section 2.03 Vacancies. Vacancies on the Board of Directors resulting from the death, resignation, removal or disqualification of a director may be filled by the affirmative vote of a majority of the remaining members of the Board, though less than a quorum. Vacancies on the Board resulting from newly created directorships may be filled by the affirmative vote of a majority of the directors serving at the time such directorships are created. Each person elected to fill a vacancy shall hold office until a qualified successor is elected by the shareholders at the next regular meeting or at any special meeting duly called for that purpose.

Section 2.04 Place of Meetings. Each meeting of the Board of Directors shall be held at the principal executive office of the Corporation or at such other place as may be designated from time to time by a majority of the members of the Board or by the Chief Executive Officer. A meeting may be held by conference among the directors using any means of remote communication through which the directors may participate with each other during the meeting.

Section 2.05 Regular Meetings. Regular meetings of the Board of Directors for the election of officers and the transaction of any other business shall be held without notice at the place of and immediately after each regular meeting of the shareholders.

Section 2.06 Special Meetings. A special meeting of the Board of Directors may be called for any purpose or purposes at any time by any member of the Board by giving not less than two days' notice to all directors of the date, time and place of the meeting, provided that when notice is mailed, at least four days' notice shall be given. The notice need not state the purpose of the meeting.

Section 2.07 Waiver of Notice; Previously Scheduled Meetings. Subdivision 1. A director of the Corporation may waive notice of the date, time and place of a meeting of the Board. A waiver of notice by a director entitled to notice is effective whether given before, at or after the meeting, and whether given in writing, orally, by authenticated electronic communication, or by attendance. Attendance by a director at a meeting is a waiver of notice of that meeting, unless the director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and thereafter does not participate in the meeting.

Subdivision 2. If the day or date, time and place of a Board meeting have been provided herein or announced at a previous meeting of the Board, no notice is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken of the date, time and place at which the meeting will be reconvened.

Section 2.08 Quorum. The presence in person of a majority of the directors currently holding office shall be necessary to constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time without further notice until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the directors present may continue to transact business until adjournment, even though the withdrawal of a number of the directors originally present leaves less than the proportion or number otherwise required for a quorum.

Section 2.09 Acts of Board. Except as otherwise required by law or specified in the Articles of Incorporation of the Corporation, the Board shall take action by the affirmative vote of the greater of (a) a majority of the directors present at a duly held meeting at the time the action is taken or (b) a majority of the minimum proportion or number of directors that would constitute a quorum for the transaction of business at the meeting.

Section 2.10 Participation by Remote Communications. A director may participate in a Board meeting by conference telephone, or, if authorized by the Board, by any other means of remote communication through which the director, other directors so participating, and all directors physically present at the meeting may participate with each other during the meeting. A director so participating is deemed present at the meeting.

Section 2.11 Absent Directors. A director of the Corporation may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the director is not present at the meeting, consent or opposition

to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as the vote of a director present at the meeting in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

Section 2.12 Action Without a Meeting. An action required or permitted to be taken at a Board meeting may be taken without a meeting by written action signed by all of the directors. Any action, other than an action requiring shareholder approval, if the Articles of Incorporation so provide, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the Board at which all directors were present. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action. When written action is permitted to be taken by less than all directors, all directors shall be notified immediately of its text and effective date.

Section 2.13 Committees. Subdivision 1. A resolution approved by the affirmative vote of a majority of the Board may establish committees having the authority of the Board in the management of the business of the Corporation only to the extent provided in the resolution. Committees shall be subject at all times to the direction and control of the Board, except as provided in Section 2.14 or otherwise provided by law.

Subdivision 2. A committee shall consist of one or more natural persons, who need not be directors, appointed by affirmative vote of a majority of the directors present at a duly held Board meeting.

Subdivision 3. Section 2.04 and Sections 2.06 to 2.12 hereof shall apply to committees and members of committees to the same extent as those sections apply to the Board and directors.

Subdivision 4. Minutes, if any, of committee meetings shall be made available upon request to members of the committee and to any director.

Section 2.14 Special Litigation Committee. Pursuant to the procedure set forth in Section 2.13, the Board may establish a committee composed of one or more independent directors or other independent persons to determine whether it is in the best interests of the Corporation to consider legal rights or remedies of the Corporation and whether those rights and remedies should be pursued. The committee, once established, is not subject to the direction or control of, or (unless required by law) termination by, the Board. To the extent permitted by law, a vacancy on the committee may be filled by a majority vote of the remaining committee members. The good faith determinations of the committee are binding upon the Corporation and its directors, officers and shareholders to the extent permitted by law. The committee terminates when it issues a written report of its determinations to the Board.

Section 2.15 Compensation. The Board may fix the compensation, if any, of directors.

OFFICERS

Section 3.01 Number and Designation. The Corporation shall have one or more natural persons exercising the functions of the offices of Chief Executive Officer and Chief Financial Officer. The Board of Directors may elect or appoint such other officers or agents as it deems necessary for the operation and management of the Corporation, with such powers, rights, duties and responsibilities as may be determined by the Board, including, without limitation, a President, a Chief Technology Officer, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall have the powers, rights, duties and responsibilities set forth in these By-Laws unless otherwise determined by the Board. Any of the offices or functions of those offices may be held by the same person.

Section 3.02 Chief Executive Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the Chief Executive Officer (a) shall have general active management of the business of the Corporation; (b) shall, when present, preside at all meetings of the shareholders and Board; (c) shall see that all orders and resolutions of the Board are carried into effect; (d) may maintain records of and certify proceedings of the Board and shareholders; and (e) shall perform such other duties as may from time to time be assigned by the Board.

Section 3.03 Chief Financial Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the Chief Financial Officer (a) shall keep accurate financial records for the Corporation; (b) shall deposit all monies, drafts and checks in the name of and to the credit of the Corporation in such banks and depositories as the Board shall designate from time to time; (c) shall endorse for deposit all notes, checks and drafts received by the Corporation as ordered by the Board, making proper vouchers therefor; (d) shall disburse corporate funds and issue checks and drafts in the name of the Corporation, as ordered by the Board; (e) shall render to the Chief Executive Officer and the Board, whenever requested, an account of all of such officer's transactions as Chief Financial Officer and of the financial condition of the Corporation; and (f) shall perform such other duties as may be prescribed by the Board or the Chief Executive Officer from time to time.

Section 3.04 President. Unless otherwise determined by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. If an officer other than the President is designated Chief Executive Officer, the President shall perform such duties as may from time to time be assigned by the Board.

Section 3.05 Chief Technology Officer. The Chief Technology Officer shall assist in the preparation and implementation of the corporation's short and long-term strategic plan, shall oversee operations as they relate to exploitation of the corporation's technology, shall represent the corporation in such organizations relating to the corporation's technology and industry as shall be mutually agreed upon with the Chief Executive Officer, shall participate in government relations as they

relate to regulation of the corporation's technology, shall participate in relations with purchasers and potential purchasers of the corporation's technology; and in general shall perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 3.06 Vice Presidents. Any one or more Vice Presidents, if any, may be designated by the Board of Directors as Executive Vice Presidents or Senior Vice Presidents. During the absence or disability of the President, it shall be the duty of the highest ranking Executive Vice President, and, in the absence of any such Vice President, it shall be the duty of the highest ranking Senior Vice President or other Vice President, who shall be present at the time and able to act, to perform the duties of the President. The determination of who is the highest ranking of two or more persons holding the same office shall, in the absence of specific designation of order of rank by the Board, be made on the basis of the earliest date of appointment or election, or, in the event of simultaneous appointment or election, on the basis of the longest continuous employment by the Corporation.

Section 3.07 Secretary. The Secretary, unless otherwise determined by the Board of Directors, shall attend all meetings of the shareholders and all meetings of the Board, shall record or cause to be recorded all proceedings thereof in a book to be kept for that purpose, and may certify such proceedings. Except as otherwise required or permitted by law or by these By-Laws, the Secretary shall give or cause to be given notice of all meetings of the shareholders and all meetings of the Board.

Section 3.08 Treasurer. Unless otherwise determined by the Board of Directors, the Treasurer shall be the Chief Financial Officer of the Corporation. If an officer other than the Treasurer is designated Chief Financial Officer, the Treasurer shall perform such duties as may from time to time be assigned by the Board.

Section 3.09 Authority and Duties. In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors. Unless prohibited by a resolution approved by the affirmative vote of a majority of the directors present, an officer elected or appointed by the Board may, without the approval of the Board, delegate some or all of the duties and powers of an office to other persons.

Section 3.10 Term. Subdivision 1. All officers of the Corporation shall hold office until their respective successors are chosen and have qualified or until their earlier death, resignation or removal.

Subdivision 2. An officer may resign at any time by giving written notice to the Corporation. The resignation is effective without acceptance when the notice is given to the Corporation, unless a later effective date is specified in the notice.

Subdivision 3. An officer may be removed at any time, with or without cause, by a resolution approved by the affirmative vote of a majority of the directors present at a duly held Board meeting.

Subdivision 4. A vacancy in an office because of death, resignation, removal, disqualification or other cause may, or in the case of a vacancy in the office of Chief Executive Officer or Chief Financial Officer shall, be filled for the unexpired portion of the term by the Board.

Section 3.11 Salaries. The salaries of all officers of the Corporation shall be fixed by the Board of Directors or by the Chief Executive Officer if authorized by the Board.

INDEMNIFICATION

Section 4.01 Indemnification. The Corporation shall indemnify its officers and directors for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as required or permitted by Minnesota Statutes, Section 302A.521, as amended from time to time, or as required or permitted by other provisions of law.

Section 4.02 Insurance. The Corporation may purchase and maintain insurance on behalf of any person in such person's official capacity against any liability asserted against and incurred by such person in or arising from that capacity, whether or not the Corporation would otherwise be required to indemnify the person against the liability.

SHARES

Section 5.01 Certificated and Uncertificated Shares. Subdivision 1. The shares of the Corporation shall be either certificated shares or uncertificated shares. Each holder of duly issued certificated shares is entitled to a certificate of shares.

Subdivision 2. Each certificate of shares of the Corporation shall bear the corporate seal, if any, and shall be signed by the Chief Executive Officer, or the President or any Vice President, and the Chief Financial Officer, or the Secretary or any Assistant Secretary, but when a certificate is signed by a transfer agent or a registrar, the signature of any such officer and the corporate seal upon such certificate may be facsimiles, engraved or printed. If a person signs or has a facsimile signature placed upon a certificate while an officer, transfer agent or registrar of the Corporation, the certificate may be issued by the Corporation, even if the person has ceased to serve in that capacity before the certificate is issued, with the same effect as if the person had that capacity at the date of its issue.

Subdivision 3. A certificate representing shares issued by the Corporation shall, if the Corporation is authorized to issue shares of more than one class or series, set forth upon the face or back of the certificate, or shall state that the Corporation will furnish to any shareholder upon request and without charge, a full statement of the designations, preferences, limitations and relative rights of the shares of each class or series authorized to be issued, so far as they have been determined, and the authority of the Board to determine the relative rights and preferences of subsequent classes or series.

Subdivision 4. A resolution approved by the affirmative vote of a majority of the directors present at a duly held meeting of the Board may provide that some or all of any or all classes and series of the shares of the Corporation will be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until the certificate is surrendered to the Corporation.

Section 5.02 Declaration of Dividends and Other Distributions. The Board of Directors shall have the authority to declare dividends and other distributions upon the shares of the Corporation to the extent permitted by law.

Section 5.03 Transfer of Shares. Shares of the Corporation may be transferred only on the books of the Corporation by the holder thereof, in person or by such person's attorney. In the case of certificated shares, shares shall be transferred only upon surrender and cancellation of certificates for a like number of shares. The Board of Directors, however, may appoint one or more transfer agents and registrars to maintain the share records of the Corporation and to effect transfers of shares.

Section 5.04 Record Date. The Board of Directors may fix a time, not exceeding 60 days preceding the date fixed for the payment of any dividend or other distribution, as a record date for the determination of the shareholders entitled to receive payment of such dividend or other distribution, and in such case only shareholders of record on the date so fixed shall be entitled to receive payment of such dividend or other distribution, notwithstanding any transfer of any shares on the books of the Corporation after any record date so fixed.

MISCELLANEOUS

Section 6.01 Execution of Instruments. Subdivision 1. All deeds, mortgages, bonds, checks, contracts and other instruments pertaining to the business and affairs of the Corporation shall be signed on behalf of the Corporation by the Chief Executive Officer, or the President, or any Vice President, or by such other person or persons as may be designated from time to time by the Board of Directors.

Subdivision 2. If a document must be executed by persons holding different offices or functions and one person holds such offices or exercises such functions, that person may execute the document in more than one capacity if the document indicates each such capacity.

Section 6.02 Advances. The Corporation may, without a vote of the directors, advance money to its directors, officers or employees to cover expenses that can reasonably be anticipated to be incurred by them in the performance of their duties and for which they would be entitled to reimbursement in the absence of an advance.

Section 6.03 Corporate Seal. The seal of the Corporation, if any, shall be a circular embossed seal having inscribed thereon the name of the Corporation and the following words:

"Corporate Seal Minnesota".

Section 6.04 Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 6.05 Amendments. The Board of Directors shall have the power to adopt, amend or repeal the By-Laws of the Corporation, subject to the power of the shareholders to change or repeal the same, provided, however, that the Board shall not adopt, amend or repeal any By-Law fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the Board, or fixing the number of directors or their classifications, qualifications or terms of office, but may adopt or amend a By-Law that increases the number of directors.

VOTING AGREEMENT

THIS VOTING AGREEMENT (this "**Agreement**") is made and entered into as of this 1st day of August, 2008, by and among Proto Labs, Inc., a Minnesota corporation (the "**Company**"), each holder of the Company's Series A Preferred Stock, $.001 par value per share ("**Series A Preferred Stock**"), listed on Schedule A (together with any subsequent investors, or any transferees, who become parties hereto as "Investors" pursuant to Sections 5.1(a) or 5.2 below, the "**Investors**") and those certain shareholders of the Company listed on Schedule B (together with any subsequent shareholders, or any transferees, who become parties hereto as "Key Holders" pursuant to Sections 5.1(b) or 5.2 below, the "**Key Holders**," and together collectively with the Investors, the "**Shareholders**").

RECITALS

A. Concurrently with the execution of this Agreement, the Company and North Bridge Growth Equity I, L.P., a Delaware limited partnership ("**North Bridge**"), are entering into a Series A Preferred Stock Purchase Agreement (the "**Purchase Agreement**") providing for the sale of shares of the Company's Series A Preferred Stock, and in connection with the Purchase Agreement the parties hereto desire to provide North Bridge with the right, among other rights, to designate the election of two members of the Company's board of directors (the "**Board**") in accordance with the terms of this Agreement.

B. The Company's Amended and Restated Articles of Incorporation (the "**Restated Certificate**") provides that (i) the holders of record of the shares of the Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect two directors of the Company (the "**Series A Directors**"), and (ii) the holders of record of the shares of the Company's common stock, $.001 par value per share ("**Common Stock**"), exclusively and as a separate class, shall be entitled to elect five directors of the Company.

NOW, THEREFORE, the parties agree as follows:

1. Voting Provisions Regarding Board of Directors.

1.1 Size of the Board. Each Shareholder agrees to vote, or cause to be voted, all Shares (as defined below) owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that the size of the Board shall be set and remain at seven (7) directors and may be increased or decreased only with the written consent of Investors holding Series A Preferred Stock representing at least a majority of the shares of Common Stock issuable upon conversion of the then outstanding shares of Series A Preferred Stock. For purposes of this Agreement, the term "**Shares**" shall mean and include any securities of the Company the holders of which are entitled to vote for members of the Board, including without limitation, all shares of Common Stock and Series A Preferred Stock, by whatever name called, now owned or subsequently acquired by a Shareholder, however acquired, whether through stock splits, stock dividends, reclassifications, recapitalizations, similar events or otherwise.

1.2 Board Composition. Each Shareholder agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control,

from time to time and at all times, in whatever manner as shall be necessary to ensure that at each annual or special meeting of Company shareholders at which an election of directors is held or pursuant to any written consent of the shareholders of the Company, the following persons shall be elected to the Board:

(a) One person from North Bridge and one person designated by North Bridge who is mutually acceptable to the other members of the Board (such approval not to be unreasonably withheld) (the "**North Bridge Designees**"), one of whom shall initially be Douglas Kingsley from North Bridge, for so long as such Investor and its Affiliates (as defined below) continue to own beneficially at least 15% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis), provided that if such Investor and its Affiliates own less than 15% but more than 3% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis), then North Bridge shall only be entitled to designate one person, and provided further that if such Investor and its Affiliates own less than 3% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis), then North Bridge shall not be entitled to designate any person;

(b) One person designated by Protomold Investment Company, LLC (the "**PIC Designee**"), which individual shall initially be Brian K. Smith, for so long as such Key Holder and its Affiliates continue to own beneficially at least 3% of the issued and outstanding Common Stock (determined on a fully diluted, as-if-converted basis);

(c) For so long as the Key Holders hold at least 150,000 shares of Common Stock (as adjusted for any stock splits, stock dividends, recapitalizations or the like), one individual designated by the holders of a majority of the Shares of Common Stock held by the Key Holders, which individual shall initially be Lawrence Lukis;

(d) The Company's Chief Executive Officer, who shall initially be Bradley Cleveland (the "**CEO Director**"), provided that if for any reason the CEO Director shall cease to serve as the Chief Executive Officer of the Company, each of the Shareholders shall promptly vote their respective Shares (i) to remove the former Chief Executive Officer from the Board if such person has not resigned as a member of the Board, and (ii) to elect such person's replacement as Chief Executive Officer of the Company as the new CEO Director; and

(e) Two individuals not otherwise an Affiliate of the Company (the "**Independent Directors**") that are mutually acceptable to the other members of the Board, which Independent Directors shall initially be John Goodman and Margaret Loftus.

To the extent that any of clauses (a) through (e) above shall not be applicable, any member of the Board who would otherwise have been designated in accordance with the terms thereof shall instead be voted upon by all shareholders of the Company entitled to vote thereon in accordance with, and pursuant to, the Restated Certificate.

For purposes of this Agreement, an individual, firm, corporation, partnership, association, limited liability company, trust or any other entity (collectively, a "**Person**") shall be deemed an

"**Affiliate**" of another Person who, directly or indirectly, controls, is controlled by or is under common control with such Person, including, without limitation, any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.3 Failure to Designate a Board Member. In the absence of any designation from the Person(s) or groups with the right to designate a director as specified in Section 1.2, the director previously designated by them and then serving shall be reelected if still eligible to serve as provided herein.

1.4 Removal of Board Members. Each Shareholder also agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that:

(a) no director elected pursuant to Sections 1.2 or 1.3 of this Agreement may be removed from office unless (i) such removal is directed or approved by the affirmative vote of the Person(s) originally entitled to designate or approve such director in accordance with Sections 1.2 or 1.3, or (ii) the Person(s) originally entitled to designate or approve such director or occupy such Board seat pursuant to Section 1.2 is no longer so entitled to designate or approve such director to occupy such Board seat;

(b) any vacancies created by the resignation, removal or death of a director elected pursuant to Sections 1.2 or 1.3 shall be filled pursuant to the provisions of Section 1 of this Agreement; and

(c) upon the request of the majority of the holders of the Shares entitled to designate a director as provided in Sections 1.2(a), 1.2(b) and 1.2(c) to remove such director, such director shall be removed.

All Shareholders agree to execute any written consents required to perform the obligations of this Agreement, and the Company agrees at the request of any Person entitled to designate directors to call a special meeting of Company shareholders for the purpose of electing directors.

1.5 No Liability for Election of Recommended Directors. No Shareholder, nor any Affiliate of any Shareholder, shall have any liability as a result of designating a person for election as a director for any act or omission by such designated person in his or her capacity as a director of the Company, nor shall any Shareholder have any liability as a result of voting for any such designee in accordance with the provisions of this Agreement.

2. Vote to Increase Authorized Common Stock. Each Shareholder agrees to vote or cause to be voted all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to increase the number of authorized shares of Common Stock from time to time to ensure that there will be sufficient shares of Common Stock available for conversion of all of the shares of Series A Preferred Stock outstanding at any given time.

3. Remedies.

3.1 Covenants of the Company. The Company agrees to use its best efforts, within the requirements of applicable law, to ensure that the rights granted under this Agreement are effective and that the parties enjoy the benefits of this Agreement. Such actions include, without limitation, the use of the Company's best efforts to cause the nomination and election of the directors as provided in this Agreement.

3.2 Irrevocable Proxy. Each party to this Agreement hereby constitutes and appoints the Chief Executive Officer and Chief Financial Officer of the Company, and each of them, with full power of substitution, as the proxies of the party with respect to the matters set forth herein, including without limitation, election of persons as members of the Board in accordance with Section 1 hereto and votes to increase authorized shares pursuant to Section 2 hereof, and hereby authorizes each of them to represent and to vote, if and only if the party (i) fails to vote or (ii) attempts to vote (whether by proxy, in person or by written consent), in a manner which is inconsistent with the terms of this Agreement, all of such party's Shares in favor of the election of persons as members of the Board determined pursuant to and in accordance with the terms and provisions of this Agreement or the increase of authorized shares pursuant to and in accordance with the terms and provisions of Section 2 of this Agreement. The proxy granted pursuant to the immediately preceding sentence is given in consideration of the agreements and covenants of the Company and the parties in connection with the transactions contemplated by this Agreement and, as such, is coupled with an interest and shall be irrevocable unless and until this Agreement terminates or expires pursuant to Section 4 hereof. Each party hereto hereby revokes any and all previous proxies with respect to the Shares and shall not hereafter, unless and until this Agreement terminates or expires pursuant to Section 4 hereof, purport to grant any other proxy or power of attorney with respect to any of the Shares, deposit any of the Shares into a voting trust or enter into any agreement (other than this Agreement), arrangement or understanding with any person, directly or indirectly, to vote, grant any proxy or give instructions with respect to the voting of any of the Shares, in each case, with respect to any of the matters set forth herein.

3.3 Specific Enforcement. Each party acknowledges and agrees that each party hereto will be irreparably damaged in the event any of the provisions of this Agreement are not performed by the parties in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Company and the Shareholders shall be entitled to an injunction to prevent breaches of this Agreement, and to specific enforcement of this Agreement and its terms and provisions in any action instituted in any court of the United States or any state having subject matter jurisdiction.

3.4 Remedies Cumulative. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

4. Term. This Agreement shall be effective as of the date hereof and shall continue in effect until and shall terminate upon the earliest to occur of (a) the consummation of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (provided that if such a public offering is consummated before August 1, 2012, the offering price shall be at least $244.12 per share (subject to appropriate adjustment in the event of any stock

dividend, stock split, combination or other similar recapitalization), resulting in at least $40,000,000 of aggregate gross proceeds to the Company); and (b) termination of this Agreement in accordance with Section 5.8 below.

5. Miscellaneous.

5.1 Additional Parties.

(a) Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of Series A Preferred Stock after the date hereof, as a condition to the issuance of such shares the Company shall require that any purchaser of Series A Preferred Stock become a party to this Agreement by executing and delivering (i) the Adoption Agreement attached to this Agreement as Exhibit A, or (ii) a counterpart signature page hereto agreeing to be bound by and subject to the terms of this Agreement as an Investor and Shareholder hereunder. In either event, each such person shall thereafter shall be deemed an Investor and Shareholder for all purposes under this Agreement.

(b) In the event that after the date of this Agreement, the Company enters into an agreement with any Person to issue shares of capital stock to such Person (other than to a purchaser of Series A Preferred Stock described in Section 5.1(a) above), following which such Person shall hold Shares constituting 1% or more of the Company's then outstanding capital stock (treating for this purpose all shares of Common Stock issuable upon exercise of outstanding options or warrants, or conversion of convertible securities, as if exercised and/or converted or exchanged), then, the Company shall cause such Person, as a condition precedent to entering into such agreement, to become a party to this Agreement by executing an Adoption Agreement in the form attached hereto as Exhibit A, agreeing to be bound by and subject to the terms of this Agreement as a Shareholder and thereafter such person shall be deemed a Shareholder for all purposes under this Agreement.

5.2 Transfers. Each transferee or assignee of any Shares subject to this Agreement shall continue to be subject to the terms hereof, and, as a condition precedent to the Company's recognizing such transfer, each transferee or assignee shall agree in writing to be subject to each of the terms of this Agreement by executing and delivering an Adoption Agreement substantially in the form attached hereto as Exhibit A. Upon the execution and delivery of an Adoption Agreement by any transferee, such transferee shall be deemed to be a party hereto as if such transferee were the transferor and such transferee's signature appeared on the signature pages to this Agreement and shall be deemed to be an Investor and Shareholder, or Key Holder and Shareholder, as applicable. The Company shall not permit the transfer of the Shares subject to this Agreement on its books or issue a new certificate representing any such Shares unless and until such transferee shall have complied with the terms of this Section 5.2. Each certificate representing the Shares subject to this Agreement if issued on or after the date of this Agreement shall be endorsed by the Company with the legend set forth in Section 5.12.

5.3 Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than

the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

5.4 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, regardless of the laws that might otherwise govern under applicable principles of conflicts of law. The parties hereto agree that any action brought by any party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be subject to the non-exclusive jurisdiction and venue of any state or federal court located in Minnesota. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or at equity.

5.5 Counterparts; Facsimile. This Agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.6 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

5.7 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified, (ii) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on Schedule A or Schedule B hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 5.7. If notice is given to the Company, a copy shall also be sent to Faegre & Benson LLP, 2200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attention: Robert D. Tyler, and if notice is given to Investors, a copy shall also be given to Weil, Gotshal & Manges LLP, 100 Federal Street, Floor 34, Boston, MA 02110, Attention: Kevin J. Sullivan.

5.8 Consent Required to Amend, Terminate or Waive. This Agreement may be amended or terminated and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (a) the Company; (b) Protomold Investment Company, LLC ("**PIC**"); (c) the Key Holders (exclusive of PIC) holding a majority of the Shares then held by the Key Holders provided that such consent shall not be required if the Key Holders do not then own Shares representing at least 10% of the then-outstanding capital stock of the Company (on a fully

diluted basis); and (d) the holders of a majority of the shares of Common Stock issued or issuable upon conversion of the then outstanding shares of Series A Preferred Stock held by the Investors (voting as a single class and on an as-converted basis). Notwithstanding the foregoing:

(i) this Agreement may not be amended or terminated and the observance of any term of this Agreement may not be waived with respect to any Investor or Key Holder without the written consent of such Investor or Key Holder unless such amendment, termination or waiver applies to all Investors or Key Holders, as the case may be, in the same fashion;

(ii) the consent of the Key Holders shall not be required for any amendment or waiver if such amendment or waiver either (A) is not directly applicable to the rights of the Key Holders hereunder or (B) does not adversely affect the rights of the Key Holders in a manner that is different than the effect on the rights of the other parties hereto;

(iii) the consent of PIC shall not be required for any amendment or waiver if such amendment or waiver does not adversely affect PIC in a manner materially different than the Investors or any other Key Holder; provided that PIC shall be given prompt written notice of any such amendment or waiver to which PIC did not consent; and further provided that Section 1.2(b) of this Agreement shall not be amended or waived without the written consent of PIC;

(iv) Schedules A and B hereto may be amended by the Company from time to time, without the consent of the other parties hereto, to add information regarding additional Shareholders added in accordance with Section 5.1(a) or 5.2 (as defined in the Purchase Agreement);

(v) any provision hereof may be waived by the waiving party on such party's own behalf, without the consent of any other party; and

(vi) Section 1.2(a) of this Agreement shall not be amended or waived without the written consent of North Bridge.

The Company shall give prompt written notice of any amendment, termination or waiver hereunder to any party that did not consent in writing thereto. Any amendment, termination or waiver effected in accordance with this Section 5.8 shall be binding on each party and all of such party's successors and permitted assigns, whether or not any such party, successor or assignee entered into or approved such amendment, termination or waiver.

5.9 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default previously or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

5.10 Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision of this Agreement.

5.11 Entire Agreement. This Agreement (including Exhibit A hereto) and the Restated Certificate constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

5.12 Legend on Share Certificates. Each certificate representing any Shares issued after the date hereof shall be endorsed by the Company with a legend reading substantially as follows:

> THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.

The Company, by its execution of this Agreement, agrees that it will cause the certificates evidencing the Shares issued on or after the date hereof to bear the legend required by this Section 5.12, and it shall supply, free of charge, a copy of this Agreement to any holder of a certificate evidencing Shares upon written request from such holder to the Company at its principal office. The parties to this Agreement do hereby agree that the failure to cause the certificates evidencing the Shares to bear the legend required by this Section 5.12 herein and/or the failure of the Company to supply, free of charge, a copy of this Agreement as provided hereunder shall not affect the validity or enforcement of this Agreement.

5.13 Stock Splits, Stock Dividends, etc. In the event of any issuance of Shares of the Company's voting securities hereafter to any of the Shareholders (including, without limitation, in connection with any stock split, stock dividend, recapitalization, reorganization, or the like), such Shares shall become subject to this Agreement and shall be endorsed with the legend set forth in Section 5.12.

5.14 Manner of Voting. The voting of Shares pursuant to this Agreement may be effected in person, by proxy, by written consent or in any other manner permitted by applicable law.

5.15 Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

5.16 Costs of Enforcement. If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys' fees.

5.17 Aggregation of Stock. All Shares held or acquired by a Shareholder and/or its Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

[Remainder of Page Intentionally Left Blank – Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Voting Agreement as of the date first written above.

COMPANY:

PROTO LABS, INC.

By: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland
Title: President and Chief Executive Officer

INVESTORS:

NORTH BRIDGE GROWTH EQUITY I, L.P.
By: North Bridge Growth Management, L.P., its General Partner
By: NBGE GP, LLC, its General Partner

By: /s/ Douglas Kingsley
Name: Douglas Kingsley
Title: Partner

KEY HOLDERS:

Signature: /s/ Lawrence Lukis
Name: Lawrence Lukis

Signature: /s/ Yuri Dreizin
Name: Yuri Dreizin

PROTOMOLD INVESTMENT COMPANY, LLC

By: /s/ Brian K. Smith
Name: Brian K. Smith
Title: Chief Manager

SCHEDULE A

INVESTORS

Name and Address

North Bridge Growth Equity I, L.P.
950 Winter Street, Suite 4600
Waltham, MA 02451

SCHEDULE B

KEY HOLDERS

Name and Address

Lawrence Lukis
125 Westwood Lane
Wayzata, MN 55391

Protomold Investment Company, LLC
2600 Eagan Woods Drive, Suite 150
Eagan, MN 55121

Yuri Dreizin
308 Turnpike Road
Golden Valley, MN 55416

EXHIBIT A

ADOPTION AGREEMENT

This Adoption Agreement ("**Adoption Agreement**") is executed on , 20 , by the undersigned (the "**Holder**") pursuant to the terms of that certain Voting Agreement dated as of August 1, 2008 (the "**Agreement**"), by and among the Company and certain of its Shareholders, as such Agreement may be amended or amended and restated hereafter. Capitalized terms used but not defined in this Adoption Agreement shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the Holder agrees as follows.

1.1 Acknowledgement. Holder acknowledges that Holder is acquiring certain shares of the capital stock of the Company (the "**Stock**") for one of the following reasons (Check the correct box):

☐ as a transferee of Shares from a party in such party's capacity as an "Investor" bound by the Agreement, and after such transfer, Holder shall be considered an "Investor" and a "Shareholder" for all purposes of the Agreement.

☐ as a transferee of Shares from a party in such party's capacity as a "Key Holder" bound by the Agreement, and after such transfer, Holder shall be considered a "Key Holder" and a "Shareholder" for all purposes of the Agreement.

☐ as a new Investor in accordance with Section 5.1(a) of the Agreement, in which case Holder will be an "Investor" and a "Shareholder" for all purposes of the Agreement.

☐ in accordance with Section 5.1(b) of the Agreement, as a new party who is not a new Investor, in which case Holder will be a "Shareholder" for all purposes of the Agreement.

1.2 Agreement. Holder hereby (a) agrees that the Stock and any other shares of capital stock or securities required by the Agreement to be bound thereby, shall be bound by and subject to the terms of the Agreement and (b) adopts the Agreement with the same force and effect as if Holder were originally a party thereto.

1.3 Notice. Any notice required or permitted by the Agreement shall be given to Holder at the address or facsimile number listed below Holder's signature hereto.

HOLDER: _____

By: _____
Name and Title of Signatory

Address: _____

_____

Facsimile Number: _____

E-Mail: _____

ACCEPTED AND AGREED:

PROTO LABS, INC.

By: _____

Title: _____

Exhibit 10.2

AMENDMENT NO. 1
TO
VOTING AGREEMENT

This Amendment No. 1 to Voting Agreement, dated as of May 31, 2011 (this "**Amendment**"), amends that certain Voting Agreement dated as of August 1, 2008 (the "**Agreement**"), by and among Proto Labs, Inc., a Minnesota corporation (the "**Company**"), and the Investors and Shareholders party thereto.

WHEREAS, the parties hereto desire to facilitate an expansion in the size of the board of directors of the Company to eight members.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree and consent as follows:

1. **Defined Terms.** Capitalized terms used but not defined herein will have the meanings given to them in the Agreement.

2. **Amendments.**

a) Section 1.11 of the Agreement is hereby amended by deleting "seven (7)" in the first sentence thereof, and inserting in its place "eight (8)".

b) Section 1.2(e) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(e) Three individuals not otherwise an Affiliate of the Company (the "**Independent Directors**") that are mutually acceptable to the other members of the Board, which Independent Directors shall initially be John Goodman, Margaret Loftus and Sven Wehrwein."

3. **All Other Terms Unchanged.** Except as expressly provided in this Amendment, all of the provisions, terms and conditions of the Agreement remain in full force and effect.

4. **Conflicting Provisions.** Should any of the provisions of this Amendment conflict with any of the provisions of the Agreement, then the provisions of this Amendment shall apply.

5. **Counterparts**. This Amendment may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

* * * * *

IN WITNESS WHEREOF, each of the undersigned has signed this Amendment, or caused it to be signed by its duly authorized officer, effective as of the date first written above.

PROTO LABS, INC.

By: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland
Title: President and Chief Executive Officer

NORTH BRIDGE GROWTH EQUITY I, L.P.

By: North Bridge Growth Management, L.P., its General Partner

By: NBGE GP, LLC, its General Partner

By: /s/ Douglas Kingsley
Name: Douglas Kingsley
Title: Partner

PROTOMOLD INVESTMENT COMPANY, LLC

By: /s/ Brian K. Smith
Name: Brian K. Smith
Title: Chief Manager

KEY HOLDERS

Signature: /s/ Lawrence Lukis
Name: Lawrence Lukis

RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

THIS RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT (this "**Agreement**") is made as of the 1st day of August, 2008, by and among Proto Labs, Inc., a Minnesota corporation (the "**Company**"), the Investors listed on Schedule A and the Key Holders listed on Schedule B.

A. The Company and North Bridge Growth Equity I, L.P., a Delaware limited partnership ("**North Bridge**"), are parties to the Series A Preferred Stock Purchase Agreement, of even date herewith (the "**Purchase Agreement**"), pursuant to which North Bridge, an Investor, has agreed to purchase shares of the Series A Preferred Stock of the Company, $.001 par value per share ("**Series A Preferred Stock**").

B. The Key Holders and the Company desire to further induce North Bridge to purchase the Series A Preferred Stock.

NOW, THEREFORE, the Company, the Key Holders and the Investors agree as follows:

1. Definitions.

"**Affiliate**" means, with respect to any specified Person, any other Person who directly or indirectly, controls, is controlled by or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person, or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

"**Capital Stock**" means (a) shares of Common Stock and Series A Preferred Stock (whether now outstanding or hereafter issued in any context), (b) shares of Common Stock issued or issuable upon conversion of Series A Preferred Stock and (c) shares of Common Stock issued or issuable upon exercise or conversion, as applicable, of stock options, warrants or other convertible securities of the Company, in each case now owned or subsequently acquired by any Key Holder, any Investor, or their respective successors or permitted transferees or assigns. For purposes of the number of shares of Capital Stock held by an Investor or Key Holder (or any other calculation based thereon), all shares of Series A Preferred Stock shall be deemed to have been converted into Common Stock at the then-applicable conversion ratio as set forth in the Company's Amended and Restated Articles of Incorporation.

"**Common Stock**" means shares of Common Stock of the Company, $.001 par value per share.

"**Company Notice**" means written notice from the Company notifying the selling Key Holder that the Company intends to exercise its Right of First Refusal as to some or all of the Transfer Stock with respect to any Proposed Transfer.

"**Immediate Family Member**" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

"**Investor Notice**" means written notice from an Investor notifying the Company and the selling Key Holder that such Investor intends to exercise its Secondary Refusal Right as to a portion of the Transfer Stock with respect to any Proposed Transfer.

"**Investors**" means the Persons listed on Schedule A hereto, each Person to whom the rights of an Investor are assigned pursuant to Section 6.8 and any one of them, as the context may require.

"**Key Holders**" means the Persons listed on Schedule B hereto, each Person to whom the rights of a Key Holder are assigned pursuant to Section 3.1, each Person who hereafter becomes a signatory to this Agreement pursuant to Section 6.8 or 6.14 and any one of them, as the context may require.

"**Major Holder Notice**" means written notice from a non-selling Major Holder notifying the Company and the selling Key Holder that such non-selling Major Holder intends to exercise its Secondary Refusal Right as to a portion of the Transfer Stock with respect to any Proposed Transfer.

"**Major Holders**" means the Persons identified as "Major Holders" on Schedule B hereto.

"**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

"**PIC**" means Protomold Investment Company, LLC, a Minnesota limited liability company.

"**Proposed Transfer**" means any assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering of any Transfer Stock (or any interest therein) proposed by any of the Key Holders representing in excess of 0.1% of the issued and then outstanding Common Stock (calculated on a fully diluted, as converted or exercised basis).

"**Proposed Transfer Notice**" means written notice from a Key Holder setting forth the terms and conditions of a Proposed Transfer.

"**Prospective Transferee**" means any Person to whom a Key Holder proposes to make a Proposed Transfer.

"**Right of Co-Sale**" means the right, but not an obligation, of an Investor to participate in a Proposed Transfer on the terms and conditions specified in the Proposed Transfer Notice.

"**Right of First Refusal**" means the right, but not an obligation, of the Company, or its permitted transferees or assigns, to purchase some or all of the Transfer Stock with respect to a Proposed Transfer, on the terms and conditions specified in the Proposed Transfer Notice.

"**Secondary Notice**" means written notice from the Company notifying the Investors and Major Holders that the Company does not intend to exercise its Right of First Refusal as to all shares of Transfer Stock with respect to any Proposed Transfer.

"**Secondary Refusal Right**" means the right, but not an obligation, of each Investor and non-selling Major Holder to purchase any Transfer Stock not purchased pursuant to the Right of First Refusal, in an amount up to such Investor's or non-selling Major Holder's pro rata portion (based upon the total number of shares of Capital Stock then held by all Investors and Major Holders), on the terms and conditions specified in the Proposed Transfer Notice.

"**Transfer Stock**" means shares of Capital Stock owned by a Key Holder, or issued to a Key Holder after the date hereof (including, without limitation, in connection with any stock split, stock dividend, recapitalization, reorganization, or the like), but does not include (a) any shares of Series A Preferred Stock, (b) any shares of Common Stock issued or issuable upon conversion of Series A Preferred Stock, or (c) any shares of Capital Stock owned by PIC.

"**Undersubscription Notice**" means written notice from an Investor or non-selling Major Holder notifying the Company and the selling Key Holder that such Investor or non-selling Major Holder intends to exercise its option to purchase all or any portion of the Transfer Stock not purchased pursuant to the Right of First Refusal or the Secondary Refusal Right.

2. Agreement Among the Company, the Investors and the Key Holders.

2.1 Right of First Refusal.

(a) Grant. Subject to the terms of Section 3 below, each Key Holder hereby unconditionally and irrevocably grants to the Company a Right of First Refusal to purchase all or any portion of Transfer Stock that such Key Holder may propose to transfer in a Proposed Transfer, at the same price and on the same terms and conditions as those offered to the Prospective Transferee.

(b) Notice. Each Key Holder proposing to make a Proposed Transfer must deliver a Proposed Transfer Notice to the Company and to each Investor and non-selling Major Holder. Such Proposed Transfer Notice shall contain the material terms and conditions (including price and form of consideration) of the Proposed Transfer and the identity of the Prospective Transferee. To exercise its Right of First Refusal under this Section 2, the Company must deliver a Company Notice to the selling Key Holder within 15 days after the selling Key Holder delivers the Proposed Transfer Notice to the Company.

(c) Grant of Secondary Refusal Right to Investors and Non-Selling Major Holders. Subject to the terms of Section 3 below, each Key Holder hereby unconditionally and irrevocably grants to the Investors and non-selling Major Holders a Secondary Refusal Right to purchase all or any portion of the Transfer Stock not purchased by the Company pursuant to its Right of First Refusal, as provided in this Section 2.1(c). If the Company does not intend to exercise its Right of First Refusal with respect to all Transfer Stock subject to a Proposed Transfer, the Company must deliver a Secondary Notice to the selling Key Holder and to each Investor and non-selling Major Holder no later than 20 days after the selling Key Holder delivers the Proposed Transfer Notice to the Company. To exercise its Secondary

Refusal Right, an Investor or non-selling Major Holder must deliver an Investor Notice or a Major Holder Notice, as the context may require, to the selling Key Holder and the Company no later than 30 days after the Company delivers the Secondary Notice to the selling Key Holder and to each Investor and non-selling Major Holder (the "**Secondary Notice Period**").

(d) Undersubscription of Transfer Stock. If options to purchase have been exercised by the Company, the Investors and/or the non-selling Major Holders with respect to some but not all of the Transfer Stock by the end of the Secondary Notice Period, then the Company shall, promptly after the expiration of the Secondary Notice Period, send written notice (the "**Company Undersubscription Notice**") to those Investors and non-selling Major Holders who fully exercised their Secondary Refusal Right within the Secondary Notice Period (the "**Exercising Shareholders**"). Each Exercising Shareholder shall, subject to the provisions of this Section 2.1(d), have an additional option to purchase all or any part of the balance of any such remaining unsubscribed shares of Transfer Stock on the terms and conditions set forth in the Proposed Transfer Notice. To exercise such option, an Exercising Shareholder must deliver an Undersubscription Notice to the selling Key Holder and the Company within 10 days after the expiration of the Secondary Notice Period. In the event there are two or more such Exercising Shareholders that choose to exercise the last-mentioned option for a total number of remaining shares in excess of the number available, the remaining shares available for purchase under this Section 2.1(d) shall be allocated to such Exercising Shareholders pro rata based on the number of shares of Capital Stock owned by such Exercising Shareholders (without giving effect to any shares of Transfer Stock that any such Exercising Shareholder has elected to purchase pursuant to the Company Undersubscription Notice). If the options to purchase the remaining shares are exercised in full by the Exercising Shareholders, the Company shall promptly notify all of the Exercising Shareholders and the selling Key Holder of that fact.

(e) Forfeiture of Rights. Notwithstanding the foregoing, if the total number of shares of Transfer Stock that the Company, the Investors and the non-selling Major Holders have agreed to purchase in the Company Notice, Investor Notices, Major Holder Notices and Undersubscription Notices is less than 90% of the total number of shares of Transfer Stock, then the Company, the Investors and the non-selling Major Holders shall be deemed to have forfeited any right to purchase such Transfer Stock, and the selling Key Holder shall be free to sell all, but not less than all, of the Transfer Stock to the Prospective Transferee on terms and conditions substantially similar to (and in no event more favorable than) the terms and conditions set forth in the Proposed Transfer Notice, it being understood and agreed that (i) any such sale or transfer shall be subject to the other terms and restrictions of this Agreement, including without limitation the terms and restrictions set forth in Sections 2.2 and 6.8(b); (ii) any future Proposed Transfer shall remain subject to the terms and conditions of this Agreement, including this Section 2; and (iii) such sale shall be consummated within 90 days after receipt of the Proposed Transfer Notice by the Company and, if such sale is not consummated within such 90-day period, such sale shall again become subject to the Right of First Refusal and Secondary Refusal Right on the terms set forth herein.

(f) Consideration; Closing. If the consideration proposed to be paid by the Prospective Transferee for the Transfer Stock is in property, services or other non-cash consideration, the fair market value of the consideration shall be as determined in good faith by the Company's Board of Directors and as set forth in the Company Notice. If the Company or

any Investor or non-selling Major Holder cannot for any reason pay for the Transfer Stock in the same form of non-cash consideration, the Company or such Investor or non-selling Major Holder may pay the cash value equivalent thereof, as determined in good faith by the Board of Directors and as set forth in the Company Notice. The closing of the purchase of Transfer Stock by the Company, the Investors and the non-selling Major Holders shall take place, and all payments from the Company, the Investors and the non-selling Major Holders shall have been delivered to the selling Key Holder within 90 days after the selling Key Holder delivers the Proposed Transfer Notice.

2.2 Right of Co-Sale.

(a) Exercise of Right. If any Transfer Stock subject to a Proposed Transfer is not purchased pursuant to Section 2.1 above and thereafter is to be sold to a Prospective Transferee, each respective Investor and PIC may elect to exercise its Right of Co-Sale and participate on a pro rata basis in the Proposed Transfer as set forth in Section 2.2(b) below and otherwise on the same terms and conditions specified in the Proposed Transfer Notice (provided that if an Investor wishes to sell Series A Preferred Stock, the price set forth in the Proposed Transfer Notice shall be appropriately adjusted based on the conversion ratio of the Series A Preferred Stock into Common Stock). Each party who desires to exercise its Right of Co-Sale must give the selling Key Holder written notice to that effect (a "**Co-Sale Notice**") within 15 days after the deadline for delivery of the Secondary Notice described above, and upon giving such notice such party shall be deemed to have effectively exercised its Right of Co-Sale.

(b) Shares Includable. Each party who timely exercises such Investor's Right of Co-Sale by delivering a Co-Sale Notice may include in the Proposed Transfer all or any part of such party's Capital Stock equal to the product obtained by multiplying (i) the aggregate number of shares of Transfer Stock subject to the Proposed Transfer (excluding shares purchased pursuant to the Right of First Refusal or the Secondary Refusal Right) by (ii) a fraction, the numerator of which is the number of shares of Capital Stock owned by such party exercising its Right of Co-Sale immediately before consummation of the Proposed Transfer (including any shares that such party has agreed to purchase pursuant to the Secondary Refusal Right) and the denominator of which is the total number of shares of Capital Stock owned, in the aggregate, by all Investors and PIC immediately prior to the consummation of the Proposed Transfer (including any shares that all Investors and PIC have collectively agreed to purchase pursuant to the Secondary Refusal Right), plus the number of shares of Transfer Stock held by the selling Key Holder. To the extent one or more of the Investors and PIC exercise such Right of Co-Sale, the number of shares of Transfer Stock that the selling Key Holder may sell in the Proposed Transfer shall be correspondingly reduced.

(c) Delivery of Certificates. Each Investor and PIC shall effect its participation in the Proposed Transfer by delivering to the transferring Key Holder, no later than 15 days after delivering its Co-Sale Notice, one or more stock certificates, properly endorsed for transfer to the Prospective Transferee, representing:

(i) the number of shares of Common Stock to be included in the Proposed Transfer; or

(ii) the number of shares of Series A Preferred Stock that is at such time convertible into the number of shares of Common Stock that such Investor elects to include in the Proposed Transfer, provided that such Investor must first convert the Series A Preferred Stock into Common Stock and deliver Common Stock as provided above. The Company agrees to make any such conversion concurrent with and contingent upon the actual transfer of such shares to the Prospective Transferee.

(d) Purchase Agreement. The parties hereby agree that the terms and conditions of any sale pursuant to this Section 2.2 will be memorialized in, and governed by, a written purchase and sale agreement with customary terms and provisions for such a transaction and the parties further covenant and agree to enter into such an agreement as a condition precedent to any sale or other transfer pursuant to this Section 2.2.

(e) Deliveries. Each stock certificate delivered to the selling Key Holder pursuant to Section 2.2(c) above will be transferred to the Prospective Transferee against payment therefor in consummation of the sale of the Transfer Stock pursuant to the terms and conditions specified in the Proposed Transfer Notice and the purchase and sale agreement, and the selling Key Holder shall concurrently therewith remit or direct payment to each seller the portion of the sale proceeds to which such seller is entitled by reason of its participation in such sale. If any Prospective Transferee refuses to purchase securities subject to the Right of Co-Sale from any party exercising its Right of Co-Sale hereunder, no Key Holder may sell any Transfer Stock to such Prospective Transferee unless and until, simultaneously with such sale, such Key Holder purchases all securities subject to the Right of Co-Sale from such seller on the same terms and conditions (including the proposed purchase price) as set forth in the Proposed Transfer Notice.

(f) Additional Compliance. If any Proposed Transfer is not consummated within 90 days after receipt of the Proposed Transfer Notice by the Company, the Key Holders proposing the Proposed Transfer may not sell any Transfer Stock unless they first comply in full with each provision of this Section 2. The exercise or election not to exercise any right by any Investor or PIC hereunder shall not adversely affect its right to participate in any other sales of Transfer Stock subject to this Section 2.2.

2.3 Effect of Failure to Comply.

(a) Transfer Void; Equitable Relief. Any Proposed Transfer not made in compliance with the requirements of this Agreement shall be null and void, shall not be recorded on the books of the Company or its transfer agent and shall not be recognized by the Company. Each party hereto acknowledges and agrees that any breach of this Agreement would result in substantial harm to the other parties hereto for which monetary damages alone could not adequately compensate. Therefore, the parties hereto unconditionally and irrevocably agree that any non-breaching party hereto shall be entitled to seek protective orders, injunctive relief and other remedies available at law or in equity (including, without limitation, seeking specific performance or the rescission of purchases, sales and other transfers of Transfer Stock not made in strict compliance with this Agreement).

(b) Violation of First Refusal Right. If any Key Holder becomes obligated to sell any Transfer Stock to the Company or any Investor or non-selling Major Holder under this Agreement and fails to deliver such Transfer Stock in accordance with the terms of this Agreement, the Company, such Investor and/or non-selling Major Holder may, at its option, in addition to all other remedies it may have, send to such selling Key Holder the purchase price for such Transfer Stock as is herein specified and transfer to the name of the Company or such Investor or non-selling Major Holder (or request that the Company effect such transfer in the name of an Investor or non-selling Major Holder) on the Company's books the certificate or certificates representing the Transfer Stock to be sold.

(c) Violation of Co-Sale Right. If any Key Holder purports to sell any Transfer Stock in contravention of the Right of Co-Sale (a "**Prohibited Transfer**"), PIC and each Investor who desire to exercise its Right of Co-Sale under Section 2.2 may, in addition to such remedies as may be available by law, in equity or hereunder, require such Key Holder to purchase from such Investor and PIC the type and number of shares of Capital Stock that such Investor and PIC would have been entitled to sell to the Prospective Transferee under Section 2.2 had the Prohibited Transfer been effected pursuant to and in compliance with the terms of Section 2.2. The sale will be made on the same terms and subject to the same conditions as would have applied had the Key Holder not made the Prohibited Transfer, except that the sale (including, without limitation, the delivery of the purchase price) must be made within 90 days after the Investor or PIC learns of the Prohibited Transfer, as opposed to the timeframe proscribed in Section 2.2. Such Key Holder shall also reimburse each Investor and PIC for any and all reasonable and documented out-of-pocket fees and expenses, including reasonable legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of the its rights under Section 2.2.

3. Exempt Transfers and Offerings.

3.1 Exempted Transfers. Notwithstanding the foregoing or anything to the contrary herein, the provisions of Sections 2.1 and 2.2 shall not apply: (a) in the case of a Key Holder that is an entity, upon a transfer by such Key Holder to its shareholders, members, partners or other equity holders, (b) to a repurchase of Transfer Stock from a Key Holder by the Company at a price no greater than that originally paid by such Key Holder for such Transfer Stock and pursuant to an agreement containing vesting and/or repurchase provisions approved by a majority of the Board of Directors, (c) for any Key Holder, to a pledge of an amount of such Key Holder's Transfer Stock that equals no more than 2% of the Company's then outstanding Common Stock (treating for this purpose all shares of Common Stock issuable upon exercise of or conversion of outstanding options, warrants or convertible securities, as if exercised or converted), which creates a mere security interest in the pledged Transfer Stock, provided that (1) the pledgee thereof agrees in writing in advance to be bound by and comply with all applicable provisions of this Agreement to the same extent as if it were the Key Holder making such pledge, and (2) the pledging Key Holder provides the Company's Board of Directors with prior written notice of such pledge, (d) to redemptions of Transfer Stock, or options or warrants to acquire shares of Transfer Stock, from one or more Key Holders by the Company in an amount not to exceed 5% of the fully diluted capital stock of the Company per any twelve month period beginning on August 1 and ending the next July 31, or (e) in the case of a Key Holder that is a natural person, upon a transfer of Transfer Stock by such Key Holder made for bona fide

estate planning purposes, either during his or her lifetime or on death by will or intestacy to his or her Immediate Family Members, any other Person approved by the Board of Directors of the Company, or any custodian or trustee of any trust, partnership or limited liability company for the benefit of, or the ownership interests of which are owned wholly by, such Key Holder or any such Immediate Family Members, provided that in the case of clauses (a), (c), or (e), the Key Holder shall deliver prior written notice to the Investors and non-selling Major Holders of such pledge, gift or transfer and such shares of Transfer Stock shall at all times remain subject to the terms and restrictions set forth in this Agreement and such transferee shall, as a condition to such issuance, deliver a counterpart signature page to this Agreement as confirmation that such transferee shall be bound by all the terms and conditions of this Agreement as a Key Holder (but only with respect to the securities so transferred to the transferee), including the obligations of a Key Holder with respect to Proposed Transfers of such Transfer Stock pursuant to Section 2; and provided, further, in the case of any transfer pursuant to clause (a) or (e) above, that such transfer is made pursuant to a transaction in which there is no consideration actually paid for such transfer.

3.2 Exempted Offerings. Notwithstanding the foregoing or anything to the contrary herein, the provisions of Section 2 shall not apply to the sale of any Transfer Stock (a) to the public in an offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or (b) pursuant to a Deemed Liquidation Event (as defined in the Company's Amended and Restated Articles of Incorporation).

3.3 Prohibited Transferees. Notwithstanding the foregoing, no Key Holder shall transfer any Transfer Stock to (a) any entity that, in the determination of the Company's Board of Directors, directly or indirectly competes with the Company or (b) any customer, distributor or supplier of the Company, if the Company's Board of Directors should determine that such transfer would result in such customer, distributor or supplier receiving information that would place the Company at a competitive disadvantage with respect to such customer, distributor or supplier.

3.4 PIC Transfers. PIC may not transfer, sell, assign, pledge, mortgage, hypothecate, encumber or otherwise dispose of any shares of its Capital Stock without the prior written consent of the Company's Board of Directors, such consent not to be unreasonably withheld; provided that any transferee of such shares shall, if so determined by the Company's Board of Directors, become a party to this Agreement as a Key Holder as a condition to such transfer.

4. Legend. Each certificate representing shares of Transfer Stock held by the Key Holders or issued to any permitted transferee in connection with a transfer permitted hereby shall be endorsed with a legend reading substantially as follows:

> THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN OTHER HOLDERS OF STOCK OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

Each Key Holder agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in this Section 4 above to enforce the provisions of this Agreement, and the Company agrees to promptly do so. The legend shall be removed upon termination of this Agreement at the request of the holder.

5. Lock-Up.

5.1 Agreement to Lock-Up. Each Key Holder (other than PIC) hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's initial public offering (the "**IPO**") and ending on the date specified by the Company and the managing underwriter (such period not to exceed l80 days): (a) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Capital Stock held immediately prior to the effectiveness of the registration statement for the IPO or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Capital Stock, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Capital Stock or other securities, in cash or otherwise. The foregoing provisions of this Section 5 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Key Holders (other than PIC) if all officers, directors and holders of more than 1% of the outstanding Common Stock (after giving effect to the conversion into Common Stock of all outstanding Series A Preferred Stock) enter into similar agreements. The underwriters in connection with the IPO are intended third-party beneficiaries of this Section 5 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Key Holder (other than PIC) further agrees to execute such agreements as may be reasonably requested by the underwriters in the IPO that are consistent with this Section 5 or that are necessary to give further effect thereto.

5.2 Stop Transfer Instructions. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the shares of Capital Stock of each Key Holder (other than PIC) (and transferees and assignees thereof) until the end of such restricted period.

6. Miscellaneous.

6.1 Term. This Agreement shall automatically terminate upon the earlier of (a) except with respect to Section 5 above, which shall continue as provided therein, immediately prior to the consummation of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (provided that if such a public offering is consummated before August 1, 2012, the offering price shall be at least $244.12 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization), resulting in at least $40,000,000 of aggregate gross proceeds to the Company), and (b) the consummation of a Deemed Liquidation Event (as defined in the Company's Amended and Restated Articles of Incorporation).

6.2 Stock Split. All references to numbers of shares in this Agreement shall be appropriately adjusted to reflect any stock dividend, split, combination or other recapitalization affecting the Capital Stock occurring after the date of this Agreement.

6.3 Ownership. Each Key Holder represents and warrants that such Key Holder is the sole legal and beneficial owner of the shares of Transfer Stock subject to this Agreement and that no other Person has any interest in such shares.

6.4 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on Schedule A or Schedule B hereto, or to such email address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 6.4. If notice is given to the Company, it shall be sent to Proto Labs, Inc., 5540 Pioneer Creek Drive, Maple Plain, MN 55359, Attention: Bradley A. Cleveland; and a copy (which shall not constitute notice) shall also be sent to Faegre & Benson LLP, 2200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attention: Robert D. Tyler, and if notice is given to Investors, a copy shall also be given to Weil, Gotshal & Manges LLP, 100 Federal Street, Floor 34, Boston, MA 02110, Attention: Kevin J. Sullivan, and if notice is given to PIC, it shall be sent to 2600 Eagan Woods Drive, Suite 150, Eagan, MN 55121, Attention: Brian K. Smith, and a copy shall also be sent to Maslon Edelman Borman & Brand, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attention: Jerome B. Simon.

6.5 Entire Agreement. This Agreement (including the Schedules hereto) constitutes the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

6.6 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.7 Amendment; Waiver and Termination. This Agreement may be amended, modified or terminated (other than pursuant to Section 6.1 above) and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (a) the Company, (b) PIC, (c) the Key Holders (exclusive of PIC) holding a majority of the shares of Transfer Stock then held by all of the Key Holders, and (d) the holders of a majority of the shares of Common Stock issued or issuable upon conversion of the then outstanding shares of Series A Preferred Stock held by the Investors (voting as a single class and on an as-converted basis). Notwithstanding the foregoing, PIC's consent to any amendment or waiver shall not be required if such amendment or waiver does not adversely affect PIC in a manner materially different than the Investors or any other Key Holder; provided that PIC shall be given prompt written notice of any such amendment or waiver to which PIC did not consent. Any amendment, modification, termination or waiver so effected shall be binding upon the Company, the Investors, the Key Holders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification, termination or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended, modified or terminated and the observance of any term hereunder may not be waived with respect to any Investor or Key Holder without the written consent of such Investor or Key Holder unless such amendment, modification, termination or waiver applies to all Investors and Key Holders, respectively, in the same fashion and (ii) the consent of the Key Holders shall not be required for any amendment, modification, termination or waiver if such amendment, modification, termination or waiver does not directly apply to the Key Holders or does not adversely affect the rights of the Key Holders in a manner different from the effect on the rights of the other parties hereto, and (iii) Schedules A and B hereto may be amended by the Company from time to time in accordance with Section 1.3 of the Purchase Agreement to add information regarding additional Investors without the consent of the other parties hereto. The Company shall give prompt written notice of any amendment, modification or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, modification, termination or waiver. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

6.8 Assignment of Rights.

(a) The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(b) Any successor or permitted assignee of any Key Holder, including any Prospective Transferee who purchases shares of Transfer Stock in accordance with the terms hereof, shall deliver to the Company and the Investors, as a condition to any transfer or

assignment, a counterpart signature page hereto pursuant to which such successor or permitted assignee shall confirm their agreement to be subject to and bound by all of the provisions set forth in this Agreement that were applicable to the predecessor or assignor of such successor or permitted assignee.

(c) The rights of the Investors hereunder are not assignable without the Company's written consent (which shall not be unreasonably withheld, delayed or conditioned), except (i) to any Affiliate or (ii) to an assignee or transferee who acquires at least 5% of the shares of Capital Stock then held by such Investor, it being acknowledged and agreed that any such assignment, including an assignment contemplated by the preceding clauses (i) or (ii) shall be subject to and conditioned upon any such assignee's delivery to the Company and the other Investors of a counterpart signature page hereto pursuant to which such assignee shall confirm their agreement to be subject to and bound by all of the provisions set forth in this Agreement that were applicable to the assignor of such assignee.

(d) Except in connection with an assignment by the Company by operation of law to the acquirer of the Company, the rights and obligations of the Company hereunder may not be assigned under any circumstances.

6.9 Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

6.10 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, regardless of the laws that might otherwise govern under applicable principles of conflicts of law. The parties hereto agree that any action brought by any party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be subject to the non-exclusive jurisdiction and venue of any state or federal court located in Minnesota. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or at equity.

6.11 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.12 Counterparts; Facsimile. This Agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.13 Specific Performance. In addition to any and all other remedies that may be available at law in the event of any breach of this Agreement, each Investor shall be entitled to specific performance of the agreements and obligations of the Company and the Key Holders hereunder and to such other injunction or other equitable relief as may be granted by a court of competent jurisdiction.

6.14 Additional Key Holders. In the event that after the date of this Agreement, the Company issues shares of Common Stock, or options to purchase Common Stock, to any employee or consultant, which shares or options would collectively constitute with respect to such employee or consultant (taking into account all shares of Common Stock, options and other purchase rights held by such employee or consultant) 0.1% or more of the Company's then outstanding Common Stock (treating for this purpose all shares of Common Stock issuable upon exercise of or conversion of outstanding options, warrants or convertible securities, as if exercised or converted), the Company shall, as a condition to such issuance, cause such employee or consultant to execute a counterpart signature page hereto as a Key Holder, and such Person shall thereby be bound by, and subject to, all the terms and provisions of this Agreement applicable to a Key Holder. Schedule B to this Agreement may be updated to reflect such additional party without the consent of the other parties hereto.

6.15 Aggregation of Stock. All shares of Capital Stock held or acquired by Affiliated Persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated Persons may apportion such rights as among themselves in any manner they deem appropriate.

[Remainder of Page Intentionally Left Blank – Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Right of First Refusal and Co-Sale Agreement as of the date first written above.

COMPANY:

PROTO LABS, INC.

By: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland
Title: President and Chief Executive Officer

INVESTORS:

NORTH BRIDGE GROWTH EQUITY I, L.P.
By: North Bridge Growth Management, L.P., its General Partner
By: NBGE GP, LLC, its General Partner

By: /s/ Douglas Kingsley
Name: Douglas Kingsley
Title: Partner

KEY HOLDERS:

Signature: /s/ Lawrence Lukis
Name: Lawrence Lukis

Signature: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland

Signature: /s/ Gregg Bloom
Name: Gregg Bloom

Signature: /s/ Mark Gilbert
Name: Mark Gilbert

Signature: /s/ Mark Kubicek
Name: Mark Kubicek

Signature: /s/ Yuri Dreizin
Name: Yuri Dreizin

Signature: /s/ Margaret Loftus
Name: Margaret Loftus

Signature: /s/ Don Krantz
Name: Don Krantz

Signature: /s/ John Tumelty
Name: John Tumelty

Signature: /s/ Kevin Crystal
Name: Kevin Crystal

Signature: /s/ Brian Lukis
Name: Brian Lukis

Signature: /s/ Chris Walls-Manning
Name: Chris Walls-Manning

Signature: /s/ John Goodman
Name: John Goodman

Signature: /s/ Erick Latt
Name: Erick Latt

Signature: /s/ Eric Boyd
Name: Eric Boyd

Signature: /s/ Matthew Lindner
Name: Matthew Lindner

PROTOMOLD INVESTMENT COMPANY, LLC

By: /s/ Brian K. Smith
Name: Brian K. Smith
Title: Chief Manager

SCHEDULE A

INVESTORS

Name and Address

North Bridge Growth Equity I, L.P.
950 Winter Street, Suite 4600
Waltham, MA 02451

SCHEDULE B

KEY HOLDERS AND MAJOR HOLDERS

Name and Address

Lawrence Lukis*
125 Westwood Lane
Wayzata, MN 55391

Protomold Investment Company, LLC*
2600 Eagan Woods Drive, Suite 150
Eagan, MN 55121

Bradley A. Cleveland*
4520 Juneau Lane N
Plymouth, MN 55446

Gregg Bloom
7761 53rd St. N
Lake Elmo, MN 55042

Mark Gilbert
1855 Lincoln Ave.
St. Paul, MN 55105

Mark Kubicek
17570 Java Ct. S
Lakeville, MN 55044

Yuri Dreizin
308 Turnpike Road
Golden Valley, MN 55416

Margaret Loftus
18630 Texas Ave.
Prior Lake, MN 55372

Don Krantz
7893 Bailey Dr.
Eden Prairie, MN 55347

John Tumelty
Yewtree House
Myddle, Shropshire 5463RP UK

Kevin Crystal
940 Saddlebrook Curve
Chanhassen, MN 55317

Brian Lukis
5701 E. Glen Moor Rd.
Minnetonka, MN 55345

Chris Walls-Manning
7960 Cedar St.
Greenfield, MN 55373

John Goodman
6686 Pointe Lake Lucy
Chanhassen, MN 55317

Erick Latt
107 Meadowlark Dr.
Delano, MN 55328

Eric Boyd
4530 Quantico Lane N
Plymouth, MN 55446

Matthew Lindner
13205 Bush Lane
Eden Prairie, MN 55347

* Major Holders

Exhibit 10.4

MANAGEMENT RIGHTS AGREEMENT

Proto Labs, Inc., a Minnesota corporation (the "Company") hereby acknowledges and agrees that North Bridge Growth Equity I, L.P., a Delaware limited partnership (the "Fund"), by reason of its purchase of shares of Series A Preferred Stock, par value $.001 per share, of the Company and as long as it continues to own any such shares, directly and individually has the right to exercise solely on its own behalf the management rights set forth herein. Subject to the limitations and obligations set forth in Section 3 of that certain Investors' Rights Agreement, dated as of August 1, 2008, by and among the Company, the Fund and Protomold Investment Company, LLC (but not any requirement the Fund and its affiliates hold any specified amount of the Company's securities) , the Company hereby agrees that each Fund separately has the following management rights:

(a) to receive the same information as is provided to members of the board of directors of the Company and its majority-owned subsidiaries;

(b) to obtain income statements, balance sheets, budgets, business plans and other financial information, and to inspect books and records, of the Company and its majority-owned subsidiaries; and

(c) upon a reasonable request and at reasonable times during normal business hours, to meet and consult with management of the Company or any of its majority-owned subsidiaries with respect to the business of the Company and its majority owned subsidiaries.

The Company agrees that the Fund shall have the right, in its sole discretion, to designate one or more individuals or other persons to exercise the Fund's management rights.

The aforementioned management rights are intended to satisfy the requirement of management rights for purposes of qualifying the Fund's ownership of stock in the Company as a "venture capital investment" for purposes of the U.S. Department of Labor "plan asset" regulations, 29 C.F.R. § 2510.3-101, and in the event the aforementioned management rights are not satisfactory for such purpose, the Company and the Fund shall reasonably cooperate in good faith to agree upon mutually satisfactory management rights that satisfy such regulations.

The rights and covenants described herein shall terminate and be of no further force or effect upon (i) the date of the closing of the sale of shares of the Company's Common Stock, $.001 par value per share ("Common Stock"), to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, in which the Series A Preferred Stock is converted into Common Stock, (ii) the date of the closing of a sale, lease, or other disposition of all or substantially all of the Company's assets or the Company's merger into or consolidation with any other corporation or other entity, or any other corporate reorganization, in which the holders of the Company's outstanding voting stock

immediately prior to such transaction own, immediately after such transaction, securities representing less than 50% of the voting power of the corporation or other entity surviving such transaction, which is made for independent business reasons unrelated to extinguishing management rights, *provided* that this provision shall not apply to a merger effected exclusively for the purpose of changing the domicile of the Company, or (iii) at such time as the Fund and any of its affiliates shall sell or otherwise relinquish all of the outstanding stock owned by the Fund and its affiliates in the Company.

The rights of the Fund hereunder are not assignable without the Company's written consent (which shall not be unreasonably withheld, delayed or conditioned).

This Management Rights Agreement may be amended or modified only by a written instrument executed by the Company and the Fund.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Management Rights Agreement as of the date first written above.

PROTO LABS, INC.

By: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland
Title: President and Chief Executive Officer

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT (this "**Agreement**") is made as of the 19th day of July, 2011, by and among Proto Labs, Inc., a Minnesota corporation (the "**Company**"), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**," and amends and restates that certain Investors' Rights Agreement (the "**Predecessor Agreement**"), dated as of August 1, 2008, by and among the Company, North Bridge Growth Equity I, L.P., a Delaware limited partnership ("**North Bridge**") and Protomold Investment Company, LLC, a Minnesota limited liability company ("**PIC**").

RECITALS

A. The Company and PIC terminated that certain Stock Purchase Agreement, dated June 17, 2005, as amended (the "**PIC Agreement**") and replaced it with the Predecessor Agreement.

B. The Company and North Bridge are parties to the Series A Preferred Stock Purchase Agreement, dated as of August 1, 2008 (the "**Purchase Agreement**").

C. In order to induce the Company to enter into the Purchase Agreement and to induce North Bridge, an Investor under the Predecessor Agreement, to invest funds in the Company pursuant to the Purchase Agreement, North Bridge and the Company executed the Predecessor Agreement.

D. The Company, North Bridge and PIC, together with the other Investors listed on Schedule A, desire to amend and restate the Predecessor Agreement to reflect certain agreements reached by such parties, including the granting of piggyback registration rights as described below to each of the Lawrence Lukis, Bradley A. Cleveland, individually and as trustee of the Bradley A. Cleveland Declaration of Trust dated October 10, 2008, Donald Krantz and Mark Kubicek, and Patricia M. Cleveland and Cornerstone Private Asset Trust Company, LLC, as Co-Trustees of the KEC 2011 Irrevocable Gift Trust and the JMC 2011 Irrevocable Gift Trust (collectively the "**Management Investors**" and each a "**Management Investor**").

NOW, THEREFORE, the parties agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2 "**Common Stock**" means shares of the Company's common stock, par value $.001 per share.

1.3 “**Damages**” means any loss, damage, or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.4 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.5 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.6 “**Excluded Registration**” means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.7 “**Form S-1**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.8 “**Form S-3**” means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.9 “**GAAP**” means generally accepted accounting principles in the United States.

1.10 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.

1.11 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.12 "**Initiating Holders**" means, collectively, Holders who properly initiate a registration request under this Agreement.

1.13 **"IPO"** means the Company's first firm-commitment underwritten public offering of its Common Stock pursuant to an effective registration statement under the Securities Act.

1.14 "**Major Holder**" means North Bridge or PIC, so long as each, respectively, remains a Holder.

1.15 "**Major Investor**" means any of North Bridge or PIC, individually or together with such Investor's Affiliates, so long as such Investor holds at least 75,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.16 "**New Securities**" means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.17 "**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.18 "**Qualified IPO**" means the Company's first firm-commitment underwritten public offering of its Common Stock pursuant to an effective registration statement under the Securities Act (provided that if such a public offering is consummated before August 1, 2012, the offering price must be at least $244.12 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization), resulting in at least $40,000,000 of aggregate gross proceeds to the Company).

1.19 "**Registrable Securities**" means (i) the Common Stock issuable or issued upon conversion of the Series A Preferred Stock, (ii) the Common Stock issued to PIC, (iii) the Common Stock issued to any Management Investor, and (iv) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (iii) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 5.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.14 of this Agreement.

1.20 "**Registrable Securities then outstanding**" means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.21 "**Restricted Securities**" means the securities of the Company required to bear the legend set forth in Section 2.12(b) hereof.

1.22 "**SEC**" means the Securities and Exchange Commission.

1.23 "**SEC Rule 144**" means Rule 144 promulgated by the SEC under the Securities Act.

1.24 "**SEC Rule 145**" means Rule 145 promulgated by the SEC under the Securities Act.

1.25 "**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.26 "**Selling Expenses**" means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.27 "**Series A Director**" means any director of the Company that the holders of record of the Series A Preferred Stock are entitled to elect pursuant to the Company's Amended and Restated Articles of Incorporation.

1.28 "**Series A Holder**" means North Bridge Growth Equity I, L.P.

1.29 "**Series A Preferred Stock**" means shares of the Company's Series A Preferred Stock, par value $.001 per share.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time following 180 days after the effective date of the registration statement for an IPO, the Company receives a request from Major Holders of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to outstanding Registrable Securities having an anticipated aggregate offering price, net of Selling Expenses, of at least $5,000,000, then the Company shall (i) within ten days after the date such request is given, give notice thereof (the "**Demand Notice**") to all Major Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within 60 days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Major Holders, as specified by notice given by each such Major Holder to the Company within 20 days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Major Holders of Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Major Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least $3,000,000, then the Company shall

(i) within 10 days after the date such request is given, give a Demand Notice to all Major Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within 45 days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Major Holders, as specified by notice given by each such Major Holder to the Company within 20 days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Major Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's Chief Executive Officer stating that in the good faith judgment of the Company's Board of Directors it would be materially detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore necessary to defer the filing of such registration statement, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than 105 days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any 12 month period; and provided further that the Company shall not register any securities for its own account or that of any other shareholder during such 105-day period other than an Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a) (i) during the period that is 60 days before the Company's good faith estimate of the date of filing of, and ending on a date that is 180 days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected three registrations pursuant to Section 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b) (i) during the period that is 30 days before the Company's good faith estimate of the date of filing of, and ending on a date that is 90 days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Section 2.1(b) within the 12 month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for any shareholder of the Company) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such

time, promptly give each Holder notice of such registration. Upon the request of each Holder given within 20 days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the managing underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then, the Registrable Securities that are included in such offering shall be allocated among the

selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below 30% of the total number of securities included in such offering, unless such offering is an IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other shareholder's securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, shareholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Section 2.1, a registration shall not be counted as "effected" if, as a result of an exercise of the underwriter's cutback provisions in Section 2.3(a), fewer than 50% of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to 120 days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such 120 day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such 120 day period shall be extended for up to one year, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other

documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements, not to exceed $50,000 of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b), as the case may be; provided further that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and shareholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any), who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Sections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8, except to the extent that such failure materially prejudices the indemnifying party's ability to defend the action.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses,

claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for an IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company

that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the registration statement filed by the Company for an IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that (i) would allow such holder or prospective holder to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included, or (ii) would allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Section 7.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company of shares of its Common Stock or any other equity securities under the Securities Act on a registration statement on Form S-1 and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall apply only to an IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers and directors of the Company are subject to the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the

underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements, except that, notwithstanding the foregoing, the Company and the underwriters may, in their sole discretion, waive or terminate these restrictions with respect to up to 1,000 shares of the Common Stock.

2.12 Restrictions on Transfer.

(a) The Series A Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Section 2.12, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Series A Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Section 2.12.

(b) Each certificate or instrument representing (i) the Series A Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be stamped or otherwise imprinted with a legend substantially in the following form:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.
>
> THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or

transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144, (y) in any transaction in which such Holder transfers Restricted Securities to an Affiliate of such Holder for no consideration, or (z) in any transaction in which an individual Holder transfers Restricted Securities to such Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; provided that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate or instrument evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate shall not bear such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 [Intentionally Omitted.]

2.14 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Section 2.1 or Section 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event, as such term is defined in the Company's Amended and Restated Articles of Incorporation;

(b) the date on which all shares of Registrable Securities held by such Holder may be sold under Rule 144 within a 90 day period for any continuous 180 day period; and

(c) the fifth anniversary of the date of the IPO.

3. Information Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor:

(a) as soon as practicable, but in any event within 150 days after the end of each fiscal year of the Company (and no later than when provided to the Company's lenders), (i) a balance sheet as of the end of such year, (ii) statements of income and of cash

flows for such year, and a comparison between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in Section 3.1(d)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of shareholders' equity as of the end of such year, with the financial statements audited and certified by independent public accountants selected by the Company;

(b) as soon as practicable, but in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(c) as soon as practicable, but in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct;

(d) as soon as practicable, but in any event within 30 days of the end of each month, an unaudited income statement and statement of cash flows for such month, and an unaudited balance sheet as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(e) as soon as practicable, but in any event 30 days after the start of each fiscal year, a budget and business plan for that fiscal year (collectively, the "**Budget**"), approved by the Board of Directors and prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company; and

(f) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request; provided, however, that the Company shall not be obligated under this Section 3.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the

foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date 30 days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor, at such Major Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Termination of Information Rights. The covenants set forth in Section 3.1 and Section 3.2 shall terminate and be of no further force or effect (i) immediately before the consummation of a Qualified IPO or (ii) upon a Deemed Liquidation Event, whichever event occurs first.

3.4 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.4 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.4; (iii) to any existing or prospective Affiliate, partner, member, shareholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Section 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted to it among itself and its Affiliates in such proportions as it deems appropriate.

(a) The Company shall give notice (the "**Offer Notice**") to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within 20 days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities that equals the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Series A Preferred Stock and any other Derivative Securities then held, by such Major Investor bears to the total Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Series A Preferred Stock and other Derivative Securities). At the expiration of such 20 day period, the Company shall promptly notify each Major Investor that elects to purchase or acquire all the shares available to it (each, a "**Fully Exercising Investor**") of any other Major Investor's failure to do likewise. During the ten day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Major Investors were entitled to subscribe but that were not subscribed for by the Major Investors which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Series A Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Series A Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of 90 days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the 90 day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within the later of such 90 day period or 30 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to the following: (i) securities (including options to purchase shares of Common Stock) issued or issuable to Company management or personnel under the Company's 2000 Stock Option Plan, as amended, and under any replacement or successor plan approved by the Board of Directors and the Company's shareholders; (ii) securities issued in connection with a debt financing, acquisition or strategic transaction approved by the Board of Directors; (iii) securities issued upon conversion of any of the Series A Preferred Stock, or as a dividend or distribution on the Series A Preferred Stock; (iv) securities issued upon the conversion of any warrant, option, or other convertible security approved by the Board of Directors and outstanding as of the date of this Agreement; (v) securities issuable upon a stock split, stock dividend, or any subdivision of shares of Common Stock; (vi) any right, option or warrant to acquire any security convertible into the securities covered by the foregoing; and (vii) shares of Common Stock issued in an IPO.

(e) Notwithstanding any provision hereof to the contrary, in lieu of complying with the provisions of this Section 4.1, the Company may elect to give notice to the Major Investors within 30 days after the issuance of New Securities. Such notice shall describe the type, price, and terms of the New Securities. Each Major Investor shall have 20 days from the date notice is given to elect to purchase up to the number of New Securities that would, if purchased by such Major Investor, maintain such Major Investor's percentage-ownership position, calculated as set forth in Section 4.1(b) before giving effect to the issuance of such New Securities. The closing of such sale shall occur within 60 days of the date notice is given to the Major Investors.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of an IPO or (ii) upon a Deemed Liquidation Event, whichever event occurs first.

5. Additional Covenants.

5.1 Insurance. The Company shall use its commercially reasonable efforts to obtain, within 90 days of the date hereof, from financially sound and reputable insurers term "key-person" insurance on Larry Lukis and Brad Cleveland, each in an amount of $2.5 million and on terms and conditions satisfactory to the Board of Directors, and will use commercially reasonable efforts to cause such insurance policies and its existing Directors and Officers liability insurance to be maintained until such time as the Board of Directors determines that such insurance should be discontinued. The key-person policy shall name the Company as loss payee, and neither policy shall be cancelable by the Company without prior approval by the Board of Directors.

5.2 Employee Agreements. The Company will use reasonable efforts to obtain from each (i) senior manager and software developer now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement and (ii) Key Employee to enter into a non-competition and non-solicitation agreement, substantially in the form approved by the Board of Directors. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock

agreement between the Company and any employee, without the consent of the Board of Directors.

5.3 Board Matters. Unless otherwise determined by the vote of a majority of the directors then in office, the Board of Directors shall meet at least quarterly in accordance with an agreed-upon schedule. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket travel expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board of Directors. The Company will maintain an audit and compensation committee, each of which shall consist solely of non-management directors. Each non-employee director shall be entitled in such person's discretion to be a member of any Board committee. Any future increase to Larry Lukis' compensation must be approved by the Company's compensation committee.

5.4 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's By-laws, its Articles of Incorporation, or elsewhere, as the case may be.

5.5 Termination of Covenants. The covenants set forth in this Section 5, except for Section 5.4, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO or (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, whichever event occurs first.

6. Put Right.

6.1 Put. PIC shall have the right to tender all or any portion of its Registrable Securities to the Company and the Company shall be obligated to purchase and redeem such Registrable Securities so tendered (to the extent that funds are legally available for redemption), provided that PIC shall not tender less than 10,000 shares of Registrable Securities (subject to adjustment for stock dividends, stock combinations, reorganizations and similar events) on any one occasion upon PIC's exercise of its put right pursuant to Section 6.2 below.

6.2 Notice of Exercise. PIC may exercise its put option under Section 6.1 at any time after August 2, 2018. Notice of exercise of the put option shall be given to the Company in writing pursuant to the notice provisions set forth in this Agreement, and shall specify the number of shares of Registrable Securities being tendered to the Company for sale.

6.3 Purchase Price. The purchase price for shares of Registrable Securities tendered to the Company pursuant to this Section 6 shall be determined as follows: upon receipt of by the Company of PIC's notice of election to exercise the put option pursuant to Section 6.2, PIC and an authorized representative of the Company shall meet and attempt in good faith to agree upon the purchase price applicable to the redemption of shares of Registrable Securities

under this Section 6. If the parties fail to agree upon such purchase price within 30 days after the Company's receipt of PIC's notice of election to exercise its put option, the purchase price shall be determined by an independent appraisal without discount for lack of liquidity, control or marketability. The appraised fair market value of the shares of Registrable Securities shall be determined as of the last day of the fiscal year during which the right to put Shares becomes exercisable. The appraisal shall be prepared by a qualified appraiser selected by the Company and acceptable to PIC, with the fees and expenses of the qualified appraisal being split equally between the Company and PIC. If PIC and the Company cannot agree upon a qualified appraiser, then each party shall select its own qualified appraiser and each appraiser shall separately determine the fair market value of the shares of Registrable Securities. The purchase price in such case shall be the average of the two appraisals and each party shall bear the costs of their own qualified appraiser. The purchase price determined by the appraiser, or the average of the prices determined by the two appraisers, as applicable, shall be final and binding upon PIC and the Company.

6.4 Payment. The closing of the sale and redemption of shares under this Section 6 shall occur on a reasonable date, at a reasonable place and at a reasonable time to be agreed among the parties, which shall be no later than forty-five (45) days after the Company's receipt of PIC's notice of election to exercise its put option or fifteen days following the determination of the purchase price, whichever is later. PIC shall be entitled to interest on the purchase price for the shares at the prevailing prime rate published in *The Wall Street Journal* from the date of the Company's receipt of PIC's notice of election to exercise its put option.

6.5 Inability to Redeem. If the Company's funds legally available for redemption of capital stock are insufficient to discharge in full the Company's obligations to redeem shares which the Company is then obligated to redeem pursuant to this Section 6, the Company shall redeem the maximum number of shares for which it has sufficient funds. PIC shall receive interest (**"Redemption Interest"**) on the aggregate purchase price of the unredeemed shares at a rate per annum equal to 2% in excess of the prevailing prime rate published in *The Wall Street Journal*. Such Redemption Interest shall accrue commencing on the date the Company would have otherwise been obligated to redeem the subject shares and shall be payable quarterly in arrears. When additional funds of the Company are legally available for the redemption of capital stock of the Company, such funds shall be immediately used (i) to redeem the balance of the shares which it has not redeemed (in the manner described in the immediately preceding sentence), and (ii) to pay the Redemption Interest.

6.6 Termination. The rights and covenants set forth in this Section 6 shall terminate and be of no further force or effect immediately before the consummation of an IPO.

7. Miscellaneous.

7.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 150,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other

recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or shareholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

7.2 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, regardless of the laws that might otherwise govern under applicable principles of conflicts of law. The parties hereto agree that any action brought by any party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be brought subject to the non-exclusive jurisdiction and venue of any state or federal court located in Minnesota. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or at equity.

7.3 Counterparts; Facsimile. This Agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

7.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified, (ii) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on Schedule A

hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 7.5. If notice is given to the Company, a copy shall also be sent to Faegre & Benson LLP, 2200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402, Attention: Mark D. Pihlstrom, and if notice is given to the Major Holders, a copy shall also be given to Weil, Gotshal & Manges LLP, 100 Federal Street, Floor 34, Boston, MA 02110, Attention: Kevin J. Sullivan, and to Briggs and Morgan, Professional Association, 2200 IDS Center, 80 South 8th Street, Minneapolis, MN 55402, Attention: Steve Kozachok.

7.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and each Investor; provided that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, neither PIC's nor any Management Investor's consent to any amendment or waiver shall be required if such amendment or waiver does not adversely affect PIC or such Management Investor, as applicable, in a manner materially different than any other Investor; provided that PIC or such Management Investor, as applicable, shall be given prompt written notice of any such amendment or waiver to which PIC or such Management Investor, as applicable, did not consent. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

7.7 Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

7.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

7.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Company's Series A Preferred Stock after the date hereof, whether pursuant to the Purchase Agreement or otherwise, any purchaser of such shares of Series A Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

7.10 Entire Agreement. This Agreement (including Schedule A hereto) constitutes the full and entire understanding and agreement among the parties with respect to the

subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties, including the Predecessor Agreement, is expressly canceled.

7.11 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

[Remainder of Page Intentionally Left Blank – Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Investors' Rights Agreement as of the date first written above.

COMPANY:

PROTO LABS, INC.

By: /s/ Bradley A. Cleveland

Name: Bradley A. Cleveland

Title: President and Chief Executive Officer

INVESTORS:

NORTH BRIDGE GROWTH EQUITY I, L.P.

By: North Bridge Growth Management, L.P.,
its General Partner

By: NBGE GP, LLC, its General Partner

By: /s/ Douglas Kingsley
Name: Douglas Kingsley
Title: Partner

PROTOMOLD INVESTMENT COMPANY, LLC

By: /s/ Brian K. Smith
Name: Brian K. Smith
Title: Chief Manager

Signature: /s/ Lawrence Lukis
Name: Lawrence Lukis

Signature: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland

Signature: /s/ Bradley A. Cleveland
Name: Bradley A. Cleveland, as Trustee of the
Bradley A. Cleveland Declaration of Trust
dated October 10, 2008

Signature: /s/ Donald Krantz
Name: Donald Krantz

Signature: /s/ Mark Kubicek
Name: Mark Kubicek

INVESTORS:

Signature: /s/ Patricia M. Cleveland
Name: Patricia M. Cleveland, as Co-Trustee of the KEC 2011 Irrevocable Gift Trust

Signature: /s/ Anne Brenner
Name: Cornerstone Private Asset Trust Company, LLC, as Co-Trustee of the KEC 2011 Irrevocable Gift Trust

Signature: /s/ Patricia M. Cleveland
Name: Patricia M. Cleveland, as Co-Trustee of the JMC 2011 Irrevocable Gift Trust

Signature: /s/ Anne Brenner
Name: Cornerstone Private Asset Trust Company, LLC, as Co-Trustee of the JMC 2011 Irrevocable Gift Trust

SCHEDULE A

INVESTORS

Name and Address	Number of Shares Held
North Bridge Growth Equity I, L.P.	427,985
Protomold Investment Company, LLC	227,832
Lawrence Lukis	495,310
Bradley A. Cleveland	—
Bradley A. Cleveland, as Trustee of the Bradley A. Cleveland Declaration of Trust dated October 10, 2008	89,013
Donald Krantz	—
Mark Kubicek	7,500
Patricia M. Cleveland and Cornerstone Private Asset Trust Company, LLC, as Co-Trustees of the KEC 2011 Irrevocable Gift Trust c/o Cornerstone Private Asset Trust Company, LLC	10,000
Patricia M. Cleveland and Cornerstone Private Asset Trust Company, LLC, as Co-Trustees of the JMC 2011 Irrevocable Gift Trust c/o Cornerstone Private Asset Trust Company, LLC	10,000

Exhibit 10.6

PROTO LABS, INC.
EXECUTIVE EMPLOYMENT AGREEMENT

This **EXECUTIVE EMPLOYMENT AGREEMENT** (the "***Agreement***") is entered into as of the 1st day of June, 2011 (the "***Effective Date***") by and between **PROTO LABS, INC.,** a Delaware corporation (the "***Company***"), and **JOHN R. JUDD** ("***Executive***"), an individual residing in the State of Minnesota.

RECITALS

A. The Company desires to employ Executive, and Executive desires to be employed by the Company, in accordance with the terms and conditions stated in this Agreement.

B. During employment with the Company Executive will have access to confidential, proprietary and trade secret information of the Company. It is desirable and in the best interests of the Company to protect confidential, proprietary and trade secret information of the Company, to prevent unfair competition by former executives of the Company following separation of their employment with the Company and to secure cooperation from former executives with respect to matters related to their employment with the Company.

C. Executive understands that Executive's employment and receipt of the compensation and benefits provided for in this Agreement depends on, among other things, Executive's willingness to agree to and abide by the non-disclosure, non-competition, non-solicitation, assignment of inventions and other covenants contained in the Proto Labs, Inc. Employee Non-Disclosure and Inventions Assignment Agreement (the "***Non-Disclosure Agreement***") and the Proto Labs, Inc. Non-Competition Agreement (the "***Non-Competition Agreement***") attached together as Exhibit A to this Agreement. Executive and the Company acknowledge that Executive was provided a copy of this Agreement, the Non-Disclosure Agreement and the Non-Competition Agreement before Executive accepted employment with the Company.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, the Company and Executive, intending to be legally bound, hereby agree as follows:

AGREEMENTS

1. Employment and Duties. Commencing on June 1, 2011, or such other date mutually agreed by the parties, the Company will employ Executive, and Executive will accept such employment and perform services for the Company, under the terms and conditions set forth in this Agreement. The Executive shall serve as the Company's Chief Financial Officer and shall perform such duties of an executive nature as the Company may assign from time to time. Executive will follow and comply with applicable policies and procedures adopted by the Company from time to time, including without limitation policies relating to business ethics, conflict of interest, non-discrimination, confidentiality and protection of trade secrets, and insider trading. Executive shall devote his full working time and efforts to the Company's business, to

the exclusion of all other employment or active participation in other material business interests, unless otherwise consented to in writing by the disinterested members of the Board of Directors of the Company (the "***Board***"); *provided, however*, that during the period from June 1, 2011 through June 30, 2011, Executive may provide such reasonable transition assistance to his former employer as agreed between Executive and his former employer. The Executive may not serve as a director on any board of directors without the unanimous written consent of the Board. Executive hereby represents and confirms that Executive is under no contractual or legal commitments that would prevent Executive from fulfilling Executive's duties and responsibilities as set forth in this Agreement.

2. At will Employment. Executive's employment with Company shall be at will and Executive's employment may be unilaterally terminated by either party subject to the terms of Section 5 of this Agreement.

3. Compensation. While employed by the Company during the term of this Agreement (the "***Term***" as defined in Section 14 below), Executive will be provided with the following compensation and benefits:

A. Base Salary. The Company will pay to Executive for services provided hereunder an initial base salary at the annualized rate of $240,000, which base salary will be paid in accordance with the Company's normal payroll policies and procedures ("***Base Salary***"). The Company will review Executive's performance on an annual basis and determine any adjustments to Executive's Base Salary in its sole discretion.

B. Annual Bonus. Executive will be eligible for an annual target incentive award of 50% of Executive's then-current base salary (the "***Annual Bonus***"), based on achievement of objectives as determined by the Company, payable no later than March 15 of the calendar year following the calendar year for which the bonus was earned. Any Annual Bonus that may awarded for 2011 will be pro-rated from the date Executive commences employment under this Agreement.

C. Employee Benefits. Executive will be entitled to participate in all employee benefit plans and programs generally available to executive employees of the Company, as determined by the Company and to the extent that Executive meets the eligibility requirements for each individual plan or program. Executive's participation in any plan or program will be subject to the provisions, rules, and regulations of, or applicable to, the plan or program. The Company provides no assurance as to the adoption or continuation of any particular employee benefit plan or program. Under the Company's program currently in effect as of the Effective Date, Executive will initially accrue paid time off at the annual rate of 160 hours.

D. Expenses. The Company will reimburse Executive for all reasonable and necessary out-of-pocket business, travel, and entertainment expenses incurred by Executive in the performance of his duties and responsibilities to the Company during the Term. Such reimbursement shall be subject to the Company's normal policies and procedures for expense verification, documentation, and reimbursement.

E. Initial Equity. Executive will be granted a non-statutory stock option under the Company's 2000 Stock Option Plan to acquire 12,500 shares of the Company's common stock at a per share exercise price equal to the fair market value of a share of the Company's common stock on the date the option is granted. The option will be granted at the first meeting of the Compensation Committee of the Board occurring on or after the commencement date of Executive's employment hereunder, provided the Compensation Committee has by that time received an updated valuation report to be submitted by the third-party valuation firm retained by the Company. The option shall vest and become exercisable as to one-third of the shares subject to the option on June 1 of 2012, 2013 and 2014, and shall otherwise be subject to the terms and conditions contained in the Company's current form of non-statutory stock option agreement.

F. IPO Incentive. In recognition of Executive's services in support of the Company's plans for an initial public offering of the Company's stock (the "IPO"), the Company will pay Executive a cash bonus in an amount equal to $75,000 on the date that the IPO occurs, but in any case no later than March 15, 2012.

4. Non-Disclosure and Non-Competition. At the same time as Executive signs this Agreement, Executive will sign both the Non-Disclosure Agreement and the Non-Competition Agreement in the form attached as Exhibit A, in consideration of Executive's employment hereunder and the payments and benefits provided to Executive pursuant to this Agreement and other good and valuable consideration.

5. Termination.

A. Voluntary Termination. Except as provided in Sections 5.B., C., D. and E., each party hereto may terminate Executive's employment by giving to the other party no less than thirty (30) days' prior written notice of the party's intent to terminate. If Executive voluntarily terminates his employment without Good Reason, then the Company shall have no further liability to Executive for any payment, compensation or benefit whatsoever, other than payment of Executive's accrued but unpaid salary and benefits through the date of Executive's termination. If the Company voluntarily terminates Executive's employment without Cause (as set forth in Section 5.D. hereof) or Executive terminates his employment for Good Reason (as set forth in Section 5.E.), and subject to Executive's compliance with Section 6 of this Agreement and with the Non-Disclosure Agreement and the Non-Competition Agreement, then Executive shall be entitled to severance payments and benefits as described in Section 6 of this Agreement.

B. By Death. Executive's employment shall be terminated automatically upon the death of Executive. The Company's total liability in such event shall be limited to payment of Executive's accrued but unpaid salary and benefits through the date of Executive's death.

C. By Disability. The Company may terminate Executive's employment upon the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 90 days. A period of inability shall be "uninterrupted" unless and until Executive returns to full-time work

for a continuous period of at least 30 days. The Company shall have no liability for severance pay or benefits following the date of Executive's termination of employment, other than payment of Executive's accrued but unpaid salary and benefits through the date of Executive's termination and any rights Executive has to disability insurance benefits under applicable law or the Company's short or long term disability insurance policies as in effect at the time of termination.

D. For Cause. The employment relationship between Executive and the Company created hereunder shall automatically and immediately terminate upon the occurrence of any one of the following events:

(i) the conviction of Executive of a felony;

(ii) the gross negligence or willful misconduct of Executive which is reasonably determined by the Board to be injurious to the business or interests of the Company;

(iii) Executive's willful violation of specific and lawful directions of the Board, which persists for a period of 5 days after notice is given of such willful violation;

(iv) excessive absenteeism of Executive which persists for a period of 30 days after the Board has given the Executive notice of such absenteeism;

(v) material failure of Executive to perform or observe the provisions of this Agreement with the Company which persists for a period of 30 days after notice is given of such failure to perform or observe;

(vi) failure to cooperate with the Company in any investigation or formal proceeding; or

(vii) any act of fraud with respect to any aspect of the Company's business where such act is reasonably determined by the Board to be injurious to the business of the Company.

E. Good Reason. Executive's voluntary resignation of his employment under this Agreement will be considered to be with "Good Reason" if, following the occurrence of one or more of the events listed below, Executive (1) provides written notice to the Board of the event(s) constituting Good Reason within thirty (30) days after the first occurrence of such event(s), (2) the Company fails to reasonably cure such event(s) within thirty (30) days after receiving such notice, and (3) Executive's termination of his employment is effective not later than thirty (30) days after the end of the period in which the Board may cure the event(s). The following events will give rise to Good Reason, unless Executive has consented thereto in writing:

(i) A material reduction or diminution in the Executive's job responsibilities or duties; provided, however, that neither a mere change in title alone nor reassignment to a position that is substantially similar to the position held prior to the reassignment shall constitute Good Reason (including but not limited to, following a Change in Control, performing substantially the same duties with respect to substantially the same size and scope of organization, but which organization is part of a larger organization);

(ii) A material reduction by the Company of Executive's Base Salary as in effect on the date of this Agreement or as same may be increased from time to time thereafter; provided, however, that a reduction of Base Salary in connection with a similar general reduction of the base salaries of the Company's executive employees shall not constitute Good Reason;

(iii) The relocation of Executive's primary work location, on a permanent basis, to an office that would increase the Executive's one way commute distance by more than seventy-five (75) miles from Executive's primary work location as of immediately prior to such change; or

(iv) any acquirer, successor or assignee of the Company fails to assume and perform, in all material respects, the obligations of the Company hereunder.

6. Severance and Change in Control.

A. Severance Payments. If during the Term of this Agreement the Company voluntarily terminates Executive's employment without Cause (and other than as a result of Executive's death or disability (as defined above)) or Executive resigns his employment with Good Reason, and if the termination or resignation with Good Reason occurs on or within eighteen (18) months following a Change in Control (as defined below), such that in either case Executive's termination of employment constitutes an involuntary "separation from service" under Section 409A of the Internal Revenue Code (together, with any state law of similar effect, "***Section 409A***"), and provided that Executive signs and does not rescind a general waiver and release of claims in favor of the Company and its affiliates in a form to be prescribed by the Company (the "***Release***"), and provided further that Executive is in compliance with his continuing obligations to the Company (including but not limited to those in the Non-Disclosure Agreement and the Non-Competition Agreement), then:

(i) Cash Severance. Executive shall be entitled to receive a lump sum payment equal to one times Executive's Base Salary as in effect immediately prior to the Change in Control, less applicable withholding, plus one times Executive's target Annual Bonus for the year in which the Change in Control occurs, less applicable withholdings (the "***Cash Severance***"); and

(ii) Benefits Continuation. If Executive was enrolled in a group health plan (*e.g.*, medical, dental, or vision plan) sponsored by the Company immediately prior to termination, and if Executive (or his eligible dependents) timely elects to continue such coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (together with any state law of similar effect, "***COBRA***") the Company will pay to the insurance carrier(s) its share of the premiums due for Executive and his eligible dependents for the first twelve (12) months of such coverage under COBRA (or until such earlier time as Executive and/or his eligible dependents are no longer eligible for COBRA coverage) (the "***Benefits Continuation***" and together with the Cash Severance, the "***Payments***").

B. Release; Timing of Cash Severance. Executive must execute the Release within forty-five (45) days following the date of termination, and allow the Release to become effective in accordance with its terms. If the Release becomes effective within such time period, and subject to Executive's observation of his continuing obligations, the Company will pay the Cash Severance on the first regular payroll pay date to occur at least 65 days after the date of termination, but in any case no later than the date that is two and a half months after the end of the year in which the date of termination occurred.

C. Stock Options. Notwithstanding any other provision in this Agreement to the contrary, any stock options granted to Executive by the Company shall be subject the terms of the applicable award agreements and the Company's 2000 Stock Option Plan with respect to any termination of Executive's employment or any "Change in Control" (as defined in the Company's 2000 Stock Option Plan) of the Company.

D. Conditional Six-Month Delay. The Payments are intended to be exempt from the requirements for deferred compensation under Section 409A and should be interpreted and administered accordingly. However, if the Company (or, if applicable, the successor entity thereto) determines that the Payments constitute "deferred compensation" under Section 409A and Executive is a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) (a "***Specified Employee***"), then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Payments shall be delayed as follows: on the earliest to occur of (i) the date that is six months and one day after the termination date, (ii) the date of the Specified Employee's death, or (iii) such earlier date, as reasonably determined in good faith by the Company (or any successor entity thereto), as would not result in any of the Payments being subject to adverse personal tax consequences under Section 409A (such earliest date, the "***Delayed Initial Payment Date***"), the Company (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the Payments that Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the Payments had not been delayed pursuant to this Section 6(D) and (B) commence paying the balance of the Payments in accordance with the applicable payment schedules set forth in Section 6(A) above. For the avoidance of doubt, it is intended that (1) each installment of the Payments provided in Section 6(A) above is a separate "payment" for purposes of Section 409A, (2) all Payments satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under of Treasury Regulation 1.409A-1(b)(4)-(6), and 1.409A-1(b)(9)(iii), and (3) the Payments consisting of COBRA premiums also satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation 1.409A-1(b)(9)(v).

E. Golden Parachute Tax.

(i) If any payment or benefit (including payments and benefits pursuant to this Agreement and the acceleration of the vesting and exercisability of a stock option award) in the nature of compensation that Executive would receive in connection with a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (collectively, a "***Transaction Payment***") would constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986,

as amended (the "***Code***"), then such Transaction Payment shall be reduced to the largest amount as, in the sole judgment of the Compensation Committee of the Board, will result in no portion of such Transaction Payment being subject to the excise tax imposed by Section 4999 of the Code (a "***Reduced Payment***"). If a Reduced Payment is to be made, any reduction in the Transaction Payment shall occur in the following order: (1) reduction of cash payments other than under this Agreement (if any); (2) cancellation or reduction of accelerated vesting of stock options; and (3) reduction of other payments or benefits (if any) paid to Executive. In the event that acceleration of vesting of Executive's stock options is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(ii) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control may be utilized by the Compensation Committee to make all determinations required to be made under this Section 6(E). If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Compensation Committee may appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by any such independent registered public accounting firm retained hereunder.

(iii) Any independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Transaction Payment is triggered (if requested at that time by the Compensation Committee) or such other time as reasonably requested by the Compensation Committee. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

F. Change in Control. For purposes of this Section 6, "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (a) on account of the acquisition of beneficial ownership of securities of the Company by any Person from the Company in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities; (b) on account of the beneficial ownership of securities of the Company by the Company, any of its subsidiaries, or any employee benefit plan or related trust sponsored or maintained by the Company or any of its subsidiaries; or (c) solely because the level of ownership held by any Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the

operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not own, directly or indirectly, either (a) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or (b) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) over a twelve month period, individuals who, on the Effective Date, are members of the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of the Plan, be considered as a member of the Incumbent Board.

For avoidance of doubt, the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

7. Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction in accordance with Section 13 for injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

8. Attorney Fees. If any arbitration proceeding or action at law or in equity, including any action for declaratory or injunctive relief, is brought which arises out of this

Agreement or the termination of Executive's employment, or which seeks to enforce or interpret this Agreement or to seek damages for its breach, the prevailing party shall be entitled to recover reasonable attorney fees from the non-prevailing party, which fees may be set by the court or arbitrator in the trial of such action, or may be enforced in a separate action brought for that purpose, and which fees shall be in addition to any other relief which may be awarded.

9. Assignment. This Agreement is personal to Executive and may not be assigned in any way by Executive without the prior written consent of the Company. This Agreement shall not be assignable or delegable by the Company. Any attempted assignment by Executive or the Company shall be void. Notwithstanding the preceding two sentences, this Agreement may be assigned or delegated by the Company to any parent company, subsidiary, successor or affiliate (where such affiliate is at least 51% owned by the Company) of the Company. The rights and, obligations under this Agreement shall inure to the benefit of and shall be binding upon the heirs, legatees, administrators and personal representatives of Executive and upon the successors, affiliates, representatives and assigns of the Company.

10. Severability and Reformation. The parties hereto intend all provisions of this Agreement to be enforced to the fullest extent permitted by law, and are intended to be limited to the extent necessary so that they will not render this Agreement illegal, invalid, or unenforceable under present or future law. If any provision of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part hereof and the remaining provisions shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance.

11. Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service, cable, telegram, facsimile transmission or telex to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice:

If to the Company:

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: President and CEO

If to the Executive:

John R. Judd
5540 Pioneer Creek Drive
Maple Plain, MN 55359

Notice so given shall, in the case of notice so given by mail, be deemed to be given and received on the fourth calendar day after posting, in the case of notice so given by overnight delivery service, on the date of actual delivery and, in the case of notice so given by cable, telegram, facsimile transmission, telex or personal delivery, on the date of actual transmission or, as the case may be, personal delivery.

12. Further Actions. Whether or not specifically required under the terms of this Agreement, each party hereto shall execute and deliver such documents and take such further actions as shall be necessary in order for such party to perform all of his or its obligations specified herein or reasonably implied from the terms hereof.

13. Governing Law and Venue. This Agreement is to be governed by and construed in accordance with the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule that would cause the application of laws of any jurisdiction other than the state of Minnesota. The parties agree that any dispute concerning this Agreement is to be brought in the District Court in Hennepin County, Minnesota and consent to jurisdiction and venue therein.

14. Term. The term of this Agreement (the "***Term***") shall be the period commencing on the Effective Date and ending on the first anniversary of the Effective Date, provided that such period shall be automatically extended for successive one-year periods unless either party gives written notice of non-renewal to the other party at least ninety (90) days prior to the expiration of such first anniversary, or annual renewal, as the case may be; provided, further, that if a Change in Control occurs prior to the expiration of the Term specified in the preceding clause (including any extension year then in effect), then the Term shall end upon expiration of the eighteen-month period commencing on the date that the Change in Control occurs.

15. Entire Agreement. This Agreement, the Non-Disclosure Agreement and the Non-Competition Agreement contain the entire understanding and agreement between the parties, except as otherwise specified herein, and supersede any other agreement between Executive and the Company, whether oral or in writing, with respect to the same subject matter, including without limitation the offer letter to Executive from the Company dated May 4, 2011 and the Employee Agreement attached thereto (together, the "***Offer Letter***"); *provided, however*, that nothing herein shall supersede or replace the Company's 2000 Stock Option Plan and any award agreement with the Executive entered into thereunder.

16. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

17. Counterparts. This Agreement may be executed in counterparts, with the same effect as if both parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

18. Section 409A. This Agreement and the payments hereunder are intended to be exempt from or to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Internal Revenue Code of 1986, as amended (the "Code"), including current and future guidance and regulations interpreting such provisions, and should be interpreted and administered accordingly.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

THE COMPANY:

PROTO LABS, INC.

By /s/ Bradley A. Cleveland
Bradley A. Cleveland
Chief Executive Officer

EXECUTIVE:

/s/ John R. Judd
John R. Judd

Exhibit 10.7

The ProtoMold Company, Inc.
2000 Stock Option Plan
(as amended on August 31, 2006 and January 2007)

1. ***Purpose***. The purpose of this 2000 Stock Option Plan (as amended on August 31, 2006 and January 22, 2007, the "Plan") is to promote the interests of The ProtoMold Company, Inc., a Minnesota corporation (the "Company"), and its shareholders by providing personnel of the Company and any parent or subsidiaries thereof, and any other individuals and entities who provide services to the Company or any parent or subsidiaries in the capacity of non-employee directors or advisors or consultants, with an opportunity to acquire a proprietary interest in the Company and thereby develop a stronger incentive to put forth maximum effort for the continued success and growth of the Company. In addition, the opportunity to acquire a proprietary interest in the Company will aid in attracting and retaining personnel of outstanding ability.

2. ***Administration***.

(a) *General.* This Plan shall be administered by a committee of two or more directors of the Company (the "Committee") appointed by the Company's Board of Directors (the "Board"). If the Board has not appointed a committee to administer this Plan, then the Board shall constitute the Committee. The Committee shall have the power, subject to the limitations contained in this Plan, to fix any terms and conditions for the grant or exercise of any award under this Plan. No director shall serve as a member of the Committee unless such director shall be a "non-employee director" as that term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor statute or regulation comprehending the same subject matter. A majority of the members of the Committee shall constitute a quorum for any meeting of the Committee, and the acts of a majority of the members present at any meeting at which a quorum is present or the acts approved in writing by a majority of the members of the Committee shall be the acts of the Committee. Subject to the provisions of this Plan, the Committee may from time to time adopt such rules for the administration of this Plan as it deems appropriate. The decision of the Committee on any matter affecting this Plan, or the rights and obligations arising under this Plan or any award granted hereunder, shall be final, conclusive and binding upon all persons, including without limitation the Company, shareholders and optionees.

(b) *Indemnification.* To the full extent permitted by law, (i) no member of the Committee or person to whom authority under this Plan is delegated shall be liable for any action, omission or determination taken or made in good faith with respect to this Plan or any award granted hereunder and (ii) the members of the Committee and each person to whom authority under this Plan is delegated shall be entitled to indemnification by the Company against and from any loss incurred by such member or person by reason of any such actions and determinations.

(c) *Delegation of Authority*. The Committee may delegate all or any part of its authority under this Plan to the Chief Executive Officer of the Company for purposes of granting and administering awards granted to persons other than persons who are then subject to the reporting requirements of Section 16 of the Exchange Act ("Section 16 Individuals"). The Chief Executive Officer of the Company may, in turn, delegate all or a portion of the delegated authority to such other officer or officers of the Company as the Chief Executive Officer may determine.

(d) *Action by Board*. Notwithstanding subparagraph 2(a) above, any grant of awards hereunder to any director of the Company who is not an employee of the Company at the time of grant ("Non-Employee Director Award"), and any action taken by the Company with respect to any Non-Employee Director Award, including any amendment thereto, and any acceleration of the vesting of any option constituting a Non-Employee Director Award, any extension of the time within which any option constituting a Non-Employee Director Award may be exercised, any determination pursuant to paragraph 8 relating to the payment of the purchase price of Shares (as defined in paragraph 3 below) subject to an option constituting a Non-Employee Director Award, or any action pursuant to paragraph 9 relating to the payment of withholding taxes, if any, through the use of Shares with respect to a Non-Employee Director Award shall be subject to prior approval by the Board.

3. ***Shares***. The shares that may be made subject to awards granted under this Plan shall be authorized and unissued shares of Common Stock of the Company, $0.001 par value ("Shares," and each individually a "Share"), and they shall not exceed 475,000 Shares in the aggregate, subject to adjustment as provided in paragraph 13, below, except that, if any option lapses or terminates for any reason before such option has been completely exercised, the Shares covered by the unexercised portion of such option may again be made subject to options granted under this Plan. An option may not be exercisable for a fraction of a Share.

4. ***Eligible Participants***. Options may be granted under this Plan to any employee of the Company, or any parent or subsidiary thereof, including any such person who is also an officer or director of the Company or any parent or subsidiary thereof. Non-statutory stock options (as defined in subparagraph 5(a) below) also may be granted to (i) any employee of the Company, or any parent or subsidiary thereof, (ii) any director of the Company who is not an employee of the Company or any parent or subsidiary thereof, (iii) other individuals or entities who are not employees but who provide services to the Company or a parent or subsidiary thereof in the capacity of an advisor or consultant, and (iv) any individual or entity that the Company desires to induce to become an employee, advisor or consultant, but any such grant shall be contingent upon such individual or entity becoming employed by the Company or a parent or subsidiary thereof. References herein to "employment" and similar terms (except "employee") shall include the providing of services in the capacity of an advisor or consultant or as a director. The employees and other individuals and entities to whom options may be granted pursuant to this paragraph 4 are referred to herein as "Eligible Participants."

5. ***Terms and Conditions of Options***.

(a) *General.* Subject to the terms and conditions of this Plan, the Committee may, from time to time during the term of this Plan, grant to such Eligible Participants as the Committee may determine options to purchase such number of Shares of the Company on such

terms and conditions as the Committee may determine. In determining the Eligible Participants to whom options shall be granted and the number of Shares to be covered by each option, the Committee may take into account the nature of the services rendered by the respective Eligible Participants, their present and potential contributions to the success of the Company, and such other factors as the Committee in its sole discretion may deem relevant. The date and time of approval by the Committee of the granting of an option shall be considered the date and the time of the grant of such option. The Committee in its sole discretion may designate whether an option granted to an employee is to be considered an "incentive stock option" (as that term is defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or any amendment thereto) or a non-statutory stock option (an option granted under this Plan that is not intended to be an "incentive stock option"). The Committee may grant both incentive stock options and non-statutory stock options to the same employee. However, if an incentive stock option and a non-statutory stock option are awarded simultaneously, such options shall be deemed to have been awarded in separate grants, shall be clearly identified, and in no event shall the exercise of one such option affect the right to exercise the other. To the extent that the aggregate Fair Market Value (as defined in paragraph 7 below) of Shares with respect to which incentive stock options are exercisable for the first time by any employee during any calendar year (under all incentive stock option plans of the Company and its parent and subsidiary corporations) exceeds $100,000, such options shall be treated as non-statutory stock options. Notwithstanding the foregoing, no incentive stock option may be granted under this Plan unless this Plan is approved by the shareholders of the Company within twelve months after the effective date of this Plan.

(b) *Purchase Price.* The purchase price of each Share subject to an option granted pursuant to this paragraph 5 shall be fixed by the Committee, subject, however, to the remainder of this subparagraph 5(b). For non-statutory stock options, such purchase price may be set at any price the Committee may determine. For incentive stock options, such purchase price shall be no less than 100% of the Fair Market Value of a Share on the date of grant, provided that if such incentive stock option is granted to an employee who owns, or is deemed under Section 424(d) of the Code to own, at the time such option is granted, stock of the Company (or of any parent or subsidiary of the Company) possessing more than 10% of the total combined voting power of all classes of stock therein (a "10% Shareholder"), such purchase price shall be no less than 110% of the Fair Market Value of a Share on the date of grant.

(c) *Vesting.* Each option agreement provided for in paragraph 6 shall specify when each option granted under this Plan shall become exercisable with respect to the Shares covered by the option. Notwithstanding the provisions of any option agreement provided for in paragraph 6, the Committee may, in its sole discretion, declare at any time that any option granted under this Plan shall be immediately exercisable.

(d) *Termination*. Each option granted pursuant to this paragraph 5 shall expire, and all rights to purchase Shares thereunder shall terminate, on the earliest of:

(i) ten years after the date such option is granted (or in the case of an incentive stock option granted to a 10% Shareholder, five years after the date such option is granted) or on such date prior thereto as may be fixed by the Committee on or before the date such option is granted;

(ii) the expiration of the period after the termination of the optionee's employment within which the option is exercisable as specified in paragraph 10(b) or 10(c), whichever is applicable (provided that the Committee may, in any option agreement provided for in paragraph 6 or by Committee action with respect to any outstanding option, extend the periods specified in paragraph 10(b) and 10(c)); or

(iii) the date, if any, fixed for cancellation pursuant to paragraph 11(c) or 12 below.

6. ***Option Agreements***. All options granted under this Plan shall be evidenced by a written agreement in such form or forms as the Committee may from time to time determine, which agreement shall, among other things, designate whether the options being granted thereunder are non-statutory stock options or incentive stock options.

7. ***Fair Market Value***. For purposes of this Plan, the "Fair Market Value" of a Share at a specified date shall, unless otherwise expressly provided in this Plan, mean the closing or last sale price of a Share on the date immediately preceding such date or, if no sale of Shares shall have occurred on that date, on the next preceding day on which a sale of Shares occurred, on the Composite Tape for New York Stock Exchange listed shares or, if Shares are not quoted on the Composite Tape for New York Stock Exchange listed shares, on the Nasdaq National Market or any similar system then in use or, if Shares are not included in the Nasdaq National Market or any similar system then in use, on the Nasdaq SmallCap Market or any similar system then in use, provided that if the Shares in question are not quoted on any such system, Fair Market Value shall be what the Committee determines in good faith to be 100% of the fair market value of a Share as of the date in question. Notwithstanding anything stated in this paragraph 7, if the applicable securities exchange or system has closed for the day by the time the determination is being made, all references in this paragraph to the date immediately preceding the date in question shall be deemed to be references to the date in question.

8. ***Manner of Exercise of Options***.

(a) General. A person entitled to exercise an option granted under this Plan may, subject to its terms and conditions and the terms and conditions of this Plan, exercise it in whole at any time, or in part from time to time, by delivery to the Company at its principal executive office, to the attention of its Secretary, of written notice of exercise, specifying the number of Shares with respect to which the option is being exercised and payment of the purchase price of the Shares. The granting of an option to a person shall give such person no rights as a stockholder except as to Shares issued to such person.

(b) Payment. The consideration to be paid for the Shares, including the method(s) of payment, shall be determined by the Committee (and in the case of an incentive stock option, shall be determined at the time of grant) and may consist entirely of (i) cash (including check, bank draft or money order); (ii) delivery of optionee's promissory note with such recourse, interest, security and redemption provisions as the Committee determines to be appropriate; (iii) cancellation of indebtedness; (iv) delivery to the Company of unencumbered Shares already owned by the optionee for a period of six months having an aggregate Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the option is exercised; (v) authorization of the Company to retain from the total number of Shares as to which the option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of shares as to which the option is exercised; (vi) any combination of the methods of payments described above; or (vii) such other consideration and method of payment for the issuance of Shares to the extent permitted under applicable law. Notwithstanding the foregoing, no person shall be permitted to pay any portion of the purchase price with Shares, or by authorizing the Company to retain Shares upon exercise of the option, if the Committee, in its sole discretion, determines that payment in such manner is undesirable. Except for delivery of a promissory note by an optionee as provided above, the purchase price of the Shares with respect to which an option is being exercised shall be payable in full at the time of exercise, provided that, to the extent permitted by law, the holder of an option may simultaneously exercise an option and sell all or a portion of the Shares thereby acquired pursuant to a brokerage or similar relationship and use the proceeds from such sale to pay the purchase price of such Shares.

9. ***Tax Withholding***. Delivery of Shares upon exercise of any non-statutory stock option granted under this Plan shall be subject to any required withholding taxes. A person exercising a non-statutory stock option may, as a condition precedent to receiving the Shares, be required to pay the Company a cash amount equal to the amount of any required withholdings. In lieu of all or any part of such a cash payment, the Committee may, but shall not be required to, provide in any option agreement provided for in paragraph 6 (or provide by Committee action with respect to any outstanding option) that a person exercising an option may cover all or any part of the required withholdings, and any additional withholdings up to the amount needed to cover the individual's full FICA and federal, state and local income tax liability with respect to income arising from the exercise of the option, through the delivery to the Company of unencumbered Shares, through a reduction in the number of Shares delivered to the person exercising the option or through a subsequent return to the Company of Shares delivered to the person exercising the option (in each case, such Shares having an aggregate Fair Market Value on the date of exercise equal to the amount of the withholding taxes being paid through such delivery, reduction or subsequent return of Shares).

10. ***Transferability and Termination of Employment.***

(a) *Transferability*. During the lifetime of an optionee, only such optionee or his or her guardian or legal representative may exercise options granted under this Plan, and no option granted under this Plan shall be assignable or transferable by the optionee otherwise than by will or the laws of descent and distribution or, with respect only to non-statutory stock options, pursuant to a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder; provided, however, that any optionee may transfer a non-statutory stock option granted under this Plan to a member or members of his or her immediate family (i.e., his or her children, grandchildren and spouse) or to one or more

trusts for the benefit of such family members or partnerships in which such family members are the only partners, if (i) the option agreement with respect to such options expressly so provides either at the time of initial grant or by amendment to an outstanding option agreement and (ii) the optionee does not receive any consideration for the transfer. Any options held by any such transferee shall continue to be subject to the same terms and conditions that were applicable to such options immediately prior to their transfer and may be exercised by such transferee as and to the extent that such option has become exercisable and has not terminated in accordance with the provisions of the Plan and the applicable option agreement. For purposes of any provision of this Plan relating to notice to an optionee or to vesting or termination of an option upon the death, disability or termination of employment of an optionee, the references to "optionee" shall mean the original grantee of an option and not any transferee.

(b) *Termination of Employment During Lifetime.* During the lifetime of an optionee who is an employee of the Company or any parent or subsidiary thereof at the time of grant of an option, an option granted to such optionee may be exercised only while the optionee is employed by the Company or by a parent or subsidiary thereof, and only if such optionee has been continuously so employed since the date the option was granted, except that:

(i) an option shall continue to be exercisable for three months after termination of the optionee's employment but only to the extent that the option was exercisable immediately prior to such optionee's termination of employment;

(ii) in the case of an optionee who is disabled (as hereinafter defined) while employed, an option shall continue to be exercisable for one year after termination of such optionee's employment; and

(iii) as to any optionee whose termination occurs following a declaration pursuant to paragraph 12 below, an option may be exercised at any time permitted by such declaration.

(c) *Termination Upon Death.* With respect to an optionee whose employment terminates by reason of death, any option granted to such optionee may be exercised within one year after the death of such optionee.

(d) *Vesting Upon Disability or Death*. In the event of the disability (as hereinafter defined) or death of an optionee, any option granted to such optionee that was not previously exercisable shall become immediately exercisable in full if the disabled or deceased optionee shall have been continuously employed by the Company or a parent or subsidiary thereof between the date such option was granted and the date of such disability or death. "Disability" of an optionee shall mean any physical or mental incapacitation whereby such optionee is therefore unable for a period of twelve consecutive months or for an aggregate of twelve months in any twenty-four consecutive month period to perform his or her duties for the Company or any parent or subsidiary thereof. "Disabled," with respect to any optionee, shall mean that such optionee has incurred a Disability.

(e) *Transfers and Leaves of Absence*. Neither the transfer of employment of a person to whom an option is granted between any combination of the Company, a parent corporation or a subsidiary thereof, nor a leave of absence granted to such person and approved by the Committee, shall be deemed a termination of employment for purposes of this Plan. The terms "parent" or "parent corporation" and "subsidiary" as used in this Plan shall have the meaning ascribed to "parent corporation" and "subsidiary corporation", respectively, in Sections 424(e) and (f) of the Code.

(f) *Right to Terminate Employment.* Nothing contained in this Plan, or in any option granted pursuant to this Plan, shall confer upon any optionee any right to continued employment by the Company or any parent or subsidiary of the Company or limit in any way the right of the Company or any such parent or subsidiary to terminate such optionee's employment at any time.

(g) *Expiration Date.* In no event shall any option be exercisable at any time after the time it shall have expired in accordance with paragraph 5(d) of this Plan. When an option is no longer exercisable, it shall be deemed to have lapsed or terminated and will no longer be outstanding.

11. ***Change in Control***. For purposes of this Plan, a "Change in Control" of the Company shall be deemed to occur if any of the following occur:

(a) *Definition*.

(1) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) acquires or becomes a "beneficial owner" (as defined in Rule 13d-3 or any successor rule under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more (or, for Options granted on or after January 22, 2007, more than 50%) of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors ("Voting Securities"), provided, however, that the following shall not constitute a Change in Control pursuant to this paragraph (a)(1):

(A) any acquisition of Shares or Voting Securities of the Company directly from the Company;

(B) any acquisition or beneficial ownership by the Company or a subsidiary;

(C) any acquisition or beneficial ownership by any employee benefit plan (or related trust) sponsored or maintained by the Company or one or more of its subsidiaries;

(D) any acquisition or beneficial ownership by any corporation with respect to which, immediately following such acquisition, more than 70% of both the combined voting power of the Company's then outstanding Voting Securities and the Shares of the Company is then beneficially owned,

directly or indirectly, by all or substantially all of the persons who beneficially owned Voting Securities and Shares of the Company immediately prior to such acquisition in substantially the same proportions as their ownership of such Voting Securities and Shares, as the case may be, immediately prior to such acquisition;

(2) A majority of the members of the Board of Directors of the Company shall not be Continuing Directors. “Continuing Directors” shall mean: (A) individuals who, on the date hereof, are directors of the Company, (B) individuals elected as directors of the Company subsequent to the date hereof for whose election proxies shall have been solicited by the Board of Directors of the Company or (C) any individual elected or appointed by the Board of Directors of the Company to fill vacancies on the Board of Directors of the Company caused by death or resignation (but not by removal) or to fill newly-created directorships;

(3) Approval by the shareholders of the Company of a reorganization, merger or consolidation of the Company or a statutory exchange of outstanding Voting Securities of the Company, unless, immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the persons who were the beneficial owners, respectively, of Voting Securities and Shares of the Company immediately prior to such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors and the then outstanding shares of common stock, as the case may be, of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange, of the Voting Securities and Shares of the Company, as the case may be; or

(4) Approval by the shareholders of the Company of (x) a complete liquidation or dissolution of the Company or (y) the sale or other disposition of all or substantially all of the assets of the Company (in one or a series of transactions), other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and the then outstanding shares of common stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the persons who were the beneficial owners, respectively, of the Voting Securities and Shares of the Company immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Voting Securities and Shares of the Company, as the case may be.

(b) *Acceleration of Vesting*. If so provided in an option agreement provided for in paragraph 6 or by Committee action with respect to any outstanding option, and notwithstanding anything in subparagraph 5(c) above to the contrary, if a Change in Control of the Company shall occur, then, such option, if not already exercised in full or otherwise terminated, expired or cancelled, shall become immediately exercisable in full and shall remain exercisable during the remaining term thereof.

(c) *Cash Payment*. If a Change in Control of the Company shall occur, then, so long as a majority of the members of the Board are Continuing Directors, the Committee, in its sole discretion, and without the consent of the holder of any option affected thereby, may determine that some or all outstanding options shall be cancelled as of the effective date of any such Change in Control and that the holder or holders of such cancelled options shall receive, with respect to some or all of the Common Shares subject to such options, as of the date of such cancellation, cash in an amount, for each Share subject to an option, equal to the excess of the per Share Fair Market Value of such Shares immediately prior to such Change in Control of the Company over the exercise price per Share of such options.

(d) *Limitation on Change in Control Payments.* Notwithstanding anything in subparagraph 11(b) or 11(c) above or paragraph 12 below to the contrary, if, with respect to an optionee, the acceleration of the exercisability of an option or the payment of cash in exchange for all or part of an option as provided in subparagraph 11(b) or 11(c) above or paragraph 12 below (which acceleration or payment could be deemed a "payment" within the meaning of Section 280G(b)(2) of the Code), together with any other payments which such optionee has the right to receive from the Company or any corporation which is a member of an "affiliated group" (as defined in Section 1504(a) of the Code without regard to Section 1504(b) of the Code) of which the Company is a member, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then such acceleration of exercisability and payments pursuant to subparagraph 11(b) or 11(c) above or paragraph 12 below shall be reduced to the largest amount as, in the sole judgment of the Committee, will result in no portion of such payments being subject to the excise tax imposed by Section 4999 of the Code.

12. ***Dissolution, Liquidation, Merger***. In the event of (a) the proposed dissolution or liquidation of the Company, (b) a proposed sale of substantially all of the assets of the Company or (c) a proposed merger, consolidation of the Company with or into any other entity, regardless of whether the Company is the surviving corporation, or a proposed statutory share exchange with any other entity (the actual effective date of the dissolution, liquidation, sale, merger, consolidation or exchange being herein called an "Event"), the Committee shall either (i) if the Event is a merger, consolidation or statutory share exchange, make appropriate provision for the protection of outstanding options granted under this Plan by the substitution, in lieu of such options, of options to purchase appropriate voting common stock (the "Survivor's Stock") of the corporation surviving any such merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, or, alternatively, by the delivery of a number of shares of the Survivor's Stock which has a Fair Market Value as of the effective date of such merger, consolidation or statutory share exchange equal to the product of (x) the excess of (A) the Event Proceeds per Share (as hereinafter defined) covered by the option as of such effective date over (B) the exercise price per Share of the Shares subject to such option, times (y) the number of Shares covered by such option,

or (ii) declare, at least twenty days prior to the Event, and provide written notice to each optionee of the declaration, that each outstanding option, whether or not then exercisable, shall be cancelled at the time of, or immediately prior to the occurrence of, the Event (unless it shall have been exercised prior to the occurrence of the Event). In connection with any declaration pursuant to clause (ii) of the preceding sentence, the Committee may, but shall not be obligated to, cause payment to be made, within twenty days after the Event, in exchange for each cancelled option to each holder of an option that is cancelled, of cash equal to the amount (if any), for each Share covered by the cancelled option, by which the Event Proceeds per Share (as hereinafter defined) exceeds the exercise price per Share covered by such option. At the time of any declaration pursuant to clause (ii) of the first sentence of this paragraph 12, each option that has not previously expired pursuant to subparagraph 5(d)(i) or 5(d)(ii) of this Plan or been cancelled pursuant to paragraph 11(c) of this Plan shall immediately become exercisable in full and each holder of an option shall have the right, during the period preceding the time of cancellation of the option, to exercise his or her option as to all or any part of the Shares covered thereby. In the event of a declaration pursuant to clause (ii) of the first sentence of this paragraph 12, each outstanding option granted pursuant to this Plan that shall not have been exercised prior to the Event shall be cancelled at the time of, or immediately prior to, the Event, as provided in the declaration, and this Plan shall terminate at the time of such cancellation, subject to the payment obligations of the Company provided in this paragraph 12. Notwithstanding the foregoing, no person holding an option shall be entitled to the payment provided in this paragraph 12 if such option shall have expired pursuant to subparagraph 5(d)(i) or 5(d)(ii) of this Plan or been cancelled pursuant to paragraph 11(c) of this Plan. In addition, in the event of the proposed dissolution or liquidation of the Company, the Committee may provide that any Company repurchase option applicable to the Shares shall lapse as to all such Shares, provided that the proposed dissolution or liquidation takes place at the time and in the manner provided. For purposes of this paragraph 12, “Event Proceeds per Share” shall mean the cash plus the fair market value, as determined in good faith by the Committee, of the non-cash consideration to be received per Share by the stockholders of the Company upon the occurrence of the Event.

13. ***Adjustments***. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, or extraordinary dividend or divestiture (including a spin-off), or any other change in the corporate structure or Shares of the Company, the Committee (or if the Company does not survive any such transaction, a comparable committee of the Board of Directors of the surviving corporation) may, without the consent of any holder of an option, make such adjustment as it determines in its discretion to be appropriate as to the number and kind of securities subject to and reserved under this Plan and, in order to prevent dilution or enlargement of rights of participants in this Plan, the number and kind of securities issuable upon exercise of outstanding options and the exercise price thereof.

14. ***Substitute Options***. Options may be granted under this Plan from time to time in substitution for stock options held by employees of other corporations who are about to become employees of the Company, or any parent or subsidiary thereof, or whose employer is about to become a subsidiary of the Company, as the result of a merger or consolidation of the Company or a subsidiary of the Company with another corporation, the acquisition by the Company or a subsidiary of the Company of all or substantially all the assets of another corporation or the acquisition by the Company or a subsidiary of the Company of at least 50% of the issued and

outstanding stock of another corporation. The terms and conditions of the substitute options so granted may vary from the terms and conditions set forth in this Plan to such extent as the Board at the time of the grant may deem appropriate to conform, in whole or in part, to the provisions of the stock options in substitution for which they are granted, but with respect to stock options which are incentive stock options, no such variation shall be permitted which affects the status of any such substitute option as an incentive stock option.

15. ***Restrictions on Shares.*** At the discretion of the Committee, the Company may reserve to itself and its assignees in the option agreement (a) a right of first refusal to purchase all Shares that an optionee (or a subsequent transferee) may propose to transfer to a third party, and (b) a right to repurchase a portion of or all Shares held by an optionee upon the optionee's termination of employment or service with the Company or its parent, subsidiary or affiliate for any reason within a specified time (but not to exceed ninety (90) days of the later of termination or exercise of the option, if required by applicable laws), as determined by the Committee at the time of grant at the Fair Market Value of such Shares.

16. ***Compliance With Legal Requirements***.

(a) *General.* No certificate for Shares distributable under this Plan shall be issued and delivered unless the issuance of such certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended, and the Exchange Act.

(b) *Rule 16b-3.* With respect to Section 16 Individuals, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of this Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

17. ***Governing Law.*** To the extent that federal laws do not otherwise control, this Plan and all determinations made and actions taken under this Plan shall be governed by the laws of the State of Minnesota, without regard to the conflicts of law provisions thereof, and construed accordingly.

18. ***Amendment and Discontinuance of Plan***. The Board may at any time amend, suspend or discontinue this Plan; provided, however, that no amendment to this Plan shall, without the consent of the holder of the option, alter or impair any option previously granted under this Plan. To the extent considered necessary to comply with applicable provisions of the Code, any such amendments to this Plan may be made subject to approval by the shareholders of the Company.

19. ***Term.***

(a) *Effective Date.* This Plan shall be effective as of January 15, 2000.

(b) *Termination.* This Plan shall remain in effect until all Shares subject to it are distributed or this Plan is terminated under paragraph 18 above. No award of an incentive stock option shall be made under this Plan more than ten years after the effective date of this Plan (or such other limit as may be required by the Code) if such limitation is necessary to qualify the option as an incentive stock option.

Exhibit 10.8

The ProtoMold Company, Inc.
2000 Stock Option Plan

Incentive Stock Option Agreement

Name of Optionee:	
No. of Shares Covered:	Date of Grant:
Exercise Price Per Share:	Expiration Date:
Exercise Schedule (Cumulative): Date(s) of Exercisability	 No. of Shares as to Which Option Becomes Exercisable

This is an Incentive Stock Option Agreement ("Agreement") between The ProtoMold Company, Inc., a Minnesota corporation (the "Company"), and the optionee identified above (the "Optionee") effective as of the date of grant specified above.

Recitals

WHEREAS, the Company maintains The ProtoMold Company, Inc. 2000 Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, the Board of Directors of the Company (the "Board") or a committee of two or more directors of the Company (the "Committee") appointed by the Board administers the Plan and has the authority to determine the awards to be granted under the Plan (if the Board has not appointed a committee to administer the Plan, then the Board shall constitute the Committee); and

WHEREAS, the Committee has determined that the Optionee is eligible to receive an award under the Plan in the form of an incentive stock option (the "Option");

NOW, THEREFORE, the Company hereby grants this Option to the Optionee under the terms and conditions as follows.

Terms and Conditions*

1. **Grant**. The Optionee is granted this Option to purchase the number of Shares specified at the beginning of this Agreement.

2. **Exercise Price**. The price to the Optionee of each Share subject to this Option shall be the exercise price specified at the beginning of this Agreement (which price shall not be less than the Fair Market Value (as defined in paragraph 7 of the Plan) as of the date of grant or, if the Optionee owns or is deemed to own stock possessing more than 10% of the combined voting power of all classes of stock of the Company, 110% of the Fair Market Value as of the date of grant).

3. **Incentive Stock Option**. This Option is intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. **Exercise Schedule**. This Option shall vest and become exercisable as to the number of Shares and on the dates specified in the exercise schedule at the beginning of this Agreement. The exercise schedule shall be cumulative; thus, to the extent this Option has not already been exercised and has not expired, terminated or been cancelled, the Optionee or the person otherwise entitled to exercise this Option as provided herein may at any time, and from time to time, purchase all or any portion of the Shares then purchasable under the exercise schedule.

   This Option may also be exercised in full (notwithstanding the exercise schedule) under the circumstances described in Section 8 of this Agreement if it has not expired prior thereto.

5. **Expiration**. This Option shall expire at 5:00 p.m. Central Time on the earliest of:

   (a) The expiration date specified at the beginning of this Agreement (which date shall not be later than ten years after the date of grant or, if the Optionee owns or is deemed to own stock possessing more than 10% of the combined voting power of all classes of stock of the Company, five years after the date of grant);

   (b) The last day of the period following the termination of employment of the Optionee during which this Option can be exercised (as specified in Section 7 of this Agreement); or

   (c) The date (if any) fixed for cancellation pursuant to Section 8 of this Agreement.

* Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

In no event may anyone exercise this Option, in whole or in part, after it has expired, notwithstanding any other provision of this Agreement.

6. **Procedure to Exercise Option**.

Notice of Exercise. This Option may be exercised by delivering written notice of exercise to the Company at the principal executive office of the Company, to the attention of the Company's Secretary, in the form attached to this Agreement. The notice shall state the number of Shares to be purchased, and shall be signed by the person exercising this Option. If the person exercising this Option is not the Optionee, he/she also must submit appropriate proof of his/her right to exercise this Option.

Tender of Payment. Upon giving notice of any exercise hereunder, the Optionee shall provide for payment of the purchase price of the Shares being purchased through one or a combination of the following methods:

(a) Cash;

(b) By delivery of optionee's promissory note with such recourse, interest, security and redemption provisions as the Committee determines to be appropriate;

(c) Cancellation of indebtedness;

(d) By delivery to the Company of unencumbered Shares having an aggregate Fair Market Value (as defined in paragraph 7 of the Plan) on the date of exercise equal to the purchase price of such Shares;

(e) By a reduction in the number of Shares delivered to the Optionee upon exercise, such number of Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares; or

(f) To the extent permitted by law, a broker-assisted cashless exercise in which the Optionee irrevocably instructs a broker to deliver proceeds of a sale of all or a portion of the Shares to be issued pursuant to the exercise (or a loan secured by such Shares) to the Company in payment of the purchase price of such Shares.

Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the purchase price with Shares if the Committee, in its sole discretion, determines that payment in such manner is undesirable.

Delivery of Certificates. As soon as practicable after the Company receives the notice and purchase price provided for above, it shall deliver to the person exercising this Option, in the name of such person, a certificate or certificates representing the Shares being purchased. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable. Notwithstanding anything to the

contrary in this Agreement, the Company shall not be required to issue or deliver any Shares prior to the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or desirable.

7. **Employment Requirement**. This Option may be exercised only while the Optionee remains employed with the Company or a parent or subsidiary thereof, and only if the Optionee has been continuously so employed since the date of this Agreement; *provided that*:

(a) This Option may be exercised for three months following the day the Optionee's employment by the Company ceases if such cessation of employment is for a reason other than death or disability, but only to the extent that it was exercisable immediately prior to termination of employment.

(b) This Option may be exercised within one year after the Optionee's employment by the Company ceases if such cessation of employment is because of death or disability.

(c) If the Optionee's employment terminates after a declaration made pursuant to Section 8 of this Agreement in connection with an Event, this Option may be exercised at any time permitted by such declaration.

Notwithstanding the above, this Option may not be exercised after it has expired.

8. **Acceleration of Option**.

Death or Disability. This Option may be exercised in full, regardless of whether such exercise occurs prior to a date on which this Option would otherwise vest, upon the death or disability of the Optionee; provided that the Optionee shall have been continuously employed by the Company or a parent or subsidiary thereof between the date of this Agreement and the date of such death or disability.

Change in Control. In the event of a Change in Control as defined in paragraph 11 of the Plan, then, without any action by the Committee or the Board, this Option, to the extent not already exercised in full or otherwise terminated, expired or canceled, shall become immediately exercisable in full and the Committee may, as provided in paragraph 11(c) of the Plan, determine that this Option shall be canceled and make certain cash payments with respect to this Option.

Event. In the event of an Event as defined in paragraph 12 of the Plan, the Committee may, but shall not be obligated to:

(a) if the Event is a merger or consolidation or statutory share exchange, make appropriate provision for the protection of this Option by the substitution for this Option of options or voting common stock of the corporation surviving any merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, as provided in paragraph 12 of the Plan; or

(b) at least 20 days prior to the occurrence of the Event, declare, and provide written notice to the Optionee of the declaration, that this Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Event (unless it shall have been exercised prior to the occurrence of the Event). In connection with any such declaration, the Committee may, but shall not be obligated to, cause payment to be made to the Optionee of cash equal to, for each Share covered by the canceled Option, the amount, if any, by which the Event Proceeds per Share, as defined in paragraph 12 of the Plan, exceeds the exercise price per Share covered by this Option. At the time of any such declaration, this Option shall immediately become exercisable in full and the Optionee shall have the right, during the period preceding the time of cancellation of this Option, to exercise this Option as to all or any part of the Shares covered by this Option. In the event of a declaration pursuant to this subsection, to the extent this Option has not been exercised prior to the Event, the unexercised part of this Option shall be canceled at the time of, or immediately prior to, the Event, as provided in the declaration. Notwithstanding the foregoing, the holder of this Option shall not be entitled to the payment provided for in this subsection if this Option shall have expired pursuant to Section 5 above.

Discretionary Acceleration. The Committee has the power, in its sole discretion, to declare at any time that this Option shall be immediately exercisable.

9. **Limitation on Transfer**. While the Optionee is alive, only the Optionee or his/her guardian or legal representative may exercise this Option. This Option may not be assigned or transferred other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

10. **No Shareholder Rights Before Exercise**. No person shall have any of the rights of a shareholder of the Company with respect to any Share subject to this Option until the Share actually is issued to him/her upon exercise of this Option.

11. **Discretionary Adjustment**. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, or extraordinary dividend or divestiture (including a spin-off), or any other change in the corporate structure or Shares of the Company, the Committee (or if the Company does not survive any such transaction, a comparable committee of the Board of Directors of the surviving corporation) may, without the consent of the Optionee, make such adjustment as it determines in its discretion to be appropriate as to the number and kind of securities subject to and reserved under the Plan and, in order to prevent dilution or enlargement of rights of the Optionee, the number and kind of securities issuable upon exercise of this Option and the exercise price hereof.

12. **Transfer of Shares — Tax Effects**. The Optionee hereby acknowledges that if any Shares received pursuant to the exercise of any portion of this Option are sold within two years from the date of grant or within one year from the effective date of exercise of the Option, or if certain other requirements of the Code are not satisfied, such Shares will be deemed under the Code not to have been acquired by the Optionee pursuant to an "incentive stock option" as defined in the Code; and that the Company shall not be liable to the Optionee in the event the Option for any reason is deemed not to be an "incentive stock option" within the meaning of the Code.

13. **Interpretation of This Agreement**. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Optionee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

14. **Discontinuance of Employment**. This Agreement shall not give the Optionee a right to continued employment with the Company or any parent or subsidiary of the Company, and the Company or any such parent or subsidiary employing the Optionee may terminate his/her employment at any time and otherwise deal with the Optionee without regard to the effect it may have upon him/her under this Agreement.

15. **Option Subject to Plan, Articles of Incorporation and By-Laws**. The Optionee acknowledges that this Option and the exercise thereof is subject to the Plan, the Articles of Incorporation, as amended from time to time, and the By-Laws, as amended from time to time, of the Company, and any applicable federal or state laws, rules or regulations.

16. **Obligation to Reserve Sufficient Shares**. The Company shall at all times during the term of this Option reserve and keep available a sufficient number of Shares to satisfy this Agreement.

17. **Binding Effect**. This Agreement shall be binding in all respects on the heirs, representatives, successors and assigns of the Optionee.

18. **Choice of Law**. This Agreement is entered into under the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflict of law principles).

IN WITNESS WHEREOF, the Optionee and the Company have executed this Agreement as of the _____ day of _____, 20__.

OPTIONEE

_____

The ProtoMold Company, Inc.

By /s/ Bradley A. Cleveland

Its Chief Executive Officer

_____, 20____

The ProtoMold Company, Inc.
1757 Halgren Road
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

I hereby exercise the following option (the "Option") granted to me under The ProtoMold Company, Inc. 2000 Stock Option Plan (the "Plan") with respect to the number of shares of Common Stock, $0.001 par value ("Shares"), of The ProtoMold Company, Inc. (the "Company"), indicated below:

Name:	_____
Date of Grant of Option:	_____
Exercise Price Per Share:	_____
Number of Shares With Respect to Which the Option is Hereby Exercised:	_____
Total Exercise Price:	_____

☐ Enclosed with this letter is a check, bank draft or money order in the amount of the Total Exercise Price.

☐ Enclosed with this letter is a promissory note.

☐ I hereby agree to pay the Total Exercise Price by cancellation of a debt owed to me by the Company.

☐ I hereby agree to pay the Total Exercise Price within five business days of the date hereof and, as stated in the attached Broker's Letter, I have delivered irrevocable instructions to _____ to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to this exercise necessary to satisfy my obligation hereunder to pay the Total Exercise Price.

☐ Enclosed with this letter is a certificate evidencing unencumbered Shares (duly endorsed in blank) having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price.

☐ I elect to pay the Total Exercise Price through a reduction in the number of Shares delivered to me upon this exercise of the Option as provided in paragraph 8 of the Plan.

If I am enclosing Shares with this letter, I hereby represent and warrant that I am the owner of such Shares free and clear of all liens, security interests and other restrictions or encumbrances. I agree that I will pay any required withholding taxes in connection with this exercise as provided in paragraph 9 of the Plan.

Please issue a certificate (the "Certificate") for the number of Shares with respect to which the Option is being exercised in the name of the person indicated below and deliver the Certificate to the address indicated below:

Name in Which to Issue Certificate: _____

Address to Which Certificate Should be Delivered: _____

_____

_____

_____

_____

Principal Mailing Address for Holder of the Certificate (if different from above): _____

_____

_____

_____

_____

Very truly yours,

_____

Signature

_____

Name, please print

_____

Social Security Number

_____, 20____

The ProtoMold Company, Inc.
1757 Halgren Road
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

Name of Optionee: _____

Date of Grant of Option: _____

Exercise Price Per Share: _____

Number of Shares With Respect to Which the Option is to be Exercised: _____

Total Exercise Price: _____

The above Optionee has requested that we finance the exercise of the above Option to purchase Shares of common stock of the ProtoMold Company, Inc. (the "Company") and has given us irrevocable instructions to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to such exercise to satisfy the Optionee's obligation to pay the Total Exercise Price.

Very truly yours,

_____
Broker Name

By _____

Exhibit 10.9

Proto Labs, Inc.
2000 Stock Option Plan

Non-Statutory Stock Option Agreement

Name of Optionee:	
No. of Shares Covered:	Date of Grant:
Exercise Price Per Share:	Expiration Date:
Exercise Schedule (Cumulative):	

Date(s) of Exercisability	No. of Shares as to Which Option Becomes Exercisable

This is a Non-Statutory Stock Option Agreement ("Agreement") between Proto Labs, Inc., a Minnesota corporation (the "Company"), and the optionee identified above (the "Optionee") effective as of the date of grant specified above.

Recitals

WHEREAS, the Company maintains the Proto Labs, Inc. 2000 Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, the Board of Directors of the Company (the "Board") or a committee of two or more directors of the Company (the "Committee") appointed by the Board administers the Plan and has the authority to determine the awards to be granted under the Plan (if the Board has not appointed a committee to administer the Plan, then the Board shall constitute the Committee); and

WHEREAS, the Committee has determined that the Optionee is eligible to receive an award under the Plan in the form of a non-statutory stock option (the "Option");

NOW, THEREFORE, the Company hereby grants this Option to the Optionee under the terms and conditions as follows.

Terms and Conditions*

1. **Grant**. The Optionee is granted this Option to purchase the number of Shares specified at the beginning of this Agreement.

2. **Exercise Price**. The price to the Optionee of each Share subject to this Option shall be the exercise price specified at the beginning of this Agreement.

3. **Non-Statutory Stock Option**. This Option is not intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. **Exercise Schedule**. This Option shall vest and become exercisable as to the number of Shares and on the dates specified in the exercise schedule at the beginning of this Agreement. The exercise schedule shall be cumulative; thus, to the extent this Option has not already been exercised and has not expired, terminated or been cancelled, the Optionee or the person otherwise entitled to exercise this Option as provided herein may at any time, and from time to time, purchase all or any portion of the Shares then purchasable under the exercise schedule.

   This Option may also be exercised in full (notwithstanding the exercise schedule) under the circumstances described in Section 7 of this Agreement if it has not expired prior thereto.

5. **Expiration**. This Option shall expire at 5:00 p.m. Central Time on the earliest of:

   (a) The expiration date specified at the beginning of this Agreement (which date shall not be later than ten years after the date of grant);

   (b) The date (if any) fixed for cancellation pursuant to Section 7 of this Agreement.

   In no event may anyone exercise this Option, in whole or in part, after it has expired, notwithstanding any other provision of this Agreement.

6. **Procedure to Exercise Option**.

   Notice of Exercise. This Option may be exercised by delivering written notice of exercise to the Company at the principal executive office of the Company, to the attention of the Company's Secretary, in the form attached to this Agreement. The notice shall state the number of Shares to be purchased, and shall be signed by the person exercising this Option. If the person exercising this Option is not the Optionee, he/she also must submit appropriate proof of his/her right to exercise this Option.

* Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

Tender of Payment. Upon giving notice of any exercise hereunder, the Optionee shall provide for payment of the purchase price of the Shares being purchased through one or a combination of the following methods:

(a) Cash;

(b) By delivery to the Company of unencumbered Shares having an aggregate Fair Market Value (as defined in paragraph 7 of the Plan) on the date of exercise equal to the purchase price of such Shares;

(c) By a reduction in the number of Shares delivered to the Optionee upon exercise, such number of Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares; or

(d) To the extent permitted by law, a broker-assisted cashless exercise in which the Optionee irrevocably instructs a broker to deliver proceeds of a sale of all or a portion of the Shares to be issued pursuant to the exercise (or a loan secured by such Shares) to the Company in payment of the purchase price of such Shares.

Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the purchase price with Shares if the Committee, in its sole discretion, determines that payment in such manner is undesirable.

Delivery of Certificates. As soon as practicable after the Company receives the notice and purchase price provided for above, it shall deliver to the person exercising this Option, in the name of such person, a certificate or certificates representing the Shares being purchased. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable. Notwithstanding anything to the contrary in this Agreement, the Company shall not be required to issue or deliver any Shares prior to the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or desirable.

7. **Acceleration of Option**.

Death or Disability. This Option may be exercised in full, regardless of whether such exercise occurs prior to a date on which this Option would otherwise vest, upon the death or disability of the Optionee; provided that the Optionee is serving as a director of the Company at the time of Optionee's death or disability.

Change in Control. In the event of a Change in Control as defined in paragraph 11 of the Plan, then, without any action by the Committee or the Board, this Option, to the extent not already exercised in full or otherwise terminated, expired or canceled, shall become immediately exercisable in full and the Committee may, as provided in paragraph 11(c) of the Plan, determine that this Option shall be canceled and make certain cash payments with respect to this Option.

Event. In the event of an Event as defined in paragraph 12 of the Plan, the Committee may, but shall not be obligated to:

(a) if the Event is a merger or consolidation or statutory share exchange, make appropriate provision for the protection of this Option by the substitution for this Option of options or voting common stock of the corporation surviving any merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, as provided in paragraph 12 of the Plan; or

(b) at least 20 days prior to the occurrence of the Event, declare, and provide written notice to the Optionee of the declaration, that this Option whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Event (unless it shall have been exercised prior to the occurrence of the Event). In connection with any such declaration, the Committee may, but shall not be obligated to, cause payment to be made to the Optionee of cash equal to, for each Share covered by the canceled Option, the amount, if any, by which the Event Proceeds per Share, as defined in paragraph 12 of the Plan, exceeds the exercise price per Share covered by this Option. At the time of any such declaration, this Option shall immediately become exercisable in full and the Optionee shall have the right, during the period preceding the time of cancellation of this Option, to exercise this Option as to all or any part of the Shares covered by this Option. In the event of a declaration pursuant to this subsection, to the extent this Option has not been exercised prior to the Event, the unexercised part of this Option shall be canceled at the time of, or immediately prior to, the Event, as provided in the declaration. Notwithstanding the foregoing, the holder of this Option shall not be entitled to the payment provided for in this subsection if this Option shall have expired pursuant to Section 5 above.

Discretionary Acceleration. The Committee has the power, in its sole discretion, to declare at any time that this Option shall be immediately exercisable.

8. **Limitation on Transfer**. While the Optionee is alive, only the Optionee or his/her guardian or legal representative may exercise this Option. This Option may not be assigned or transferred other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

9. **No Shareholder Rights Before Exercise**. No person shall have any of the rights of a shareholder of the Company with respect to any Share subject to this Option until the Share actually is issued to him/her upon exercise of this Option.

10. **Discretionary Adjustment**. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, or extraordinary dividend or divestiture (including a spin-off), or any other change in the corporate structure or Shares of the Company, the Committee (or if the Company does not survive any such transaction, a comparable committee of the Board of Directors of the surviving corporation) may, without the consent of the Optionee, make such adjustment as it determines in its discretion to be appropriate in the number and kind of securities subject to and reserved under the Plan and, in order to prevent dilution or enlargement of rights of the Optionee, the number and kind of securities issuable upon exercise of this Option and the exercise price hereof.

11. **Tax Withholding**. Delivery of Shares upon exercise of this Option shall be subject to any required withholding taxes. As a condition precedent to receiving Shares upon exercise of this Option, the Optionee may be required to pay to the Company, in accordance with the provisions of paragraph 9 of the Plan, an amount equal to the amount of any required withholdings.

12. **Interpretation of This Agreement**. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Optionee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

13. **Discontinuance of Employment**. This Agreement shall not give the Optionee a right to continued employment with the Company or any parent or subsidiary of the Company, and the Company or any such parent or subsidiary employing the Optionee may terminate his/her employment at any time and otherwise deal with the Optionee without regard to the effect it may have upon him/her under this Agreement.

14. **Option Subject to Plan, Articles of Incorporation and By-Laws**. The Optionee acknowledges that this Option and the exercise thereof is subject to the Plan, the Articles of Incorporation, as amended from time to time, and the By-Laws, as amended from time to time, of the Company, and any applicable federal or state laws, rules or regulations.

15. **Obligation to Reserve Sufficient Shares**. The Company shall at all times during the term of this Option reserve and keep available a sufficient number of Shares to satisfy this Agreement.

16. **Binding Effect**. This Agreement shall be binding in all respects on the heirs, representatives, successors and assigns of the Optionee.

17. **Choice of Law**. This Agreement is entered into under the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflict of law principles).

IN WITNESS WHEREOF, the Optionee and the Company have executed this Agreement as of the ____ day of _____, 20__.

Optionee

_____

Proto Labs, Inc.

By _____

Its _____

_____, 20_____

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

I hereby exercise the following option (the "Option") granted to me under the Proto Labs, Inc. 2000 Stock Option Plan (the "Plan") with respect to the number of shares of Common Stock, $0.001 par value ("Shares"), of Proto Labs, Inc. (the "Company"), indicated below:

Name: _____

Date of Grant of Option: _____

Exercise Price Per Share: _____

Number of Shares With Respect to Which the Option is Hereby Exercised: _____

Total Exercise Price: _____

☐ Enclosed with this letter is a check, bank draft or money order in the amount of the Total Exercise Price.

☐ I hereby agree to pay the Total Exercise Price within five business days of the date hereof and, as stated in the attached Broker's Letter, I have delivered irrevocable instructions to _____ to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to this exercise necessary to satisfy my obligation hereunder to pay the Total Exercise Price.

☐ Enclosed with this letter is a certificate evidencing unencumbered Shares (duly endorsed in blank) having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price.

☐ I elect to pay the Total Exercise Price through a reduction in the number of Shares delivered to me upon this exercise of the Option as provided in paragraph 8 of the Plan.

If I am enclosing Shares with this letter, I hereby represent and warrant that I am the owner of such Shares free and clear of all liens, security interests and other restrictions or encumbrances. I agree that I will pay any required withholding taxes in connection with this exercise as provided in paragraph 9 of the Plan.

Please issue a certificate (the "Certificate") for the number of Shares with respect to which the Option is being exercised in the name of the person indicated below and deliver the Certificate to the address indicated below:

Name in Which to Issue Certificate: _____

Address to Which Certificate Should be Delivered: _____

_____

_____

_____

_____

Principal Mailing Address for Holder of the Certificate (if different from above): _____

_____

_____

_____

_____

Very truly yours,

_____

Signature

_____

Name, please print

_____

Social Security Number

_____, 20____

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

Name of Optionee:	_____
Date of Grant of Option:	_____
Exercise Price Per Share:	_____
Number of Shares With Respect to Which the Option is to be Exercised:	_____
Total Exercise Price:	_____

The above Optionee has requested that we finance the exercise of the above Option to purchase Shares of common stock of Proto Labs, Inc. (the "Company") and has given us irrevocable instructions to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to such exercise to satisfy the Optionee's obligation to pay the Total Exercise Price.

Very truly yours,

_____
Broker Name

By _____

Exhibit 10.10

The ProtoMold Company, INC.
2000 Stock Option Plan

Non-Statutory Stock Option Agreement
(Employee)

Name of Optionee:	
No. of Shares Covered:	Date of Grant:
Exercise Price Per Share:	Expiration Date:

Exercise Schedule (Cumulative):

Date(s) of Exercisability	No. of Shares as to Which Option Becomes Exercisable

This is a Non-Statutory Stock Option Agreement ("Agreement") between The ProtoMold Company, Inc., a Minnesota corporation (the "Company"), and the optionee identified above (the "Optionee") effective as of the date of grant specified above.

Recitals

WHEREAS, the Company maintains The ProtoMold Company, Inc. 2000 Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, the Board of Directors of the Company (the "Board") or a committee of two or more directors of the Company (the "Committee") appointed by the Board administers the Plan and has the authority to determine the awards to be granted under the Plan (if the Board has not appointed a committee to administer the Plan, then the Board shall constitute the Committee); and

WHEREAS, the Committee has determined that the Optionee is eligible to receive an award under the Plan in the form of a non-statutory stock option (the "Option");

NOW, THEREFORE, the Company hereby grants this Option to the Optionee under the terms and conditions as follows.

Terms and Conditions*

1. **Grant**. The Optionee is granted this Option to purchase the number of Shares specified at the beginning of this Agreement.

2. **Exercise Price**. The price to the Optionee of each Share subject to this Option shall be the exercise price specified at the beginning of this Agreement.

3. **Non-Statutory Stock Option**. This Option is not intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. **Exercise Schedule**. This Option shall vest and become exercisable as to the number of Shares and on the dates specified in the exercise schedule at the beginning of this Agreement. The exercise schedule shall be cumulative; thus, to the extent this Option has not already been exercised and has not expired, terminated or been cancelled, the Optionee or the person otherwise entitled to exercise this Option as provided herein may at any time, and from time to time, purchase all or any portion of the Shares then purchasable under the exercise schedule.

   This Option may also be exercised in full (notwithstanding the exercise schedule) under the circumstances described in Section 8 of this Agreement if it has not expired prior thereto.

5. **Expiration**. This Option shall expire at 5:00 p.m. Central Time on the earliest of:

   (a) The expiration date specified at the beginning of this Agreement (which date shall not be later than ten years after the date of grant);

   (b) The last day of the period following the termination of employment of the Optionee during which this Option can be exercised (as specified in Section 7 of this Agreement); or

   (c) The date (if any) fixed for cancellation pursuant to Section 8 of this Agreement.

* Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

In no event may anyone exercise this Option, in whole or in part, after it has expired, notwithstanding any other provision of this Agreement.

6. **Procedure to Exercise Option**.

Notice of Exercise. This Option may be exercised by delivering written notice of exercise to the Company at the principal executive office of the Company, to the attention of the Company's Secretary, in the form attached to this Agreement. The notice shall state the number of Shares to be purchased, and shall be signed by the person exercising this Option. If the person exercising this Option is not the Optionee, he/she also must submit appropriate proof of his/her right to exercise this Option.

Tender of Payment. Upon giving notice of any exercise hereunder, the Optionee shall provide for payment of the purchase price of the Shares being purchased through one or a combination of the following methods:

(a) Cash;

(b) By delivery of optionee's promissory note with such recourse, interest, security and redemption provisions as the Committee determines to be appropriate;

(c) Cancellation of indebtedness;

(d) By delivery to the Company of unencumbered Shares having an aggregate Fair Market Value (as defined in paragraph 7 of the Plan) on the date of exercise equal to the purchase price of such Shares;

(e) By a reduction in the number of Shares delivered to the Optionee upon exercise, such number of Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares; or

(f) To the extent permitted by law, a broker-assisted cashless exercise in which the Optionee irrevocably instructs a broker to deliver proceeds of a sale of all or a portion of the Shares to be issued pursuant to the exercise (or a loan secured by such Shares) to the Company in payment of the purchase price of such Shares.

Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the purchase price with Shares if the Committee, in its sole discretion, determines that payment in such manner is undesirable.

Delivery of Certificates. As soon as practicable after the Company receives the notice and purchase price provided for above, it shall deliver to the person exercising this

Option, in the name of such person, a certificate or certificates representing the Shares being purchased. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable. Notwithstanding anything to the contrary in this Agreement, the Company shall not be required to issue or deliver any Shares prior to the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or desirable.

7. **Employment Requirement**. This Option may be exercised only while the Optionee remains employed with the Company or a parent or subsidiary thereof, and only if the Optionee has been continuously so employed since the date of this Agreement; *provided that*:

(a) This Option may be exercised for three months following the day the Optionee's employment by the Company ceases if such cessation of employment is for a reason other than death or disability, but only to the extent that it was exercisable immediately prior to termination of employment.

(b) This Option may be exercised within one year after the Optionee's employment by the Company ceases if such cessation of employment is because of death or disability.

(c) If the Optionee's employment terminates after a declaration made pursuant to Section 8 of this Agreement in connection with an Event, this Option may be exercised at any time permitted by such declaration.

Notwithstanding the above, this Option may not be exercised after it has expired.

8. **Acceleration of Option**.

Death or Disability. This Option may be exercised in full, regardless of whether such exercise occurs prior to a date on which this Option would otherwise vest, upon the death or disability of the Optionee; provided that the Optionee shall have been continuously employed by the Company or a parent or subsidiary thereof between the date of this Agreement and the date of such death or disability.

Change in Control. In the event of a Change in Control as defined in paragraph 11 of the Plan, then, without any action by the Committee or the Board, this Option, to the extent not already exercised in full or otherwise terminated, expired or canceled, shall become immediately exercisable in full and the Committee may, as provided in paragraph 11(c) of the Plan, determine that this Option shall be canceled and make certain cash payments with respect to this Option.

Event. In the event of an Event as defined in paragraph 12 of the Plan, the Committee may, but shall not be obligated to:

(a) if the Event is a merger or consolidation or statutory share exchange, make appropriate provision for the protection of this Option by the substitution for this Option of options or voting common stock of the corporation surviving any merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, as provided in paragraph 12 of the Plan; or

(b) at least 20 days prior to the occurrence of the Event, declare, and provide written notice to the Optionee of the declaration, that this Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Event (unless it shall have been exercised prior to the occurrence of the Event). In connection with any such declaration, the Committee may, but shall not be obligated to, cause payment to be made to the Optionee of cash equal to, for each Share covered by the canceled Option, the amount, if any, by which the Event Proceeds per Share, as defined in paragraph 12 of the Plan, exceeds the exercise price per Share covered by this Option. At the time of any such declaration, this Option shall immediately become exercisable in full and the Optionee shall have the right, during the period preceding the time of cancellation of this Option, to exercise this Option as to all or any part of the Shares covered by this Option. In the event of a declaration pursuant to this subsection, to the extent this Option has not been exercised prior to the Event, the unexercised part of this Option shall be canceled at the time of, or immediately prior to, the Event, as provided in the declaration. Notwithstanding the foregoing, the holder of this Option shall not be entitled to the payment provided for in this subsection if this Option shall have expired pursuant to Section 5 above.

Discretionary Acceleration. The Committee has the power, in its sole discretion, to declare at any time that this Option shall be immediately exercisable.

9. **Limitation on Transfer**. While the Optionee is alive, only the Optionee or his/her guardian or legal representative may exercise this Option. This Option may not be assigned or transferred other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

10. **No Shareholder Rights Before Exercise**. No person shall have any of the rights of a shareholder of the Company with respect to any Share subject to this Option until the Share actually is issued to him/her upon exercise of this Option.

11. **Discretionary Adjustment**. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, or extraordinary dividend or divestiture (including a spin-off), or any other change in the corporate structure or Shares of the Company, the Committee (or if the Company does not survive any such transaction, a comparable committee of the Board of Directors of the surviving corporation) may, without the consent of the Optionee, make such adjustment as it determines in its discretion to be appropriate as to the number and kind of securities subject to and reserved under the Plan and, in order to prevent dilution or enlargement of rights of the Optionee, the number and kind of securities issuable upon exercise of this Option and the exercise price hereof.

12. **Tax Withholding**. Delivery of Shares upon exercise of this Option shall be subject to any required withholding taxes. As a condition precedent to receiving Shares upon exercise of this Option, the Optionee may be required to pay to the Company, in accordance with the provisions of paragraph 9 of the Plan, an amount equal to the amount of any required withholdings.

13. **Interpretation of This Agreement**. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Optionee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

14. **Discontinuance of Employment**. This Agreement shall not give the Optionee a right to continued employment with the Company or any parent or subsidiary of the Company, and the Company or any such parent or subsidiary employing the Optionee may terminate his/her employment at any time and otherwise deal with the Optionee without regard to the effect it may have upon him/her under this Agreement.

15. **Option Subject to Plan, Articles of Incorporation and By-Laws**. The Optionee acknowledges that this Option and the exercise thereof is subject to the Plan, the Articles of Incorporation, as amended from time to time, and the By-Laws, as amended from time to time, of the Company, and any applicable federal or state laws, rules or regulations.

16. **Obligation to Reserve Sufficient Shares**. The Company shall at all times during the term of this Option reserve and keep available a sufficient number of Shares to satisfy this Agreement.

17. **Binding Effect**. This Agreement shall be binding in all respects on the heirs, representatives, successors and assigns of the Optionee.

18. **Choice of Law**. This Agreement is entered into under the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflict of law principles).

IN WITNESS WHEREOF, the Optionee and the Company have executed this Agreement as of the _____ day of _____, 20__.

OPTIONEE

_____

THE PROTOMOLD COMPANY, INC.

By _____
Its _____

_____, 20____

The ProtoMold Company, Inc.
1757 Halgren Road
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

I hereby exercise the following option (the "Option") granted to me under The ProtoMold Company, Inc. 2000 Stock Option Plan (the "Plan") with respect to the number of shares of Common Stock, $0.001 par value ("Shares"), of The ProtoMold Company, Inc. (the "Company"), indicated below:

Name: _____

Date of Grant of Option: _____

Exercise Price Per Share: _____

Number of Shares With Respect to Which the Option is Hereby Exercised: _____

Total Exercise Price: _____

☐ Enclosed with this letter is a check, bank draft or money order in the amount of the Total Exercise Price.

☐ Enclosed with this letter is a promissory note.

☐ I hereby agree to pay the Total Exercise Price by cancellation of a debt owed to me by the Company.

☐ I hereby agree to pay the Total Exercise Price within five business days of the date hereof and, as stated in the attached Broker's Letter, I have delivered irrevocable instructions to to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to this exercise necessary to satisfy my obligation hereunder to pay the Total Exercise Price.

☐ Enclosed with this letter is a certificate evidencing unencumbered Shares (duly endorsed in blank) having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price.

☐ I elect to pay the Total Exercise Price through a reduction in the number of Shares delivered to me upon this exercise of the Option as provided in paragraph 8 of the Plan.

If I am enclosing Shares with this letter, I hereby represent and warrant that I am the owner of such Shares free and clear of all liens, security interests and other restrictions or encumbrances. I agree that I will pay any required withholding taxes in connection with this exercise as provided in paragraph 9 of the Plan.

Please issue a certificate (the "Certificate") for the number of Shares with respect to which the Option is being exercised in the name of the person indicated below and deliver the Certificate to the address indicated below:

Name in Which to Issue Certificate: _____

Address to Which Certificate Should be Delivered: _____

_____

_____

_____

_____

Principal Mailing Address for Holder of the Certificate (if different from above): _____

_____

_____

_____

_____

Very truly yours,

_____

Signature

_____

Name, please print

_____

Social Security Number

_____, 20____

The ProtoMold Company, Inc.
1757 Halgren Road
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

Name of Optionee: _____

Date of Grant of Option: _____

Exercise Price Per Share: _____

Number of Shares With Respect to Which the Option is to be Exercised: _____

Total Exercise Price: _____

The above Optionee has requested that we finance the exercise of the above Option to purchase Shares of common stock of The ProtoMold Company, Inc. (the "Company") and has given us irrevocable instructions to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to such exercise to satisfy the Optionee's obligation to pay the Total Exercise Price.

Very truly yours,

_____
Broker Name

By _____

Exhibit 10.11

Proto Labs, Inc.
2000 Stock Option Plan

Non-Statutory Stock Option Agreement

Name of Optionee:	
No. of Shares Covered:	Date of Grant:
Exercise Price Per Share:	Expiration Date:
Exercise Schedule (Cumulative):	
Date(s) of Exercisability	No. of Shares as to Which Option Becomes Exercisable

This is a Non-Statutory Stock Option Agreement ("Agreement") between Proto Labs, Inc., a Minnesota corporation (the "Company"), and the optionee identified above (the "Optionee") effective as of the Date of Grant specified above.

Recitals

WHEREAS, the Company maintains the Proto Labs, Inc. 2000 Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, the Board of Directors of the Company (the "Board") or a committee of two or more directors of the Company appointed by the Board administers the Plan and has the authority to determine the awards to be granted under the Plan (the body responsible for administration of the Plan referred to as the "Committee"); and

WHEREAS, the Committee has determined that the Optionee is eligible to receive an award under the Plan in the form of a non-statutory stock option (the "Option");

NOW, THEREFORE, the Company hereby grants this Option to the Optionee under the terms and conditions as follows.

Terms and Conditions*

1. **Grant**. The Optionee is granted this Option to purchase the number of Shares specified at the beginning of this Agreement.

2. **Exercise Price**. The price at which the Optionee may purchase each Share subject to this Option shall be the Exercise Price specified at the beginning of this Agreement (which price shall not be less than the Fair Market Value of a Share as of the Date of Grant).

3. **Non-Statutory Stock Option**. This Option is not intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. **Exercise Schedule**. This Option shall vest and become exercisable as to the number of Shares and on the dates specified in the Exercise Schedule at the beginning of this Agreement, so long as the Optionee's employment with the Company (or any parent or subsidiary thereof) has been continuous since the Date of Grant. The Exercise Schedule shall be cumulative; thus, to the extent this Option has not already been exercised and has not expired, terminated or been cancelled, the Optionee or the person otherwise entitled to exercise this Option as provided herein may at any time, and from time to time, purchase all or any portion of the Shares then purchasable under the Exercise Schedule.

   This Option may also be exercised in full (notwithstanding the Exercise Schedule) under the circumstances described in Section 8 of this Agreement if it has not expired prior thereto.

5. **Expiration**. This Option shall expire at 5:00 p.m. Central Time on the earliest of:

   (a) The Expiration Date specified at the beginning of this Agreement (which date shall not be later than ten years after the date of grant);

   (b) The last day of the period following the termination of employment of the Optionee during which this Option can be exercised (as specified in Section 7 of this Agreement); or

   (c) The date (if any) fixed for cancellation pursuant to Section 8 of this Agreement.

   In no event may anyone exercise this Option, in whole or in part, after it has expired, notwithstanding any other provision of this Agreement.

* Unless the context indicates otherwise, each capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

6. **Procedure to Exercise Option**.

Notice of Exercise. This Option may be exercised by delivering written notice of exercise to the Company at the principal executive office of the Company, to the attention of the Company's Secretary, in the form attached to this Agreement. The notice shall state the number of Shares to be purchased, and shall be signed by the person exercising this Option. If the person exercising this Option is not the Optionee, he/she also must submit appropriate proof of his/her right to exercise this Option.

Tender of Payment. Upon giving notice of any exercise hereunder, the Optionee shall provide for payment of the purchase price of the Shares being purchased through one or a combination of the following methods:

(a) Cash;

(b) By delivery to the Company of unencumbered Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares;

(c) By a reduction in the number of Shares delivered to the Optionee upon exercise, such number of Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares; or

(d) To the extent permitted by law, a broker-assisted cashless exercise in which the Optionee irrevocably instructs a broker to deliver proceeds of a sale of all or a portion of the Shares to be issued pursuant to the exercise (or a loan secured by such Shares) to the Company in payment of the purchase price of such Shares.

Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the purchase price with Shares if the Committee, in its sole discretion, determines that payment in such manner is undesirable.

Delivery of Certificates. As soon as practicable after the Company receives the notice and purchase price provided for above, it shall deliver to the person exercising this Option, in the name of such person, a certificate or certificates representing the Shares being purchased. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable. Notwithstanding anything to the contrary in this Agreement, the Company shall not be required to issue or deliver any Shares prior to the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or desirable.

7. **Employment Requirement**. This Option may be exercised only while the Optionee remains employed with the Company or a parent or subsidiary thereof, and only if the Optionee has been continuously so employed since the Date of Grant; *provided that*:

(a) This Option may be exercised for three months following the day the Optionee's employment ceases if such cessation of employment is for a reason other than death or disability, but only to the extent that it was exercisable immediately prior to termination of employment.

(b) This Option may be exercised within one year after the Optionee's employment ceases if such cessation of employment is because of death or disability.

(c) If the Optionee's employment terminates after a declaration made pursuant to Section 8 of this Agreement in connection with an Event, this Option may be exercised at any time permitted by such declaration.

Notwithstanding the above, this Option may not be exercised after it has expired.

8. **Acceleration of Option**.

Death or Disability. This Option may be exercised in full, regardless of whether such exercise occurs prior to a date on which this Option would otherwise vest, upon the death or disability of the Optionee; provided that the Optionee shall have been continuously employed by the Company or a parent or subsidiary thereof between the date of this Agreement and the date of such death or disability.

Change in Control. In the event of a Change in Control as defined in Section 11 of the Plan, then, without any action by the Committee or the Board, this Option, to the extent not already exercised in full or otherwise terminated, expired or canceled, shall become immediately exercisable in full and the Committee may, as provided in paragraph 11(c) of the Plan, determine that this Option shall be canceled and make certain cash payments with respect to this Option.

Event. In the event of an Event as defined in Section 12 of the Plan, the Committee may, but shall not be obligated to:

(a) if the Event is a merger or consolidation or statutory share exchange, make appropriate provision for the protection of this Option by the substitution for this Option of options or voting common stock of the corporation surviving any merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, as provided in Section 12 of the Plan; or

(b) at least 20 days prior to the occurrence of the Event, declare, and provide written notice to the Optionee of the declaration, that this Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Event (unless it shall have been exercised prior to the occurrence of the Event). In connection with any such declaration, the Committee may, but shall not be obligated to, cause payment to be made to the Optionee of cash equal to, for each Share covered by the canceled Option, the amount, if any, by

which the Event Proceeds per Share, as defined in Section 12 of the Plan, exceeds the exercise price per Share covered by this Option. At the time of any such declaration, this Option shall immediately become exercisable in full and the Optionee shall have the right, during the period preceding the time of cancellation of this Option, to exercise this Option as to all or any part of the Shares covered by this Option. In the event of a declaration pursuant to this subsection, to the extent this Option has not been exercised prior to the Event, the unexercised part of this Option shall be canceled at the time of, or immediately prior to, the Event, as provided in the declaration. Notwithstanding the foregoing, the holder of this Option shall not be entitled to the payment provided for in this subsection if this Option shall have expired pursuant to Section 5 above.

Discretionary Acceleration. The Committee has the power, in its sole discretion, to declare at any time that this Option shall be immediately exercisable.

9. **Limitation on Transfer**. While the Optionee is alive, only the Optionee or his/her guardian or legal representative may exercise this Option. This Option may not be assigned or transferred other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

10. **No Shareholder Rights Before Exercise**. No person shall have any of the rights of a shareholder of the Company with respect to any Share subject to this Option until the Share actually is issued to him/her upon exercise of this Option.

11. **Discretionary Adjustment**. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, or extraordinary dividend or divestiture (including a spin-off), or any other change in the corporate structure or Shares of the Company, the Committee (or if the Company does not survive any such transaction, a comparable committee of the Board of Directors of the surviving corporation) shall, without the consent of the Optionee, make such adjustment as it determines in its discretion to be appropriate as to the number and kind of securities subject to and reserved under the Plan and, in order to prevent dilution or enlargement of rights of the Optionee, the number and kind of securities issuable upon exercise of this Option and the Exercise Price hereof.

12. **Tax Withholding**. Delivery of Shares upon exercise of this Option shall be subject to any required withholding taxes. As a condition precedent to receiving Shares upon exercise of this Option, the Optionee may be required to pay to the Company, in accordance with the provisions of Section 9 of the Plan, an amount equal to the amount of any required withholding taxes.

13. **Interpretation of This Agreement**. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Optionee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

14. **Discontinuance of Employment**. This Agreement shall not give the Optionee a right to continued employment with the Company or any parent or subsidiary of the Company, and the Company or any such parent or subsidiary employing the Optionee may terminate his/her employment at any time and otherwise deal with the Optionee without regard to the effect it may have upon him/her under this Agreement.

15. **Option Subject to Plan, Articles of Incorporation and By-Laws**. The Optionee acknowledges that this Option and the exercise thereof is subject to the Plan, the Articles of Incorporation, as amended from time to time, and the By-Laws, as amended from time to time, of the Company, and any applicable federal or state laws, rules or regulations.

16. **Obligation to Reserve Sufficient Shares**. The Company shall at all times during the term of this Option reserve and keep available a sufficient number of Shares to satisfy this Agreement.

17. **Binding Effect**. This Agreement shall be binding in all respects on any successor or successors of the Company and on the heirs, representatives and successors of the Optionee.

18. **Choice of Law**. This Agreement is entered into under the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflict of law principles).

19. **Compliance with Laws**. This Option may be exercised only if the issuance of Shares upon such exercise complies with all applicable legal requirements, including compliance with the provisions of applicable securities laws. If the sale of Shares upon the exercise of this Option is not registered under the Securities Act of 1933, as amended (the "Securities Act"), the Optionee shall acknowledge at the time of exercise that (i) the Shares being acquired are deemed "restricted securities" for purposes of Rules 144 and 701 under the Securities Act, and are being acquired for investment purposes and not with a view to the resale or distribution of such Shares, and (ii) the Shares being acquired may not be sold, pledged or otherwise transferred without (A) an effective registration or qualification thereof under the Securities Act and the securities laws of any applicable state or other jurisdiction, or (B) evidence, which may include an opinion of counsel satisfactory to the Company and its counsel that such registration and qualification is not required.

IN WITNESS WHEREOF, the Optionee and the Company have executed this Agreement as of the _____ day of _____, 20__.

Optionee

_____

Proto Labs, Inc.

By _____
Its _____

_____, 20____

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

I hereby exercise the following option (the "Option") granted to me under the Proto Labs, Inc. 2000 Stock Option Plan (the "Plan") with respect to the number of shares of Common Stock, $0.001 par value ("Shares"), of Proto Labs, Inc. (the "Company"), indicated below:

Name:	_____
Date of Grant of Option:	_____
Exercise Price Per Share:	_____
Number of Shares With Respect to Which the Option is Hereby Exercised:	_____
Total Exercise Price:	_____

☐ Enclosed with this letter is a check, bank draft or money order in the amount of the Total Exercise Price.

☐ Enclosed with this letter is a certificate evidencing unencumbered Shares (duly endorsed in blank) having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price.

☐ I elect to pay the Total Exercise Price through a reduction in the number of Shares delivered to me upon this exercise of the Option as provided in paragraph 8(b) of the Plan.

☐ I hereby agree to pay the Total Exercise Price within five business days of the date hereof and, as stated in the attached Broker's Letter, I have delivered irrevocable instructions to _____ to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to this exercise necessary to satisfy my obligation hereunder to pay the Total Exercise Price.

If I am enclosing Shares with this letter, I hereby represent and warrant that I am the owner of such Shares free and clear of all liens, security interests and other restrictions or encumbrances. I agree that I will pay any required withholding taxes in connection with this exercise as provided in Section 12 of the applicable Non-Statutory Stock Option Agreement.

Please issue a certificate (the "Certificate") for the number of Shares with respect to which the Option is being exercised (or the net number of Shares if the Total Exercise Price is being paid through a reduction in the number of Shares to be delivered) in the name of the person indicated below and deliver the Certificate to the address indicated below:

Name in Which to Issue Certificate: _____

Address to Which Certificate Should be Delivered: _____

_____

_____

_____

Principal Mailing Address for Holder of the Certificate (if different from above): _____

_____

_____

_____

_____

Very truly yours,

_____

Signature

_____

Name, please print

_____

Social Security Number

_____, 20____

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

Name of Optionee:	_____
Date of Grant of Option:	_____
Exercise Price Per Share:	_____
Number of Shares With Respect to Which the Option is to be Exercised:	_____
Total Exercise Price:	_____

The above Optionee has requested that we finance the exercise of the above Option to purchase Shares of common stock of the Proto Labs, Inc. (the "Company") and has given us irrevocable instructions to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to such exercise to satisfy the Optionee's obligation to pay the Total Exercise Price.

Very truly yours,

_____
Broker Name

By _____

Exhibit 10.12

Proto Labs, Inc.
2000 Stock Option Plan

Non-Statutory Stock Option Agreement

Name of Optionee:	
No. of Shares Covered:	Date of Grant:
Exercise Price Per Share:	Expiration Date:
Exercise Schedule (Cumulative):	
Date(s) of Exercisability	No. of Shares as to Which Option Becomes Exercisable

This is a Non-Statutory Stock Option Agreement ("Agreement") between Proto Labs, Inc., a Minnesota corporation (the "Company"), and the optionee identified above (the "Optionee") effective as of the Date of Grant specified above.

Recitals

WHEREAS, the Company maintains the Proto Labs, Inc. 2000 Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, the Board of Directors of the Company (the "Board") or a committee of two or more directors of the Company appointed by the Board administers the Plan and has the authority to determine the awards to be granted under the Plan (the body responsible for administration of the Plan referred to as the "Committee"); and

WHEREAS, the Committee has determined that the Optionee is eligible to receive an award under the Plan in the form of a non-statutory stock option (the "Option");

NOW, THEREFORE, the Company hereby grants this Option to the Optionee under the terms and conditions as follows.

Terms and Conditions*

1. **Grant**. The Optionee is granted this Option to purchase the number of Shares specified at the beginning of this Agreement.

2. **Exercise Price**. The price at which the Optionee may purchase each Share subject to this Option shall be the Exercise Price specified at the beginning of this Agreement (which price shall not be less than the Fair Market Value of a Share as of the Date of Grant).

3. **Non-Statutory Stock Option**. This Option is not intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. **Exercise Schedule**. This Option shall vest and become exercisable as to the number of Shares and on the dates specified in the Exercise Schedule at the beginning of this Agreement, so long as the Optionee's employment with the Company (or any parent or subsidiary thereof) has been continuous since the Date of Grant. The Exercise Schedule shall be cumulative; thus, to the extent this Option has not already been exercised and has not expired, terminated or been cancelled, the Optionee or the person otherwise entitled to exercise this Option as provided herein may at any time, and from time to time, purchase all or any portion of the Shares then purchasable under the Exercise Schedule.

   This Option may also be exercised in full (notwithstanding the Exercise Schedule) under the circumstances described in Section 8 of this Agreement if it has not expired prior thereto.

5. **Expiration**. This Option shall expire at 5:00 p.m. Central Time on the earliest of:

   (a) The Expiration Date specified at the beginning of this Agreement (which date shall not be later than ten years after the date of grant);

   (b) The last day of the period following the termination of employment of the Optionee during which this Option can be exercised (as specified in Section 7 of this Agreement); or

   (c) The date (if any) fixed for cancellation pursuant to Section 8 of this Agreement.

   In no event may anyone exercise this Option, in whole or in part, after it has expired, notwithstanding any other provision of this Agreement.

* Unless the context indicates otherwise, each capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

6. **Procedure to Exercise Option**.

Notice of Exercise. This Option may be exercised by delivering written notice of exercise to the Company at the principal executive office of the Company, to the attention of the Company's Secretary, in the form attached to this Agreement. The notice shall state the number of Shares to be purchased, and shall be signed by the person exercising this Option. If the person exercising this Option is not the Optionee, he/she also must submit appropriate proof of his/her right to exercise this Option.

Tender of Payment. Upon giving notice of any exercise hereunder, the Optionee shall provide for payment of the purchase price of the Shares being purchased through one or a combination of the following methods:

(a) Cash;

(b) By delivery to the Company of unencumbered Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares;

(c) By a reduction in the number of Shares delivered to the Optionee upon exercise, such number of Shares having an aggregate Fair Market Value on the date of exercise equal to the purchase price of such Shares; or

(d) To the extent permitted by law, a broker-assisted cashless exercise in which the Optionee irrevocably instructs a broker to deliver proceeds of a sale of all or a portion of the Shares to be issued pursuant to the exercise (or a loan secured by such Shares) to the Company in payment of the purchase price of such Shares.

Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the purchase price with Shares if the Committee, in its sole discretion, determines that payment in such manner is undesirable.

Delivery of Certificates. As soon as practicable after the Company receives the notice and purchase price provided for above, it shall deliver to the person exercising this Option, in the name of such person, a certificate or certificates representing the Shares being purchased. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable. Notwithstanding anything to the contrary in this Agreement, the Company shall not be required to issue or deliver any Shares prior to the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or desirable.

7. **Employment Requirement**. This Option may be exercised only while the Optionee remains employed with the Company or a parent or subsidiary thereof, and only if the Optionee has been continuously so employed since the Date of Grant; *provided that*:

(a) This Option may be exercised for three months following the day the Optionee's employment ceases if such cessation of employment is for a reason other than death or disability, but only to the extent that it was exercisable immediately prior to termination of employment.

(b) This Option may be exercised within one year after the Optionee's employment ceases if such cessation of employment is because of death or disability.

(c) If the Optionee's employment terminates after a declaration made pursuant to Section 8 of this Agreement in connection with an Event, this Option may be exercised at any time permitted by such declaration.

Notwithstanding the above, this Option may not be exercised after it has expired.

8. **Acceleration of Option.**

Death or Disability. This Option may be exercised in full, regardless of whether such exercise occurs prior to a date on which this Option would otherwise vest, upon the death or disability of the Optionee; provided that the Optionee shall have been continuously employed by the Company or a parent or subsidiary thereof between the date of this Agreement and the date of such death or disability.

Change in Control. In the event of a Change in Control as defined in Section 11 of the Plan, then, without any action by the Committee or the Board, this Option, to the extent not already exercised in full or otherwise terminated, expired or canceled, shall become immediately exercisable in full and the Committee may, as provided in paragraph 11(c) of the Plan, determine that this Option shall be canceled and make certain cash payments with respect to this Option.

Event. In the event of an Event as defined in Section 12 of the Plan, the Committee may, but shall not be obligated to:

(a) if the Event is a merger or consolidation or statutory share exchange, make appropriate provision for the protection of this Option by the substitution for this Option of options or voting common stock of the corporation surviving any merger or consolidation or, if appropriate, the parent corporation of the Company or such surviving corporation, as provided in Section 12 of the Plan; or

(b) at least 20 days prior to the occurrence of the Event, declare, and provide written notice to the Optionee of the declaration, that this Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Event (unless it shall have been exercised prior to the occurrence of the Event). In connection with any such declaration, the Committee may, but shall not be obligated to, cause payment to be made to the Optionee of cash equal to, for each Share covered by the canceled Option, the amount, if any,

by which the Event Proceeds per Share, as defined in Section 12 of the Plan, exceeds the exercise price per Share covered by this Option. At the time of any such declaration, this Option shall immediately become exercisable in full and the Optionee shall have the right, during the period preceding the time of cancellation of this Option, to exercise this Option as to all or any part of the Shares covered by this Option. In the event of a declaration pursuant to this subsection, to the extent this Option has not been exercised prior to the Event, the unexercised part of this Option shall be canceled at the time of, or immediately prior to, the Event, as provided in the declaration. Notwithstanding the foregoing, the holder of this Option shall not be entitled to the payment provided for in this subsection if this Option shall have expired pursuant to Section 5 above.

Discretionary Acceleration. The Committee has the power, in its sole discretion, to declare at any time that this Option shall be immediately exercisable.

9. **Limitation on Transfer**. While the Optionee is alive, only the Optionee or his/her guardian or legal representative may exercise this Option. This Option may not be assigned or transferred other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

10. **No Shareholder Rights Before Exercise**. No person shall have any of the rights of a shareholder of the Company with respect to any Share subject to this Option until the Share actually is issued to him/her upon exercise of this Option.

11. **Discretionary Adjustment**. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, or extraordinary dividend or divestiture (including a spin-off), or any other change in the corporate structure or Shares of the Company, the Committee (or if the Company does not survive any such transaction, a comparable committee of the Board of Directors of the surviving corporation) shall, without the consent of the Optionee, make such adjustment as it determines in its discretion to be appropriate as to the number and kind of securities subject to and reserved under the Plan and, in order to prevent dilution or enlargement of rights of the Optionee, the number and kind of securities issuable upon exercise of this Option and the Exercise Price hereof.

12. **Transfer of Shares — Tax Effects**. Where, in relation to any proposed exercise, assignment or release of the Option, the Employer (as defined below) is liable, or the Employer believes that it is liable, to pay or account to HM Revenue & Customs (the "Inland Revenue") for any sum in respect of income tax or NIC, whether under Pay As You Earn or otherwise, in respect of any Option Gain (as defined below) (and in the Employer's opinion it is not reasonably practicable to make a withholding from any sums owing to the Optionee by the Employer (including without limitation any installment of salary, bonus, commission and any cash sums received on the assignment or release of the Option)), it is a condition of the exercise, assignment or release (as the case may be) of the Option that the Optionee will first deliver cash, a banker's draft or a check to the Employer sufficient to pay such income tax and NIC payable in relation to the Option Gain.

The determination of whether or not income tax and/or NIC are to be accounted for, and if so, the amount due on the exercise, assignment or release (as the case may be) of the Option shall be determined by the Employer having regard to the prevailing legislation and practice, any available relief for Secondary Contributions (as defined below) that are payable by the Optionee and rates of tax in force at the time. The Employer's determination of the amount of income tax and NIC due (if any) shall be final and binding on the Optionee.

The Optionee agrees to indemnify the Employer against any Option Tax Liability (as defined below).

For the purposes of Section 12 of this Agreement:

"Employer" means such member of the Group as is or, if the Optionee has ceased to be employed within the Group, was the Optionee's employer or such other member of the Group or other person obliged to pay or account for any Option Tax Liability;

"Group" means the Company and any other entity that is a holding company or subsidiary of the Company and any company being a subsidiary of any such holding company and any other person obliged to pay or account for any Option Tax Liability;

"NIC" means national insurance contributions;

"Option Gain" means a gain realized by the Optionee upon the exercise, assignment or release of the Option, being a gain that is chargeable to income tax under section 476 of the UK Income Tax (Earnings & Pensions) Act 2003;

"Option Tax Liability" means any liability of the Employer to pay to the Inland Revenue or to account to the Inland Revenue for any amount of, or representing, income tax or NIC (including Secondary Contributions) in respect of any Option Gain and any further or additional liability of the Employer to pay to the Inland Revenue or to account to the Inland Revenue for any amount of, or representing, income tax or NIC (including Secondary Contributions) in relation to Shares acquired upon the exercise of the Option in respect of any event occurring on or after the date of exercise of the Option; and

"Secondary Contributions" means secondary Class 1 NIC.

The Optionee hereby agrees with the Company and undertakes to any other person that is a "secondary contributor" in respect of Class 1 NICs payable in respect of any Option Gain (the "Secondary Contributor") that:

(a) the Secondary Contributor may recover from the Optionee the whole of any Secondary Contributions; and

(b) the Optionee shall join with the Secondary Contributor in promptly following the date hereof making an election (in such terms and such form and subject to such approval by the Inland Revenue as provided in paragraphs 3A and 3B of Schedule 1 to the Social Security Contributions and Benefits Act 1992) for the whole of any liability of the Secondary Contributor to Secondary Contributions to be transferred to the Optionee.

13. **Interpretation of This Agreement**. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Optionee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

14. **Discontinuance of Employment**. This Agreement shall not give the Optionee a right to continued employment with the Company or any parent or subsidiary of the Company, and the Company or any such parent or subsidiary employing the Optionee may terminate his/her employment at any time and otherwise deal with the Optionee without regard to the effect it may have upon him/her under this Agreement.

15. **Option Subject to Plan, Articles of Incorporation and By-Laws**. The Optionee acknowledges that this Option and the exercise thereof is subject to the Plan, the Articles of Incorporation, as amended from time to time, and the By-Laws, as amended from time to time, of the Company, and any applicable federal or state laws, rules or regulations.

16. **Obligation to Reserve Sufficient Shares**. The Company shall at all times during the term of this Option reserve and keep available a sufficient number of Shares to satisfy this Agreement.

17. **Binding Effect**. This Agreement shall be binding in all respects on any successor or successors of the Company and on the heirs, representatives and successors of the Optionee.

18. **Choice of Law**. This Agreement is entered into under the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflict of law principles).

19. **Compliance with Laws**. This Option may be exercised only if the issuance of Shares upon such exercise complies with all applicable legal requirements, including compliance with the provisions of applicable securities laws. If the sale of Shares upon the exercise of this Option is not registered under the Securities Act of 1933, as amended (the "Securities Act"), the Optionee shall acknowledge at the time of exercise that (i) the Shares being acquired are deemed "restricted securities" for purposes of Rules 144 and 701 under the Securities Act, and are being acquired for investment purposes and not with a view to the resale or distribution of such Shares, and (ii) the Shares being acquired may not be sold, pledged or otherwise transferred without (A) an effective registration or qualification thereof under the Securities Act and the securities laws of any applicable state or other jurisdiction, or (B) evidence, which may include an opinion of counsel satisfactory to the Company and its counsel that such registration and qualification is not required.

20. **Personal Data**. The Optionee understands that the Company and its subsidiaries (the "Proto Labs Group") hold certain personal information about the Optionee, including, but not limited to, information such as the Optionee's name, home address, telephone number, date of birth, salary, nationality, job title, social security number, social insurance number or other such tax identity number, and details of all Options or other entitlement to shares of common stock awarded, cancelled, exercised, vested, unvested or outstanding in favor of the Optionee ("Personal Data").

The Optionee understands that in order for the Company to process Options and maintain a record of Options under the Plan, the Company shall collect, use, transfer and disclose Personal Data within the Proto Labs Group, electronically or otherwise, as necessary for the implementation and administration of the Plan including, in the case of a social insurance number, for income reporting purposes as required by law. The Optionee further understands that the Company and its subsidiaries may transfer Personal Data, electronically or otherwise, to third parties, including but not limited to such third parties as outside tax, accounting, technical, stock option administration and legal consultants when such third parties are assisting the Company and/or its subsidiaries in the implementation and administration of the Plan. The Optionee understands that such recipients may be located within the Optionee's jurisdiction of residence or within the United States or elsewhere and are subject to the legal requirements in those jurisdictions. The Optionee understands that the employees of the Proto Labs Group and third parties performing work related to the implementation and administration of the Plan shall have access to the Personal Data as is necessary to fulfill their duties related to the implementation and administration of the Plan. By accepting this Option, the Optionee consents, to the fullest extent permitted by law, to the collection, use, transfer and disclosure, electronically or otherwise, of his/her Personal Data by such entities for such purposes, and the Optionee accepts that this may involve the transfer of Personal Data to a country which may not have the same level of data protection law as the country in which the Optionee resides. The Optionee confirms that if he/she has provided or, in the future, will provide Personal Data concerning third parties including beneficiaries, the Optionee has the consent of such third party to provide such third party's Personal Data to the Company for the same purposes.

The Optionee understands that he/she may, at any time, request to review the Personal Data and require any necessary amendments to it by contacting the Company in writing. The Optionee may always elect to forgo participation in the Plan or any other award program.

IN WITNESS WHEREOF, the Optionee and the Company have executed this Agreement as of the _____ day of _____, 20__.

OPTIONEE

_____

Proto Labs, Inc.

By _____

Its _____

_____, 20____

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

I hereby exercise the following option (the "Option") granted to me under the Proto Labs, Inc. 2000 Stock Option Plan (the "Plan") with respect to the number of shares of Common Stock, $0.001 par value ("Shares"), of Proto Labs, Inc. (the "Company"), indicated below:

Name:	_____
Date of Grant of Option:	_____
Exercise Price Per Share:	_____
Number of Shares With Respect to Which the Option is Hereby Exercised:	_____
Total Exercise Price:	_____

☐ Enclosed with this letter is a check, bank draft or money order in the amount of the Total Exercise Price.

☐ Enclosed with this letter is a certificate evidencing unencumbered Shares (duly endorsed in blank) having an aggregate Fair Market Value (as defined in the Plan) equal to or in excess of the Total Exercise Price.

☐ I elect to pay the Total Exercise Price through a reduction in the number of Shares delivered to me upon this exercise of the Option as provided in paragraph 8(b) of the Plan.

☐ I hereby agree to pay the Total Exercise Price within five business days of the date hereof and, as stated in the attached Broker's Letter, I have delivered irrevocable instructions to _____ to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to this exercise necessary to satisfy my obligation hereunder to pay the Total Exercise Price.

If I am enclosing Shares with this letter, I hereby represent and warrant that I am the owner of such Shares free and clear of all liens, security interests and other restrictions or encumbrances. I agree that I will pay any required withholding taxes in connection with this exercise as provided in Section 12 of the applicable Non-Statutory Stock Option Agreement.

Please issue a certificate (the "Certificate") for the number of Shares with respect to which the Option is being exercised (or the net number of Shares if the Total Exercise Price is being paid through a reduction in the number of Shares to be delivered) in the name of the person indicated below and deliver the Certificate to the address indicated below:

Name in Which to Issue Certificate: _____

Address to Which Certificate Should be Delivered: _____

_____

_____

_____

_____

Principal Mailing Address for Holder of the Certificate (if different from above): _____

_____

_____

_____

_____

Very truly yours,

_____

Signature

_____

Name, please print

_____

Social Security Number

_____, 20____

Proto Labs, Inc.
5540 Pioneer Creek Drive
Maple Plain, MN 55359
Attention: Secretary

Ladies and Gentlemen:

Name of Optionee:	_____
Date of Grant of Option:	_____
Exercise Price Per Share:	_____
Number of Shares With Respect to Which the Option is to be Exercised:	_____
Total Exercise Price:	_____

The above Optionee has requested that we finance the exercise of the above Option to purchase Shares of common stock of the Proto Labs, Inc. (the "Company") and has given us irrevocable instructions to promptly deliver to the Company the amount of sale or loan proceeds from the Shares to be issued pursuant to such exercise to satisfy the Optionee's obligation to pay the Total Exercise Price.

Very truly yours,

_____
Broker Name

By _____

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

All of the Company's subsidiaries listed below are wholly owned.

Name	Jurisdiction of Incorporation or Organization
Proto Labs, Ltd.	United Kingdom
Proto Labs, G.K.	Japan
Protomold GmbH	Germany

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated July 22, 2011, in the Registration Statement (Form S-1) and related Prospectus of Proto Labs, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
July 22, 2011

Exhibit 24.1

PROTO LABS, INC.
POWER OF ATTORNEY OF DIRECTOR AND/OR OFFICER

Each of the undersigned directors and/or officers of Proto Labs, Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint Bradley A. Cleveland and John R. Judd, and each of them, either of whom may act without the joinder of the other, the undersigned's true and lawful attorney-in-fact and agent, with full power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign on his or her behalf, individually and in the capacities stated below, a Registration Statement or Registration Statements, on Form S-1 or other applicable form, including any Registration Statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Securities Act"), and all amendments, including post-effective amendments, thereto, to be filed by the Company with the U.S. Securities and Exchange Commission in connection with the registration under the Securities Act of shares of common stock of the Company to be issued pursuant to a public offering, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, each of the undersigned directors and/or officers of Proto Labs, Inc. has hereunto set his or her hand this 20th day of July, 2011.

/s/ Lawrence Lukis Lawrence Lukis	Chairman and Chief Technology Office
/s/ Bradley A. Cleveland Bradley A. Cleveland	President, Chief Executive Officer and Director
/s/ John R. Judd John R. Judd	Chief Financial Officer
/s/ Rainer Gawlick Rainer Gawlick	Director
/s/ John B. Goodman John B. Goodman	Director
/s/ Douglas A. Kingsley Douglas A. Kingsley	Director
/s/ Margaret A. Loftus Margaret A. Loftus	Director
/s/ Brian K. Smith Brian K. Smith	Director
/s/ Sven A. Wehrwein Sven A. Wehrwein	Director