

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

	Twelve months ended September 30,	
	2010	2009
Operating activities:		
Net income	\$ 8,941	\$ 4,083
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation of property, equipment and improvements	2,649	2,581
Amortization of identifiable intangible assets and other assets	7,484	7,476
Excess tax benefits from stock-based compensation	(47)	(80)
Stock-based compensation	3,377	3,518
Deferred income taxes	(3,656)	(2,714)
Restructuring	(468)	-
Other	1,050	386
Changes in operating assets and liabilities	(3,229)	436
Net cash provided by operating activities	16,101	15,686
Investing activities:		
Purchase of marketable securities	(38,538)	(30,489)
Proceeds from maturities of marketable securities	29,335	62,624
Deferred cash payout for acquisition of Spectrum Design Solutions, Inc.	(3,000)	-
Proceeds from sale of property and equipment	11	10
Acquisition of businesses, net of cash acquired	-	(2,986)
Purchase of property, equipment, improvements and certain other intangible assets	(2,975)	(3,873)
Net cash (used in) provided by investing activities	(15,167)	25,286
Financing activities:		
Payments on capital lease obligations	(9)	(336)
Purchase of treasury stock	-	(6,576)
Excess tax benefits from stock-based compensation	47	80
Proceeds from stock option plan transactions	1,672	423
Proceeds from employee stock purchase plan transactions	888	982
Net cash provided by (used in) financing activities	2,598	(5,427)
Effect of exchange rate changes on cash and cash equivalents	(1,023)	(1,287)
Net increase in cash and cash equivalents	2,509	34,258
Cash and cash equivalents, beginning of period	48,434	14,176
Cash and cash equivalents, end of period	\$ 50,943	\$ 48,434