

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF WEBMETHODS, INC.

I. PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors of web-Methods, Inc. (the “Corporation”). The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting and related legal compliance matters. In furtherance of that purpose, the Committee shall:

- appoint Independent Accountants (as defined below) for the Corporation and monitor the independence, qualifications and performance of the Independent Accountants;
- review the quality and integrity of the Corporation’s financial statements and other financial information provided by the Corporation to its stockholders, the public or the SEC;
- oversee management’s conduct of the Corporation’s financial reporting process and systems of internal accounting, financial and disclosure controls;
- assist Board of Director oversight of the Corporation’s compliance with related legal and regulatory requirements; and
- provide an open channel of communication among the Independent Accountants, management and employees of the Corporation and its subsidiaries, counsel, any internal audit group and the Board of Directors.

Section IV of this Charter sets forth the primary duties and responsibilities of the Committee. The Committee may, in its discretion, also review reports from management on other finance, legal or administrative issues as the Committee deems appropriate or necessary.

While acting within the scope of its responsibilities, the Committee shall have all of the authority of the Board of Directors. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee’s scope of responsibilities. The Committee shall have unrestricted access to member of management, other employees of the Corporation and its subsidiaries and the Independent Accountants as necessary to carry out its responsibilities. The Committee shall also have unrestricted access to all information relevant to the carrying out of its responsibilities. The Committee shall have the power to retain, at the expense of the Corporation, independent legal, accounting or other advisers appropriate or necessary, in the discretion of the Committee, to carry out its responsibilities, and shall have the authority to approve the fees payable to such advisers and any other terms of retention.

II. COMPOSITION

The Committee shall be composed of three or more members as determined by the Board of Directors from time to time. No person who is not an Independent Director (as defined below) shall be eligible to serve on the Committee, and no member of the Committee shall accept any consulting, advisory or other compensatory fee from the Corporation other than in connection with serving

on the Committee or as a member of the Board of Directors. All members of the Committee shall have a practical knowledge of finance and accounting and shall be able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement and statement of cash flows, and at least one member of the Committee shall be an "audit committee financial expert," as defined by the SEC.

No member of the Committee shall simultaneously serve on the audit committee of more than three public companies, including the Corporation, unless the Board of Directors has made a determination that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

The members of the Committee shall be elected by the Board at the annual meeting of the Board and shall serve until their successors shall be duly elected and qualified or their earlier resignation, removal, or termination of service as a director. Unless a Chairman of the Committee is elected by the full Board of Directors, the members of the Committee may (but shall not be required to) designate a Chairman by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet at least four times annually, and more frequently as circumstances dictate, and shall fix its own rules of procedure. The Committee may act by written consent in lieu of meeting, except as set forth below. As part of its duty to foster open communication, the Committee shall meet periodically with management, the head of any internal auditing group and the Corporation's independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee shall meet with the independent accountants and management quarterly to review the Corporation's financial statements consistent with the provisions of this Charter.

IV. DUTIES AND RESPONSIBILITIES

The Committee's principal responsibility is one of oversight. Management of the Corporation is responsible for preparing the Corporation's financial statements, and the Independent Accountants are responsible for auditing and/or reviewing the Corporation's financial statements. In carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Corporation's financial statements or any professional certification as to the work of the Independent Accountants. The Committee's specific responsibilities are as follows:

A. Review Documents and the Corporation's Periodic Reports

1. The Committee shall review this Charter from time to time, but not less frequently than annually, as conditions dictate, and shall update this Charter as appropriate or necessary.
2. The Committee shall review and discuss with the Independent Accountants and management the Corporation's audited consolidated financial statements that are to be included in the Corporation's annual report on Form 10-K and the Independent Accountants' opinion with respect to such financial state-

ments, including reviewing the nature and extent of any significant changes in accounting principles or the application of such accounting principles.

3. The Committee shall review and discuss with the Independent Accountants and management, and require the Independent Accountants to review, the Corporation's interim consolidated financial statements to be included in the Corporation's quarterly reports on Form 10-Q.
4. The Committee shall review and discuss the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in any annual or quarterly report or other report or filing filed by the Corporation with the SEC.
5. The Committee shall review with management the financial information to be disclosed in the Corporation's earnings press releases, as well as additional financial information that management may provide in accordance with Regulation F-D. Such review may be general in nature and need not take place in advance of each earnings release or release of financial information, and a single member of the Committee may represent the entire Committee for purposes of this review.

B. Independent Accountants

1. The Independent Accountants are ultimately accountable to the Committee, which shall select and appoint (subject to ratification by the stockholders of the Corporation, if applicable) and replace, when appropriate, the Independent Accountants.
2. The Committee shall pre-approve all audit and non-audit services which may legally be provided by the Independent Accountants, including the fees or compensation and other terms of engagement in accordance with Section 10A of the Exchange Act and the rules and regulations of the SEC. The Committee may designate to one or more members of the Committee the authority to grant such pre-approvals.
3. The Committee shall review, at least annually, the independence, qualifications and performance of the Independent Accountants and the performance of the lead audit partner. In conducting such review and evaluation, the Committee shall, at least annually, obtain and review:
 - information regarding any material issues raised by the most recent internal quality control review or regulatory or peer review of the Internal Accountants or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting on or more independent audits carried out by the Independent Accountants, and any steps taken to deal with any such issues, and
 - a written statement from the Independent Accountants delineating all relationships between the Independent Accountants and the Corporation, consistent with the Independence Standards Board, Standard No. 1, re-

garding relationships and services that may impact the objectivity and independence of the Independent Accountants, and other applicable standards.

- a summary of services provided by the Independent Accountants to the Corporation and the related fees. The Committee shall discuss with the Independent Accountants any disclosed relationships or services that may impact the objectivity and independence of the Independent Accountants, and shall evaluate the performance of the Independent Accountants.
4. The Committee shall (a) confer with the Independent Accountants concerning the scope of their examinations of the books and records of the Corporation and its subsidiaries, (b) review the scope, plan of work and procedures recommended by the Independent Accountants to be used by them for each audit of the consolidated financial statements of the Corporation, (c) review the results of each audit and interim financial review of the consolidated financial statements of the Corporation (including the Independent Accountants' audit of the consolidated financial statements of the Corporation and accompanying footnotes), any significant changes required in the Independent Accountants' audit plan or scope of such audit, any restrictions on the scope of the Independent Accountants' activities or on their access to requested information, any material differences or disputes with management encountered during the course of the audit or review, any accounting adjustments that were noted or proposed by the Independent Accountants, but were passed (as immaterial or otherwise), any matters that were referred to the Independent Accountants' national office relating to accounting policies and/or financial statement disclosure within the Corporation's financial statements and, to the extent deemed appropriate, determine whether to request an opportunity to address such issues directly with a representative of such national office, any material management letter comments and management's responses to recommendations made by the Independent Accountants in connection with the audit, any matters required to be discussed by Statement on Auditing Standards No. 61, as amended [Communications with Audit Committees] relating to the conduct of the audit) and any comments or recommendations of the Independent Accountants and (d) obtain from the Independent Accountants assurance that they have no conflict of interest with the Corporation under Section 10A(l) of the Securities Exchange Act of 1934, as amended.
 5. The Committee shall establish written hiring policies for current and former employees of the Independent Accountants, and shall monitor management's compliance with such policies.
 6. The Committee shall consider, at least annually, whether, in order to assure continuing auditor independence, there should be regular rotation of the lead audit partner or the Independent Accountants.
 7. The Committee shall review the Independent Accountants' ability to attest to and report on management's assertion on its assessment of the effectiveness

of the Corporation's internal control structure and its financial reporting procedures in its Form 10-K, when applicable.

C. Financial Reporting Processes

1. The Committee shall review and discuss (a) the existence of significant estimates and judgments underlying the consolidated financial statements of the Corporation, including the rationale behind those estimates as well as the details on material accruals and reserves and the Corporation's accounting principles, (b) all critical accounting policies identified to the Committee by management or the Independent Accountants, (c) significant changes to the Corporation's accounting principles and practices and (d) material questions of choice with respect to the appropriate accounting principles and practices to be used in the preparation of the Corporation's consolidated financial statements.
2. Review earnings releases and earnings guidance issued by the Corporation for the purpose of ensuring that such press releases and guidance properly disclose financial information presented in accordance with generally accepted accounting principles ("GAAP") and, to the extent pro forma or non-GAAP information is included, adequately disclose how such pro forma or non-GAAP information differs from the comparable GAAP information and that such pro forma or non-GAAP information is not given undue prominence, and to ensure that such press releases and guidance do not otherwise provide misleading presentations of the Corporation's results of operations or financial condition.
3. The Committee shall inquire about and review with management all material off-balance sheet transactions, arrangements and obligations and other relationships of the Corporation with unconsolidated entities or other persons that may have a material current or future effect on financial condition, results of operations, liquidity, capital resources or significant components of revenue or expenses.
4. The Committee shall review periodically and approve all related-party transactions, as defined by rules or regulations of the SEC or Nasdaq, involving the Corporation, as well as any transactions involving the Corporation and any other party in which the parties' relationship could enable the negotiation of terms on other than an independent, arms'-length basis.
5. In consultation with the Independent Accountants and any internal auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
6. Establish regular and separate systems of reporting to the Committee by each of management, the Independent Accountants and any internal audit group regarding (a) any significant financial reporting issues and judgments made

in connection with the preparation of the financial statements of the Corporation, including all alternative treatments of financial information with generally accepted accounting principles that have been discussed with the Corporation's management, the ramification of the use of the alternative disclosures and treatments and the treatment preferred by the Independent Accountants, (b) the view of each as to appropriateness of such judgments and (c) any other matters that each of these groups believes should be discussed privately.

D. Internal Controls and Risk Assessment

1. The Committee shall review annually, with management and the Independent Accountants, if deemed appropriate by the Committee (a) the internal audit budget, staffing and audit plan, (b) material findings of internal audit reviews and management's response, including any significant changes required in the internal auditor's audit plan or scope and any material difficulties or disputes with management encountered during the course of the audit and (c) the effectiveness of or weaknesses in the Corporation's internal controls, including computerized information system controls and security, the overall control environment and accounting and financial controls.
2. The Committee periodically shall consult with the Independent Accountants and obtain their recommendations regarding internal controls and other matters relating to the accounting procedures and the books and records of the Corporation and its subsidiaries, and review the correction of controls deemed to be deficient.
3. The Committee shall, in accordance with the Sarbanes-Oxley Act and rules and regulations adopted by the SEC or Nasdaq, establish and review procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Corporation of any concerns regarding questionable accounting or auditing matters.
4. The Committee shall review major financial risk exposures and the guidelines and policies which management has implemented to govern the process of monitoring, controlling and reporting such exposures.
5. The Committee shall review with the Independent Accountants, any internal auditing group and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as determined by the Committee.

E. Compliance with Laws, Regulations and Policies

1. The Committee shall review with management their monitoring of the Corporation's compliance with applicable laws and regulations and ensure that the Corporation's disclosure controls and procedures ensure that the Corporation's consolidated financial statements, reports and other financial information disseminated to the SEC and the public satisfy legal requirements
2. The Committee shall periodically review the rules adopted by the SEC and the Nasdaq relating to the qualifications, activities, responsibilities and duties of audit committees and shall take, or recommend that the Board of Directors take, appropriate action to comply with such rules.

F. Reports

1. The Committee shall report regularly to the Board of Directors concerning meetings of the Committee, any issues with respect to the quality or integrity of the Corporation's financial statements, its compliance with legal and regulatory requirements, the performance and independence of the Independent Accountants and such other matters as are relevant to the Committee's discharge of its responsibilities.
2. The Committee shall prepare the report required by the SEC to be included in the Corporation's annual proxy statement and any other Committee reports required by applicable securities laws or the rules or regulations of the SEC or Nasdaq, and shall review any disclosure in the Corporation's annual proxy statement concerning the independence of its members and the Charter.
3. The Committee shall include a copy of the Charter as an appendix to the Corporation's annual proxy statement at least once every three years.

G. General

1. The Committee shall periodically review and evaluate its powers, responsibilities and performance.
2. The Committee shall perform any other activities consistent with this Charter, the Corporation's Bylaws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.
3. The Committee shall obtain and make available to members educational resources related to accounting principles and procedures, current accounting topics pertinent to the Corporation or otherwise as requested by members of the Committee.

V. DEFINITIONS

When used herein, the following terms shall have the meanings set forth below:

- "Audit Committee" means that certain committee of the Board established at a meeting of the Board held on February 17, 1999, having such attributes, duties and responsibilities as set forth in this Charter.
- "Board" or "Board of Directors" means the Board of Directors of the Corporation.
- "Charter" means this Charter of the Audit Committee of the Board of Directors of webMethods, Inc., as amended from time to time.
- "Committee" means the Audit Committee.
- "Corporation" means webMethods, Inc., a Delaware corporation.
- "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- "Independent Accountants" mean an independent public accounting firm or registered public accounting firm that examines the financial statements of the Corporation in accordance with the rules and regulations of the SEC or the Public Company Accounting Oversight Board for the purpose of expressing an opinion on such statements.
- "Independent Director" means a director of the Corporation that meets the criteria for independence for purposes of service as a member of the Committee as set forth from time to time on the Corporation's Articles of Incorporation, the Exchange Act and the rules or regulations of the SEC, the NASD Manual and the rules and regulations of Nasdaq and any other laws or regulations applicable to the Corporation.
- "Nasdaq" means the Nasdaq Stock Market, Inc., any successor entity or the principal self-regulatory organization on which the common stock of the Corporation is quoted or traded.
- "SEC" means the U.S. Securities and Exchange Commission.

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