

STRATASYS, INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER STATEMENT

On behalf of the Board of Directors, the Audit Committee's function is to oversee the Company's accounting and financial reporting processes and audits of the Company's financial statements. Primary responsibility for the Company's financial reporting lies with senior management, with oversight by the Board of Directors. The Audit Committee:

- maintains open lines of communication with the Company's Chief Financial Officer and the senior account representative of its External Auditor;
- is an informed, vigilant and effective overseer of the Company's internal controls and disclosure controls and procedures for financial reporting purposes;
- has its duties and responsibilities set forth in a written charter;
- reports its activities to the full board on a regular basis; and
- complies with applicable law (including Nasdaq and SEC rules) for Audit Committees.

COMMITTEE STRUCTURE AND MEMBERSHIP

The Committee shall be comprised of three or more directors each of whom shall be independent as determined in accordance with applicable law (including SEC and Nasdaq rules). All members of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. Committee members shall not receive any compensation from the Company except as allowed under applicable law (including SEC and Nasdaq rules). The Committee shall generally maintain as a member at least one "financial expert" as determined in accordance with applicable law (including SEC and Nasdaq rules). The members of the Committee shall be elected by the Board upon the recommendation of the Nominating and Corporate Governance Committee.

MEETINGS

The Audit Committee will meet on a regular basis and special meetings will be called as circumstances require. The Company's Chief Financial Officer will normally be present at each meeting. During most meetings the Committee will hold private sessions, as required, with legal representatives (and when appropriate, outside counsel retained to advise the Committee) to discuss legal matters which may impact the Company's financial position. Minutes of meetings will be taken including notations as to what private sessions occur.

REQUIRED PROCESSES

1. EXTERNAL AUDITORS

The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the work of any public accounting firm employed for preparing or issuing an audit report or related work (each an "External Auditor"). Each such public accounting firm shall report directly to the Audit

Committee. The Committee shall have the sole authority to hire, determine funding for, evaluate and fire the External Auditor.

The Audit Committee:

- a. Selects, evaluates and replaces the External Auditor as appropriate;
- b. Reviews annual audit plans and assesses the External Auditor's performance against plan;
- c. Receives annually from the External Auditor a formal written statement on its independence; discusses any relationships or issues that could hinder the External Auditor's independence and objectivity; and determines if additional steps need to be taken to ensure such independence;
- d. Approves in advance all audit and non-audit services to be provided by the External Auditor which are permissible under the law. In considering whether to approve such services, the Audit Committee will consider the following:
 - 1) whether the service is being performed principally for the Audit Committee;
 - 2) the effects of the service, if any, on audit effectiveness and on the quality and timeliness of the Company's financial reporting process;
 - 3) whether the service would be performed by specialists (e.g., technology specialists) who ordinarily also provide recurring audit support;
 - 4) whether the service would be performed by audit personnel and, if so, whether it will enhance their knowledge of the Company's business and operations;
 - 5) whether the role of those performing the service would be inconsistent with the auditor's role (e.g., a role where neutrality, impartiality and auditor skepticism are likely to be subverted);
 - 6) whether the audit firm's personnel would be assuming a management role or creating a mutuality of interest with management;
 - 7) whether the auditors, in effect, would be "auditing their own numbers";
 - 8) whether the project must be started and completed very quickly;
 - 9) whether the audit firm has unique expertise in the service; and
 - 10) the size of the fee(s) for the non-audit service(s).

The Committee may designate this role to one or more designated members of the Committee, who shall report their activity to the Committee;

- e. Establishes rules and procedures that reasonably ensure that the External Auditor does not perform any of the following prohibited procedures:
 - 1) bookkeeping or other services related to the accounting records or financial statements;
 - 2) financial information systems design and implementation;

- 3) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - 4) actuarial services;
 - 5) internal audit outsourcing services;
 - 6) management functions or human resources;
 - 7) broker or dealer, investment adviser, or investment banking services;
 - 8) legal services and expert services unrelated to the audit; and
 - 9) any other service that the Audit Committee determines is impermissible.
- f. Ascertains whether all non-audit services provided by the External Auditor are disclosed in quarterly and annual financial reports;
- g. Meets privately with the External Auditor at regular meetings and on an as needed basis;
- h. Reviews the External Auditor's report on:
- 1) the quality of accounting and disclosure and the accounting principles applied;
 - 2) the reasonableness of judgments and estimates used in preparing the financial statements, including assumptions made and the completeness of the related disclosures;
 - 3) all critical accounting policies and practices used;
 - 4) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Company management, ramifications of the use of such alternative disclosures and treatments including for any off-balance sheet transactions, and the treatment preferred by the External Auditor;
 - 5) other material written communications between the External Auditor and the Company's management, including all management letters or comments;
 - 6) the schedule of unadjusted differences; and
 - 7) the effectiveness of the Company's internal controls in providing reasonable assurance that the financial statements and disclosures are fairly presented, comply with the legal and regulatory requirements, and provide timely detection of fraud.
- i. Resolves disagreements between management and the External Auditor regarding financial reporting.

2. RELATED-PARTY TRANSACTIONS

The Committee shall review and approve all related-party transactions for which Audit Committee approval is required by applicable law (including SEC and Nasdaq rules) or required to be disclosed in the Company's financial statements or SEC filings.

3. GENERAL

The Audit Committee:

- a. Reviews quarterly (prior to the filing of the Company's periodic reports):
 - 1) the Company's process for assessing the risk of fraudulent financial reporting;
 - 2) the Company's process for identifying and reporting fraud, including the details of any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls; and
 - 3) the report of the Chief Executive Officer and Chief Financial Officer regarding the Company's disclosure controls and procedures.
- b. Reviews the quarterly reporting process, annual financial statements, management certifications and External Auditor reports and attestations and ensures that:
 - 1) the External Auditor performs timely reviews;
 - 2) certifications, attestations, quarterly and annual financial statements as required by law are reviewed with the Audit Committee before filing with the SEC; and
 - 3) the members of the Audit Committee have read the Company's periodic reports that are filed with the SEC.
- c. Requires management and the Chief Financial Officer to advise the Committee of significant deficiencies, material weaknesses and significant changes in internal controls and disclosure controls and procedures as well as any illegal acts unless the illegal act is clearly inconsequential;
- d. Discusses with the Chief Financial Officer and the External Auditor the review process for the Company's Information Technology procedures and controls, and inquires as to the specific security programs to protect against computer fraud or misuse from both within and outside the Company at least annually;
- e. Instructs the External Auditor and the Chief Financial Officer that the Committee expects to be advised if there are any areas known to them that require special attention of the Audit Committee;
- f. Maintains a calendar of agenda items which reflects the Audit Committee responsibilities and processes specified in this Audit Committee Charter;
- g. Reviews the Audit Committee Charter annually and has all proposed revisions approved by the Board of Directors;
- h. Self-assesses annually whether the Audit Committee has carried out the responsibilities defined in the Audit Committee Charter and takes any corrective action;
- i. Self-assesses annually whether the Audit Committee complies with its membership requirements and takes corrective action;

- j. Discloses in the Company's proxy statement:
 - 1) whether the Audit Committee satisfied its Audit Committee Charter responsibilities;
 - 2) the complete Audit Committee Charter, at least every 3 years, or when significant amendments occur;
 - 3) that the External Auditors have discussed judgments used in developing financial reports;
 - 4) that the Audit Committee has discussed the judgments in private session; and
 - 5) that the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for filing with the SEC.

4. COMPLAINTS

The Committee shall establish and maintain procedures for:

- a. the receipt, retention and treatment of complaints received by the Company regarding fraud, accounting, internal accounting controls, or auditing matters; and
- b. the confidential, anonymous submission by employees regarding fraud or questionable accounting or auditing matters.

5. AUTHORITY TO ENGAGE ADVISERS

The Committee shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

6. FUNDING

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to:

- a. the External Auditor for the purpose of rendering or issuing an audit report;
- b. any advisors employed by the Committee; and
- c. ordinary administrative expenses that are necessary or appropriate in carrying out the Committee's duties.

APPENDIX A

EXAMPLES OF DUTIES

In addition to the preceding required processes, the Audit Committee will make inquiries; and take actions it deems appropriate in fulfilling its responsibilities for internal and disclosure controls and procedures for financial reporting purposes. The following are examples:

- a. Obtain from management explanations of significant variances in the annual financial statements between years and determine whether the data are consistent with the Management's Discussion and Analysis (MD&A) section of the annual report, review with management the MD&A section of the Company's periodic reports, and ask the extent to which the External Auditor reviewed the MD&A section;
- b. Request an explanation from management and the External Auditor of changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, SEC or other regulatory bodies, that have an effect on the financial statements;
- c. Inquire about the existence and substance of any significant accounting accruals, reserves, contingencies, or estimates made by management that had a material impact on the financial statements;
- d. Inquire as to whether there have been any significant attempts to shift revenue from one period to another;
- e. Inquire of the Chief Financial Officer and External Auditor as to the adequacy of the disclosure in the footnotes to the financial statements, including those for risks and uncertainties, commitments, contingencies and related parties;
- f. Inquire of management and the External Auditor if there were any significant financial reporting issues discussed during the accounting period and if so how they were resolved;
- g. Meet privately with the External Auditor to request its opinion on various matters including the quality of financial and accounting personnel and the internal audit staff;
- h. Ask the External Auditor representative what his/her greatest concerns are, what the External Auditor believes are the greatest risks to the Company and how likely these risks are to occur, and if he/she believes anything else should be discussed with the Audit Committee that has not been raised or covered elsewhere;
- i. Review the letter of management representations given to the External Auditor and inquire whether any difficulties were encountered in obtaining the letter or any specific representations therein;
- j. Discuss with management and the External Auditor the substance of any significant issues raised to the Committee by outside counsel concerning litigation, contingencies, claims or assessments. The Audit Committee should understand how such matters are reflected in the Company's financial statements;
- k. Determine the open years on federal income tax returns and inquire as to whether there are

- any significant items that have been or might be disputed by the Internal Revenue Service, and inquire as to the status of the related tax reserves, accruals, contingencies and disclosure;
- l. Review Stratasys, Inc. Signature Authority Policy, Standards of Business Conduct and the Cash Investment Policy annually and make such modifications and amendments to the policies as it deems appropriate;
 - m. Determine whether the Company's Accounting Policies have been periodically updated and kept current for changes in accounting and financial reporting standards and changes in the business;
 - n. Discuss earnings press releases and financial information and earnings guidance provided to analysts and rating agencies;
 - o. Discuss policies with respect to risk assessment and risk management;
 - p. Review with the External Auditor any difficulties encountered in the course of his/her work and management's response;
 - q. Set clear hiring policies for employees or former employees of the External Auditor that are consistent with the Sarbanes-Oxley Act, which prohibit an auditing firm from providing audit services to a company whose Chief Executive Officer, Chief Financial Officer or chief accounting officer (or any person serving in an equivalent position) was employed by the auditing firm and participated in the Company's audit in any capacity within one year of audit initiation; and
 - r. Assure regular rotation of the lead audit partner of the External Auditor as required by the Sarbanes- Oxley Act;
 - s. Request from the External Auditor the External Auditor's peer reports;
 - t. Periodically evaluate the quality of service provided by the External Auditor; and
 - u. Periodically assess whether the Audit Committee should rotate the firm that serves as the External Auditor.