

Digi International Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended June 30, 2010	Nine months ended June 30, 2010
Operating activities:		
Net income	\$ 3,812	\$ 6,697
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation of property, equipment and improvements	668	2,002
Amortization of identifiable intangible assets and other assets	1,874	5,743
Excess tax benefits from stock-based compensation	-	(39)
Stock-based compensation	779	2,603
Deferred income taxes	(1,353)	(2,201)
Restructuring	-	(352)
Other	1,162	1,159
Changes in operating assets and liabilities	<u>(3,572)</u>	<u>(3,287)</u>
Net cash provided by operating activities	<u>3,370</u>	<u>12,325</u>
Investing activities:		
Purchase of marketable securities	(10,028)	(38,538)
Proceeds from maturities of marketable securities	14,281	18,615
Deferred cash payout for acquisition of Spectrum Design Solutions, Inc.	-	(3,000)
Proceeds from sale of property and equipment	11	11
Purchase of property, equipment, improvements and certain other intangible assets	<u>(868)</u>	<u>(2,337)</u>
Net cash provided by (used in) investing activities	<u>3,396</u>	<u>(25,249)</u>
Financing activities:		
Payments on capital lease obligations	(1)	(8)
Excess tax benefits from stock-based compensation	-	39
Proceeds from stock option plan transactions	65	1,097
Proceeds from employee stock purchase plan transactions	<u>246</u>	<u>691</u>
Net cash provided by financing activities	310	1,819
Effect of exchange rate changes on cash and cash equivalents	<u>(1,297)</u>	<u>(2,117)</u>
Net increase (decrease) in cash and cash equivalents	5,779	(13,222)
Cash and cash equivalents, beginning of period	<u>29,433</u>	<u>48,434</u>
Cash and cash equivalents, end of period	<u>\$ 35,212</u>	<u>\$ 35,212</u>