

DIGI INTERNATIONAL INC.

Audit Committee Charter **(as of December 11, 2003)**

Purpose

There shall be an Audit Committee of the Board of Directors of Digi International Inc., a Delaware corporation (the "Company").

The Committee's purpose is to oversee accounting, internal controls and financial reporting processes of the Company and the annual audit and quarterly reviews of the consolidated financial statements of the Company. The Committee has the authority to conduct any investigation it deems appropriate, with full access to all books and records, facilities, personnel and independent advisors of the Company. The Committee is authorized to retain independent counsel, auditors or other experts as it determines necessary to carry out its duties. The Committee is empowered to use Company funds to compensate the Company's independent auditors and any advisors engaged by the Committee.

Committee Membership

The Committee shall consist of at least three directors. The Committee members will be appointed by the Board of Directors and may be removed by the Board of Directors in its discretion. Each director appointed to the Committee shall:

- a) not be disqualified from being an "independent director" within the meaning of Rule 4200 of the NASD Manual, and meet the criteria for independence set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934;
- b) not have participated in the preparation of the consolidated financial statements of the Company or the financial statements of any current subsidiary of the Company at any time during the past three years; and
- c) be able to read and understand fundamental financial statements, including the Company's consolidated balance sheet, income statement and cash flow statement. If a director is not capable of understanding such financial statements, he or she must become able to do so within a reasonable period of time after appointment to the Committee.

The Audit Committee shall endeavor to have at all times on the Audit Committee at least one member who satisfies the definition of an "audit committee financial expert" as defined by applicable regulations of the Securities and Exchange Commission, and shall have at all times at least one member who has the requisite financial experience under applicable Nasdaq listing standards.

Compliance with the foregoing requirements shall be determined by the Board of Directors in its business judgment and in accordance with applicable rules, regulations and standards in effect from time to time.

Meetings

The Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities, which shall be no less than one time per quarter. The Committee shall meet at least quarterly with management and the independent auditors in separate executive sessions. The Committee shall report regularly to the Board of Directors through presentations at meetings of the Board of Directors or by submission of minutes of the Committee meetings to the Board of Directors.

Committee Authority and Responsibilities

The Committee recognizes that the preparation of the Company's consolidated financial statements and other financial information is the responsibility of the Company's management and that the auditing, or conducting limited reviews, of those consolidated financial statements and other financial information is the responsibility of the Company's independent auditors. The Committee's responsibility is to oversee management and the independent auditors in regard to the accounting, internal controls and financial reporting processes of the Company and the annual audit and quarterly reviews of the consolidated financial statements of the Company.

The Committee has sole authority and responsibility to appoint, compensate, retain, oversee and, where appropriate, replace any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, subject, if applicable, to ratification of the auditors by the stockholders upon recommendation of the Committee. Each such registered public accounting firm must report directly to the Committee.

In carrying out its oversight responsibilities, the Committee shall:

- (a) review and reassess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board of Directors for approval;
- (b) require that the independent auditors provide the Committee with a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No. 1, and discuss with the independent auditors their independence;
- (c) actively engage in a dialogue with the independent auditors regarding any disclosed relationships or services that may impact the objectivity and independence of the independent auditors;
- (d) take appropriate action to oversee the independence of the independent auditors;
- (e) review and consider the matters identified in Statement on Auditing Standards No. 61, as amended, with the independent auditors and management;

- (f) review and discuss the Company's audited consolidated financial statements that are to be included in the Company's Form 10-K with the independent auditors and management and determine whether to recommend to the Board of Directors that the consolidated financial statements be included in the Company's Form 10-K for filing with the Securities and Exchange Commission;
- (g) review, or the Committee's Chairman shall review, any matters identified by the independent auditors pursuant to Statement on Auditing Standards No. 100 regarding the Company's interim consolidated financial statements. Any such review shall occur prior to the filing of such interim consolidated financial statements on the Company's Form 10-Q;
- (h) assure that the Company's independent auditors do not perform any non-audit services that are prohibited by applicable laws, regulations and listing requirements and pre-approve any permitted non-audit services as required by applicable laws, regulations and listing requirements;
- (i) review the terms of proposed engagements of the independent auditors relating to audit and non-audit services performed by the independent auditors and pre-approve all such services; provided, however, that the Committee delegates the authority to grant pre-approvals of non-audit services related to engagements occurring between Committee meetings to the Committee's Chairman and requires that Chairman report to the Committee on any decisions made by the Chairman at the Committee's next regularly scheduled meeting;
- (j) consider whether the provision of the services by the independent auditors (other than those services rendered in respect of the audit or review of the Company's annual or quarterly consolidated financial statements, respectively) is compatible with maintaining the independent auditors' independence;
- (k) resolve all disagreements between management and the independent auditors regarding financial reporting;
- (l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (m) recommend to the Board of Directors hiring policies for employees or former employees of the Company's independent auditors;
- (n) assure regular rotation of the lead audit partner and the reviewing audit partner of the Company's independent auditors in accordance with applicable SEC regulations;
- (o) provide an opportunity on at least a quarterly basis for the Company's independent auditors to report to the Committee;

- (i) all critical accounting policies and practices to be used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Company's independent auditors; and
 - (iii) other material written communications between the Company's independent auditors and the management of the Company, such as any management letter or schedule of unadjusted differences; and
- (p) as required by the certifications pursuant to SEC Rules 13a-14(a) and 15d-14(a), receive information from the Company's management about any significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

The Company's management, and its independent auditors, in the exercise of their responsibilities, acquire greater knowledge and more detailed information about the Company's financial affairs than the members of the Committee. The Committee is not responsible for providing any expert or other special assurance as to the Company's consolidated financial statements and other financial information. In addition, the Committee is entitled to rely on information provided by the Company's management and the independent auditors, including information with respect to the nature of services provided by the independent auditor and the fees paid for such services.

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