

**DIGI INTERNATIONAL INC.  
COMPENSATION COMMITTEE CHARTER  
(as adopted July 14, 2005)**

**Purpose**

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Digi International Inc. (the "Company") shall discharge the Board's responsibilities with respect to all forms of compensation of the Company's outside directors and executive officers, including benefits provided solely to outside directors and/or executive officers, and oversight of the Company's compensation plans, and shall prepare and sign annually a Committee report on executive compensation to be included in the Company's annual proxy statement.

**Membership**

The Committee shall consist of at least two directors appointed by, and serving at the discretion of, the Board. Each director appointed to the Committee shall:

- a) be qualified as an "independent director" within the meaning of Rule 4200 of the NASD Manual and the listing standards of the Nasdaq Stock Market, and shall have no relationship with the Company which, in the opinion of the Board, would interfere with the exercise of independent judgment;
- b) be a "Non-Employee Director" as that term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended; and
- c) satisfy the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code.

Each Committee member, one of whom shall be appointed Committee Chairperson, shall be appointed by the Board annually.

**Responsibilities**

The Committee's primary responsibilities shall be as follows:

1. Review and approve, or recommend to the Board for approval, a program regarding all forms of compensation for executive officers, including benefits provided solely to executive officers, that is consistent with the Committee's compensation philosophy, as stated in the Committee report on executive compensation in the Company's annual proxy statement.
2. Evaluate the performance of the Chief Executive Officer (the "CEO") in light of corporate goals and objectives, and based on this evaluation, approve the CEO's compensation.
3. Receive an annual report from the CEO of his performance assessment and compensation review recommendations for other executive officers. Approve executive officer compensation decisions.

4. Approve, or make recommendations to the Board for approval, with respect to management incentive compensation plan designs, and approve plan goals. Review and make recommendations to the Board for shareholder approval of any such plan that requires qualification under Section 162(m) of the Internal Revenue Code.
5. Oversee general policies for the form, structure and strategy of compensation for employees generally.
6. Review all new and amended equity-based compensation plans and make recommendations to the Board for Board and shareholder approval.
7. Make recommendations to the Board for approval with respect to equity-based plan designs. Oversee the administration of all equity-based plans and approve specific awards under those plans, subject to the Committee's discretion to delegate authority as may be permitted by such plans.
8. Review material design changes in the Company's 401(k) plan and make recommendations to the Board for approval.
9. Review and approve, or recommend to the Board for approval, the compensation for outside directors, including benefits provided solely to outside directors.
10. Review and approve new hire compensation packages for executive officers.
11. Prepare and sign annually a Committee report on executive compensation to be included in the Company's annual proxy statement.
12. Make regular reports to the Board within the scope of its function.
13. Obtain assistance from members of management and retain outside consultants as the Committee deems appropriate. The Committee has sole authority to retain and terminate any consulting firm, or other experts of its choosing, engaged to assist in the evaluation of director, CEO or executive officer compensation, including the sole authority to approve such firm or expert's fees and other retention terms.
14. Review and reassess annually the adequacy of the Compensation Committee Charter.

## **Meetings**

The Committee shall meet as often as the Chairperson or such Committee deems necessary. A majority of the members of the Committee shall constitute a quorum for any meeting of the Committee. In lieu of a meeting, the Committee may also act by unanimous written consent. The members of the Committee may, at their sole discretion, meet in executive session without the CEO and other members of management, at any time.