

STRATASYS INC
Form DEF 14A
April 05, 2007

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

STRATASYS, INC.

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

STRATASYS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time and Date

3:30 p.m. Central Daylight Time, on Tuesday, May 8, 2007

Place

Biaggi's Restaurant
8251 Flying Cloud Drive, Suite 3010
Eden Prairie, Minnesota 55344

Items of Business

To elect six directors to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.

To consider and vote upon a proposed amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 15,000,000 to 30,000,000.

To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Record Date

You are entitled to vote if you were a stockholder as of the close of business on March 23, 2007.

Voting

We urge you to read this proxy statement and vote your shares promptly. You may vote your shares in person by attending the Annual Meeting or by signing and returning the form of proxy in the enclosed envelope. You may revoke your proxy at any time before it is voted, and if you wish, you may attend the Annual Meeting and vote in person even if you have previously signed a proxy. Specific instructions to be followed in order to vote are set forth on the enclosed proxy card or voting instruction form provided by your broker, trustee or nominee.

By Order of the Board of Directors

ROBERT F. GALLAGHER
Chief Financial Officer and Secretary

This Notice of Annual Meeting of Stockholders, Proxy Statement and form of proxy are first being distributed on or about April 4, 2007.

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STRATASYS, INC.
14950 Martin Drive
Eden Prairie, Minnesota 55344-2020
952.937.3000

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
MAY 8, 2007

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS
AND THE ANNUAL MEETING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed form of proxy because our Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting of Stockholders to be held at 3:30 p.m., Central Daylight Time, on May 8, 2007 at Biaggi's Restaurant, 8251 Flying Cloud Drive, Suite 3010, Eden Prairie, Minnesota 55344. This proxy statement provides information that we are required to provide to you under the rules of the Securities and Exchange Commission (the "SEC") for the purpose of assisting you in voting your shares.

How can I obtain Stratasys Form 10-K?

A copy of our 2006 Annual Report on Form 10-K is enclosed as a part of our 2006 Annual Report to Stockholders (including beneficial owners of our common stock). Our Form 10-K is also available via our website at www.stratasys.com, or via the SEC's website at www.sec.gov. Stockholders may also obtain a copy of our Form 10-K free of charge upon written request to Stratasys, Inc., Attention: Secretary, 14950 Martin Drive, Eden Prairie, Minnesota 55344.

What items of business will be voted on at the Annual Meeting?

The election of six directors to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified.

The approval of a proposed amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 15,000,000 to 30,000,000.

We will also consider any other business that is properly brought before the Annual Meeting.

How does the Board recommend I vote?

Our Board recommends that you vote **FOR** each of the named director nominees and **FOR** the amendment of our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 30,000,000.

What shares can I vote?

Our only class of stock outstanding is common stock, par value \$.01 per share (common stock). Each share of common stock outstanding as of the close of business on the record date, March 23, 2007, is entitled to one vote on all items of business at the Annual Meeting. You may vote all shares you owned at that time, which may be (1) shares held directly in your name as the stockholder of record and (2) shares held for you as beneficial owner through a broker, trustee or other nominee such as a bank. On the record date, there were 11,170,056 shares of common stock outstanding and entitled to vote. There were 102 stockholders of record on the record date. The closing price of the common stock for that date, as quoted on the Nasdaq Global Select Market, was \$43.39.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most stockholders hold their shares through a broker or other nominee rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record

If your shares are registered directly in your name with our transfer agent, Continental Stock Transfer Company, you are considered to be, with respect to those shares, a stockholder of record, and these proxy materials are being sent directly to you by Stratasy. You should have stock certificates for those shares. As the stockholder of record, you have the right to grant your voting proxy directly to our proxy holders or to vote in person at the Annual Meeting. We have enclosed a proxy card for your use.

Beneficial Owner

If your shares are held in a brokerage account or by a trustee or nominee, you are considered to be the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction form by the broker, trustee or nominee or an agent hired by the broker, trustee or nominee. As a beneficial owner, you have the right to direct your broker, trustee or nominee how to vote, and you are also invited to attend the Annual Meeting.

As a beneficial owner is not the stockholder of record, you may not vote these shares directly at the Annual Meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

How can I vote my shares in person at the Annual Meeting?

Shares held in your name as the stockholder of record may be voted on a ballot. Shares held beneficially in street name may be voted on a ballot only if you bring a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instruction form as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

How can I vote my shares without attending the Annual Meeting?

Whether you hold shares directly as a stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For directions on how to vote, please refer to the instructions below and those on the proxy card or voting instruction form you are provided.

You may cast your vote by proxy as follows:

By Internet Stockholders of record may vote using the Internet by voting at the website listed on the enclosed proxy card. Beneficial owners may vote by accessing the website specified on the voting instruction form provided by their brokers, trustees or nominees. Please check the voting instruction form for Internet voting availability.

By telephone Stockholders of record may vote by using the toll-free telephone number listed on the enclosed proxy card. Beneficial owners may vote by telephone by calling the number specified on the voting instruction forms provided by their brokers, trustees or nominees.

By mailing the proxy card Stockholders of record may vote by completing, signing, dating and mailing the enclosed proxy card in the accompanying pre-addressed postage paid envelope. Beneficial owners may vote by completing, signing and dating the voting instruction forms provided by their brokers, trustees or nominees and mailing them in the enclosed pre-addressed envelope.

Are the proxy statement and annual report available electronically?

This proxy statement and our 2006 Annual Report on Form 10-K are available on our website at www.stratasys.com, or at the SEC's website at www.sec.gov.

Can I change my vote?

If you are a stockholder of record and have submitted a proxy card, you can change your vote by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked, unless you vote again. You may also revoke your proxy at any time before it is voted by sending a written notice of revocation or by submitting a signed proxy bearing a later date, in either case, to Stratasys, Inc., Attention: Secretary, 14950 Martin Drive, Eden Prairie, Minnesota 55344, or by notifying our Secretary at the Annual Meeting. We must receive any such revocation of proxy by 5:00 p.m., Central Daylight Time, on May 7, 2007, for it to be effective.

If you voted on the Internet or by telephone, you may change your vote by voting at the Annual Meeting or by following the instructions for changing your vote on the enclosed proxy card.

If your shares are held in street name or by a broker, trustee or nominee, you may change your vote by following the instructions provided to you by your broker, trustee or nominee. If you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, you can change your vote by attending the Annual Meeting and voting in person.

What is the quorum required in order to conduct business at the Annual Meeting?

A majority of the shares outstanding at the record date must be present at the Annual Meeting in order to establish the quorum necessary to hold the meeting and conduct business. Shares are counted as present at the Annual Meeting if the stockholder attends the meeting in person or is represented at the meeting by proxy.

What is the voting requirement to approve the election of directors, the amendment of our Amended and Restated Certificate of Incorporation, and any other proposal and how are votes counted?

Directors are elected by a plurality of the votes cast for the election of directors at the Annual Meeting. In the election of directors, you may vote for all of the nominees or you may withhold your vote with respect to one or more of the nominees.

To approve the amendment to our Amended and Restated Certificate of Incorporation increasing the number of authorized shares of our common stock to 30,000,000, stockholders holding a majority of our outstanding shares of common stock entitled to vote are required to vote in favor of the amendment. You may vote for or against the amendment or you may abstain.

You may vote for any other proposals properly brought before the Annual Meeting, or you may abstain. If you abstain, the abstention has the same effect as a vote against the proposal. If you provide specific instructions (mark boxes) with regard to certain proposals, your shares will be voted as you instruct. If you sign and return your proxy card or voting instruction form without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board. The proxy holders will vote in their discretion on any other matters that properly come before the Annual Meeting.

If you are a stockholder of record and do not return your proxy card, or do not vote via the Internet or by telephone, your shares will not be voted. However, if you hold shares beneficially in street name, the result will be different. If you do not return the voting instruction form, your broker may vote your shares in certain circumstances and on certain proposals. Where brokers are prohibited from exercising discretionary authority for beneficial owners who have not provided voting instructions (commonly referred to as broker non-votes), those shares will be included in determining the presence of a quorum at the meeting, but are not considered present for the purposes of voting on non-discretionary matters. Such shares have no impact on the outcome of such proposals.

What happens if additional matters are presented at the Annual Meeting?

Other than the proposals described in this proxy statement, we are not aware of any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, S. Scott Crump and Thomas W. Stenoien, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting in accordance with their best judgment. If for any unforeseen reason any of our nominees is not available as a candidate for reelection as a director, the proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

Who will count the votes?

We will appoint two individuals to act as inspectors of election to tabulate the votes cast at the Annual Meeting.

What does it mean if I receive more than one set of voting materials?

It means you have multiple accounts with the transfer agent and/or with brokers and banks. Please complete, sign, date and return to us each proxy card and voting instruction form you receive.

Who will pay the costs of soliciting votes for the Annual Meeting?

Stratasys is making this solicitation and will pay the entire cost of preparing, printing, mailing and distributing these proxy materials and soliciting votes with respect to the Annual Meeting. In addition to the mailing of these proxy materials, the solicitation of proxies may be made in person, by telephone or by electronic communication by certain of our directors, officers and other employees, who will not receive any additional compensation for such activities. We will also reimburse brokerage firms, banks, and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy and solicitation materials to the beneficial owners of our common stock.

Where can I find the voting results of the Annual Meeting?

We expect to announce preliminary voting results at the Annual Meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal year 2007. You can access that Form 10-Q, and all of our other reports filed with the SEC, at our website, www.stratasys.com, or at the SEC's website, www.sec.gov.

Is a list of stockholders entitled to vote at the Annual Meeting available?

The list of stockholders of record as of the record date will be available at the Annual Meeting. It will also be available during business hours for ten days prior to the date of the Annual Meeting, at our principal executive office, 14950 Martin Drive, Eden Prairie, Minnesota. A stockholder of record of our common stock may examine the list for any purpose germane to the Annual Meeting.

What is the deadline to propose actions for consideration at next year's Annual Meeting?

If a stockholder intends to present a proposal at our next Annual Meeting of Stockholders, we must receive it no later than December 6, 2007, in order for it to be included in the proxy statement and form of proxy relating to that meeting. If the date of the meeting is changed by more than 30 calendar days from the date on which this year's meeting is held, or if the proposal is to be presented at any meeting other than the next Annual Meeting of Stockholders, we must receive the proposal at our principal executive office at a reasonable time before the solicitation of such proxies for such meeting is made.

Stockholder proposals for business matters to be conducted at the 2008 Annual Meeting, including nominations of persons to serve as directors of Stratasys, but not to be considered for inclusion in our proxy statement and form of proxy relating to our 2008 Annual Meeting, must be received no later than February 19, 2008. Such proposals should be directed to our Secretary at 14950 Martin Drive, Eden Prairie, Minnesota 55344.

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the 2007 Annual Meeting, please read this Proxy Statement and promptly vote your shares on the Internet, by telephone or by completing, signing, and dating your enclosed proxy or voting instruction form and returning it in the enclosed envelope.

PROPOSAL 1.
ELECTION OF DIRECTORS

Our Board of Directors currently has six members. The directors to be elected at the Annual Meeting will serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. Proxies not marked to the contrary will be voted **FOR** the election to the Board of Directors of the following six persons, all of whom are incumbent directors. All nominees were elected as directors at the 2006 Annual Meeting. The following information provides the age and business experience as of March 16, 2007, of the nominees for election. All nominees have consented to being named as such in this proxy statement and have agreed to serve if elected.

S. Scott Crump, age 53, has served as our Chief Executive Officer, President, Treasurer and a director since our inception in 1988 and as Chief Financial Officer from February 1990 to May 1997. Mr. Crump is, with Lisa H. Crump, his wife, a co-founder of Stratasys, and he is the inventor of Stratasys' FDM technology. During the period from 1982 to 1988, Mr. Crump was a co-founder and Vice President of Sales of IDEA, Inc., which later changed its name to SI Technologies, Inc., a leading manufacturer of force, load and pressure transducers. Mr. Crump continued to be a director and shareholder of that company until its sale to Vishay Intertechnologies, Inc. (NYSE: VSH) in April 2005. Mr. Crump, a registered professional engineer, is the son of Ralph E. Crump, a director of Stratasys.

Ralph E. Crump, age 83, has been a director of Stratasys since 1990. Mr. Crump is President of Crump Industrial Group, an investment firm located in Trumbull, Connecticut. He was a founder and director of Osmonics, Inc., now GE Osmonics, a manufacturer of reverse osmosis water filtration devices, until it was acquired by General Electric Company (NYSE:GE) in February 2003. Mr. Crump was chairman of SI Technologies, Inc. until April 1, 2005, when it was sold to Vishay Intertechnologies, Inc. (NYSE: VSH). In 1962, Mr. Crump founded Frigitronics, Inc., a manufacturer of ophthalmic goods and medical instruments, and was its President and Chairman of the Board until it was acquired by Revlon in 1986. Mr. Crump is also a director of Mity Enterprises, Inc. (Nasdaq: MITY), a manufacturer of institutional furniture. He is a Trustee of the Alumni Foundation of UCLA and a member of the Board of Overseers for the Thayer Engineering School at Dartmouth College. Mr. Crump is the father of S. Scott Crump.

Edward J. Fierko, age 66, has been a director of Stratasys since February 2002. Since May 2003, Mr. Fierko has been President of EJF Associates, a consulting firm. From March 2003 to May 2003, Mr. Fierko was Vice President of GE Osmonics, Inc., a manufacturer of reverse osmosis water filtration devices. From November 1999 through February 2003, he served as President and Chief Operating Officer of Osmonics, and from November 1998 to September 1999 he served as Executive Vice President of Osmonics. From September 1987 to August 1998, Mr. Fierko was President and CEO of Ecowater International, a holding company with operating companies in the water, waste and special process treatment industry. Prior to that, Mr. Fierko held several management positions over a 23-year career at General Electric Company.

Clifford H. Schwieter, age 59, has been a director of Stratasys since 1994. In 2002, Mr. Schwieter became the President and Chief Executive Officer of Concise Logic, Inc., a software development company focused on semiconductor design tools. From 1994 to 2002, Mr. Schwieter was the President and a Managing Director of C.H. Schwieter and Associates, a management and financial consulting firm. From July 1992 to March 1994, he served as President, Chief Executive Officer and a director of Centric Engineering Systems, Inc., which was engaged in the development of mechanical design and analysis software for computing systems ranging from workstations to mainframes and massively parallel networked computing environments. Mr. Schwieter was Vice President and General Manager of the Electronic Imaging Systems Division of the DuPont Company from 1986 to 1991. From 1971 to 1986, Mr. Schwieter was with the General Electric Company, where he served as Vice President of GE's Calma Company from 1985 to 1986 and was responsible for that subsidiary's worldwide business in the mechanical design and factory automation arena. He was President and Representative Director of GE Industrial Automation, Ltd., a joint venture between GE and C. Itoh & Company located in Tokyo, from 1982 to 1985.

Arnold J. Wasserman, age 69, has been a director of Stratasys since 1994. Mr. Wasserman has been a principal of Panda Financial Associates, a leasing/consulting firm, for more than 35 years. Prior to that, he held positions with IBM and Litton Industries. Mr. Wasserman has consulted with major corporations in the areas of marketing, advertising and sales. He is the lead independent director and chairman of the audit committee of MTM Technologies, Inc. (Nasdaq: MTMC).

Gregory L. Wilson, age 59, has been a director of Stratasys since 1994. Mr. Wilson is, with his wife Kathy R. Wilson, a co-founder of Mity Enterprises, Inc. (Nasdaq:MITY), a manufacturer of institutional furniture, and has served as Chairman of the Board of that company since its inception in 1987. From its inception until May 2002, he also served as President of Mity. From 1982 until 1987, Mr. Wilson was President of Church Furnishings, Inc., in Provo, Utah. Mr. Wilson served as a Financial Analyst at the Ford Motor Company and as General Manager of the Stereo Optical Company in Chicago, Illinois. Mr. Wilson also serves on the board of directors of Broda Enterprises, Waterloo, Ontario, Design Imaging, Inc., Salt Lake City, Utah, and the Central Utah Advisory Board of Well Fargo Bank.

Board Independence.

Our Board of Directors has determined that none of our directors, except S. Scott Crump, the Chairman of the Board, President and Chief Executive Officer, and Ralph E. Crump, S. Scott Crump's father, have a relationship with Stratasys, either as an officer or employee of Stratasys or its subsidiaries or any other relationship that, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Therefore, each non-management director, other than Ralph E. Crump, is independent within the meaning of the Nasdaq Stock Market, Inc. (Nasdaq) listing standards for director independence. The Board has three standing committees, the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Only independent directors serve on the standing committees of the Board, and accordingly, all members of those committees are also independent.

Availability of Information and Communications with the Board.

We have established a Corporate Governance section on our website, at www.stratasys.com, which is accessible by clicking Investors and then clicking Corporate Governance. The charters of our Nominating and Corporate Governance Committee and Audit Committee, as well as our Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees, are posted there. Additional materials may be added in the future. This proxy statement and the 2006 Annual Report on Form 10-K are also available on our website. Stockholders may also obtain free printed copies of these materials by contacting Investor Relations as follows:

Stratasys, Inc.
14950 Martin Drive
Eden Prairie, Minnesota 55344
Attention: Shane Glenn Director of Investor Relations

Email: sglenn@stratasys.com

You may address written communications to our non-management directors or, if requested, the full Board of Directors, by mail or courier to Stratasys, Inc., Attention: Secretary, 14950 Martin Drive, Eden Prairie, Minnesota 55344, or by email to Shane Glenn, sglenn@stratasys.com.

Directors are expected to attend our annual meetings of stockholders. All members of the Board attended the 2006 Annual Meeting of Stockholders.

Meetings of the Board of Directors and Executive Sessions.

Our Board of Directors held eight meetings in 2006, three of which were conducted by telephone conference call. Each director attended at least 75% of the aggregate number of Board meetings and Board committee meetings on which that director served during 2006. Independent directors meet separately without management or non-independent directors present before each scheduled meeting of the Board of Directors.

Board Committees.

Audit Committee. The Audit Committee is composed of four non-management directors. The current members are Arnold J. Wasserman (Chairman), Edward J. Fierko, Clifford H. Schwieter and Gregory L. Wilson, all of whom served on the Committee in 2006. The Board of Directors has determined that under the rules of the SEC and applicable Nasdaq listing standards, all of the members of the Audit Committee are independent. The Board has also determined that Mr. Fierko qualifies under the Nasdaq standards as financially sophisticated and that Messrs. Fierko and Wilson each meet the SEC criteria for an audit committee financial expert.

The Audit Committee held six meetings in 2006, one of which was conducted by telephone conference call. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of our independent auditors, who report directly to the Audit Committee. In addition, the Audit Committee is responsible for addressing complaints received by Stratasys regarding any accounting, internal accounting controls or auditing matters, as well as employees' concerns regarding any questionable accounting or auditing matters. The duties of the Audit Committee also include reviewing and considering actions of management in matters relating to audit functions, reviewing reports from various regulatory authorities, reviewing our system of internal controls and procedures, and reviewing the effectiveness of procedures intended to prevent violations of laws and regulations.

The report of the Audit Committee appears on page 19 of this proxy statement.

Compensation Committee. The Compensation Committee is composed of four non-management directors. The current members are Clifford H. Schwieter (Chairman), Edward J. Fierko, Arnold J. Wasserman and Gregory L. Wilson, all of whom served on the Committee in 2006. The Board of Directors has determined that under applicable Nasdaq listing standards, all of the members of the Compensation Committee are independent.

The Compensation Committee held two meetings in 2006. The Compensation Committee recommends to the Board policies for executive compensation and approves the remuneration of all our officers. It also administers our stock option and incentive compensation plans and recommends the establishment of and monitors the compensation and incentive program for all Stratasys executives.

The report of the Compensation Committee appears on page 13 of this proxy statement.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is composed of four non-management directors. The current members are Gregory L. Wilson (Chairman), Edward J. Fierko, Clifford H. Schwieter and Arnold J. Wasserman. The Board of Directors has determined that under applicable Nasdaq listing standards, all of the members of the Nominating and Corporate Governance Committee are independent. A current copy of the Nominating and Corporate Governance Committee's charter is available on our website at www.stratasys.com.

The Nominating and Corporate Governance Committee held five meetings in 2006. In connection with its nominating function, the Committee evaluates and recommends to the Board director nominees to fill vacancies that may occur on the Board of Directors and its standing committees. In connection with its corporate governance function, the Committee reviews and recommends to the Board corporate governance principles applicable to Stratasys, including the evaluation and recommendation of criteria for membership on the Board and the composition and structure of the Board and its committees.

Consideration of Director Nominees.

Although the Nominating and Corporate Governance Committee has not established minimum qualifications for director candidates, it will consider, among other factors:

- Judgment
- Skill
- Diversity
- Experience with businesses and other organizations of comparable size
- The interplay of the candidate's experience with the experience of other Board members
- The extent to which the candidate would be a desirable addition to the Board and any committees of the Board

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In addition, the Committee considers specific qualities needed to fill vacancies, such as financial sophistication for potential members of the Audit Committee, and other characteristics desired to achieve a balance of knowledge, experience and capability on the Board.

The Nominating and Corporate Governance Committee will consider all director candidates recommended by stockholders, if they meet the criteria referred to above. Recommendations may be made in writing and sent to the Chairman of the Nominating and Corporate Governance Committee in care of Stratasys, Inc., 14950 Martin Drive, Eden Prairie, Minnesota 55344. Such recommendations must include the following information:

- the candidate's name and address
- the biographical data of the candidate
- the candidate's qualifications

Members of the Nominating and Corporate Governance Committee will assess potential candidates on a regular basis. Any stockholder recommendation of a candidate for election at the 2008 Annual Meeting must be received no later than December 6, 2007 in order for the Nominating and Corporate Governance Committee to consider it.

Executive Officers.

In addition to S. Scott Crump, our Chairman, President, Chief Executive Officer, and Treasurer, the following individuals serve as our executive officers:

Thomas W. Stenoien, age 56, was appointed as our Chief Operating Officer in March 2005. Mr. Stenoien served as our Chief Financial Officer from May 1997 to March 2005. Mr. Stenoien has also served as our Executive Vice President from 2001 to March 2005 and as our Secretary from 1999 to May 2006. Mr. Stenoien joined Stratasys in February 1993 as Controller and has also served as Director of Finance.

Robert F. Gallagher, age 51, was appointed as our Chief Financial Officer in March 2005 and was appointed as our Secretary in May 2006. Before joining Stratasys, Mr. Gallagher was the Chief Financial Officer of Selas Corporation of America, a manufacturer of micro-miniature components for the electronics industry, which is now known as Intricon Corporation. From October 2000 until June 2002, he was Chief Financial Officer for Visionics Corporation, a provider of biometric technologies and information systems. From October 1989 until June 2000, Mr. Gallagher was employed by TSI Incorporated, a diversified precision instrument company, last holding the position of Chief Financial Officer. From June 2005 to present, Mr. Gallagher has served on the Board of MOCON (Nasdaq: MOCO), Inc., where he is also a member of the audit committee.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of our common stock beneficially owned, directly or indirectly, by (i) each person known by us to be the owner of more than 5% of the outstanding shares of our common stock, (ii) each director, (iii) each executive officer named in the Summary Compensation Table on page 13 (the "Named Executive Officers") and (iv) all of our directors and executive officers as a group as of March 16, 2007.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, and is not necessarily indicative of beneficial ownership for any other purpose. Shares of our common stock that a person has a right to acquire within 60 days are deemed outstanding for purposes of computing the percentage ownership of that person, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. We based our calculations of the percentage owned on 10,287,037 shares outstanding on March 16, 2007.

Except as otherwise indicated, each director and Named Executive Officer (1) has sole investment and voting power with respect to the securities indicated or (2) shares investment and/or voting power with that individual's spouse.

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The address of each director and Named Executive Officer listed in the table below is c/o Stratasys, Inc., 14950 Martin Drive, Eden Prairie, Minnesota 55344.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Directors and Officers		
S. Scott Crump	409,925 ⁽¹⁾	3.96%
Thomas W. Stenoien	62,640 ⁽²⁾	*
Robert F. Gallagher	45,000 ⁽³⁾	*
Ralph E. Crump	429,670 ⁽⁴⁾	4.14%
Edward J. Fierko	116,700 ⁽⁵⁾	1.12%
Clifford H. Schwieter	72,588 ⁽⁶⁾	*
Arnold J. Wasserman	96,000 ⁽⁷⁾	*
Gregory L. Wilson	90,000 ⁽⁸⁾	*
All directors and executive officers (8 persons)	1,322,523 ⁽⁹⁾	12.16%
Beneficial Owner of More Than 5%		
Lord, Abnett & Co. LLC	1,435,620 ⁽¹⁰⁾	14.27%
William Blair & Company, L.L.C.	685,951 ⁽¹¹⁾	6.82%
Merrill Lynch & Co.	616,840 ⁽¹²⁾	5.97%
Burgundy Asset Management Ltd.	609,717 ⁽¹³⁾	6.1%
Mairs and Power, Inc.	572,160 ⁽¹⁴⁾	5.7%

* Represents less than 1% of our outstanding common stock.

- (1) Includes 70,000 shares issuable upon the exercise of presently exercisable stock options. Does not include 20,000 shares issuable upon the exercise of stock options that are not presently exercisable. Also includes 124,330 shares owned of record by Mr. Crump's wife and 675 shares owned of record by Mr. Crump's child. Mr. Crump disclaims beneficial ownership of the shares owned by his wife and child. In addition, Mr. Crump disclaims beneficial ownership of 169,835 shares owned of record and 90,000 shares issuable upon the exercise of presently exercisable stock options held by Ralph E. Crump, Mr. Crump's father, and 169,835 shares owned of record by Mr. Crump's mother.
- (2) Includes 52,400 shares issuable upon the exercise of presently exercisable stock options. Does not include 10,000 shares issuable upon the exercise of stock options that are not presently exercisable.
- (3) Includes 40,000 shares issuable upon the exercise of presently exercisable stock options.
- (4) Includes 90,000 shares issuable upon the exercise of presently exercisable stock options. Also includes 169,835 shares owned of record by Mr. Crump's wife. Mr. Crump disclaims beneficial ownership of all shares owned by his wife. In addition, Mr. Crump disclaims beneficial ownership of 214,920 shares owned of record and 70,000 shares issuable upon the exercise of presently exercisable stock options held by S. Scott Crump, 675 shares held by Mr. Crump's grandchild, and 124,330 shares owned of record by Mr. Crump's daughter-in-law.
- (5) Includes 90,000 shares issuable upon the exercise of presently exercisable stock options.
- (6) Includes 70,000 shares issuable upon the exercise of presently exercisable stock options.
- (7) Includes 90,000 shares issuable upon the exercise of presently exercisable stock options.
- (8) Represents 90,000 shares issuable upon the exercise of presently exercisable stock options.
- (9) Includes 592,400 shares issuable upon the exercise of presently exercisable stock options.
- (10) Represents shares of common stock beneficially owned as of February 14, 2007, as indicated on the report on Schedule 13G/A filed by Lord, Abnett & Co. LLC, 90 Hudson Street, Jersey City, New Jersey 07302. Lord, Abnett & Co. LLC has sole voting power with respect to 1,209,220 shares and sole dispositive power with respect to 1,435,620 shares. The percentage of outstanding shares owned is based on the number of shares outstanding on December 29, 2006 and assumes no acquisition or disposition by Lord, Abnett & Co. LLC since February 14, 2007.
- (11) Represents shares of common stock beneficially owned as of January 10, 2007, as indicated on the report on Schedule 13G filed by William Blair & Company, L.L.C., 222 W. Adams, Chicago, Illinois 60606. William Blair & Company, L.L.C. has shared voting and dispositive power with respect to 685,951 shares. The percentage shares owned is based on the number of shares outstanding on December 31, 2006 and assumes no acquisition or disposition by William Blair & Company, L.L.C. since January 10, 2007.

- (12) Represents shares of common stock beneficially owned as of February 8, 2006, as indicated on the report on Schedule 13G filed by Merrill Lynch & Co., Inc. (on behalf of Merrill Lynch Investment Managers), World Financial Center, North Tower, 250 Vesey Street, New York, New York 10381. Merrill Lynch & Co., Inc. has shared voting and dispositive power with respect to 616,840 shares. The percentage shares owned is based on the number of shares outstanding on December 31, 2005 and assumes no acquisition or disposition by Merrill Lynch & Co., Inc. since February 8, 2006.
- (13) Represents shares of common stock beneficially owned as of February 14, 2007, as indicated on the report on Schedule 13G filed by Burgundy Asset Management Ltd., 181 Bay Street, Ste. 4510, Toronto, Ontario M5J 2T3. Burgundy Asset Management Ltd. has sole voting and dispositive power with respect to the 609,717 shares. The percentage of outstanding shares owned is based on the number of shares outstanding on February 1, 2007 and assumes no acquisition or disposition by Burgundy Asset Management Ltd. since February 14, 2007.
- (14) Represents shares of common stock beneficially owned as of February 12, 2007, as indicated on the report on Schedule 13G filed by Mairs and Power, Inc., 332 Minnesota Street, W-1520 First National Bank Building, St. Paul, MN 55101. Mairs and Power, Inc. has sole voting power with respect to 464,300 shares and sole dispositive power with respect to 572,160 shares. The percentage shares owned is based on the number of shares outstanding on December 31, 2006 and assumes no acquisition or disposition by Mairs and Power, Inc. since February 12, 2007.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. SEC regulations also require us to identify in this proxy statement any person subject to this requirement who failed to file any such report on a timely basis.

Based on our review of the reports we have received and written representations that no other reports were required for 2006, we believe that all Section 16(a) reporting requirements applicable to our executive officers and directors in 2006 were satisfied in a timely fashion.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis.

Our Compensation Committee is principally responsible for developing our company-wide compensation program. This program is designed to enable all of our employees to receive an annual cash bonus if Stratasys achieves or exceeds the annual performance goals that the Committee establishes. In addition, our compensation program rewards our executives for long-term company performance. The objectives of our compensation program are:

- To attract, retain, motivate and incentivize our employees to help us achieve our business objectives
- To encourage and reward superior individual performance
- To encourage teamwork and reward group performance within our company
- To align the interests of our executives with those of our stockholders by incentivizing increases in the long-term value of our company

Development of Our Compensation Program

In connection with the development of their annual business and financial plan each November, our management team establishes annual company and individual goals for the ensuing year. Consistent with those goals, management makes recommendations for compensation for our executives for that year. Under the plan, executive compensation consists of base salary, annual incentive compensation and long-term incentive compensation. The Committee reviews and evaluates management's recommendations and reaches consensus with management on a final proposal. The Committee then presents the final proposal to the full Board of Directors, which adopts a final compensation program to be implemented for the next year.

In reviewing and finalizing the annual compensation program, the Committee compares our executives' compensation with compensation paid to executives at 15 to 25 other similar manufacturing companies of comparable size in the Midwest Region. Riley, Dettmann & Kelsy, LLC, an executive compensation consulting firm in Minnetonka, MN, assists the Committee in making this evaluation, and the Committee also reviews an annual list of compensation at comparable companies compiled by the Minneapolis-based law firm of Dorsey & Whitney. The Committee generally targets our executive compensation within the third quartile of executive compensation for comparable companies.

The Components of Our Compensation Program

Base Salary. Executives' annual base salaries are based on their individual performance in the prior year, job responsibilities, expected future contributions and salaries paid to executives with similar responsibilities at comparable companies. As we seek to weigh total compensation more heavily toward incentives, base salaries for our executives tend to range near the median salary for executives at comparable companies.

In November 2005, the Committee established the 2006 base salary of Scott Crump, our Chief Executive Officer, based on his then-current salary, his and our company's performance during 2005, salaries of CEO's at comparable companies, and his expected contribution for 2006. In light of these factors, the Committee approved a 15.8% increase in Mr. Crump's annual base salary from \$164,092 to \$190,000.

Our CEO proposes the base salaries for Thomas W. Stenoien, our Chief Operating Officer, and Robert F. Gallagher, our Chief Financial Officer. At the same November 2005 meeting in which the Committee established Mr. Crump's compensation, the Committee also established base salaries for Mr. Stenoien and Mr. Gallagher. Based on factors similar to those for Mr. Crump, as well as the management and financial performance of the groups for which Messrs. Stenoien and Gallagher are responsible, the Committee approved a 23% increase in Mr. Stenoien's base salary from \$130,000 to \$160,000, consistent with Mr. Stenoien's promotion to Chief Operating Officer, and a 4% increase in Mr. Gallagher's base salary from \$175,000 to \$182,000. The Committee determined that Mr. Gallagher's duties and responsibilities have a less direct impact on achievement of our performance goals than Mr. Crump's or Mr. Stenoien's. Therefore, it has recommended that Mr. Gallagher's total compensation be more heavily weighted to his base salary than Messrs. Crump and Stenoien, whose total compensation is more significantly weighted to their incentive compensation plans.

Annual Incentive Compensation. We employ a management by objectives philosophy at Stratasy and align annual incentive compensation for our executives with their achievement of the objectives that we establish for them. Executives responsible for internal operating or management groups, such as research and development, manufacturing, system sales and human resources, have different management objectives. These objectives may include:

- The number of new products or product enhancements introduced.
- Development of specific training programs.
- Implementation of new manufacturing procedures.
- Development of new or improved inventory ordering and control procedures.
- Sales of a specific number of systems.

We base annual incentive compensation for our CEO, COO and CFO on achieving corporate financial objectives, including, from time to time, revenue, operating profit, backlog, net income, earnings per share and other such financial metrics.

The Committee establishes a target bonus for each executive, which will be paid if specified objectives are met. An executive can earn from 100% to 125% of the target bonus depending upon achievement of the objectives. Our annual plan establishes quarterly and annual performance objectives for our executives. Consistent with our desire to have our executives achieve the interim plan objectives, we pay bonuses quarterly based upon achievement of the interim plan goals.

If Stratasy does not achieve the performance goals that would result in a payment of 100% of the target amount, the