DIGI INTERNATIONAL INC
Form DEF 14A
December 11, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule Pursuant to § 240.14a-12

DIGI INTERNATIONAL INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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DIGI INTERNATIONAL INC.

11001 Bren Road East

Minnetonka, Minnesota 55343

952/912-3444

December 11, 2015

Dear Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders to be held at our corporate world headquarters at 11001 Bren Road East in Minnetonka, Minnesota, commencing at 3:30 p.m., Central Standard Time, on Monday, February 1, 2016.

The Secretary s Notice of Annual Meeting and the Proxy Statement that follow describe the matters to come before the meeting. We hope that you will be able to attend the meeting in person and we look forward to seeing you. Please mark, date and sign the enclosed proxy and return it in the accompanying postage-paid reply envelope as quickly as possible, even if you plan to attend the Annual Meeting. If you later desire to revoke the proxy, you may do so at any time before it is exercised.

Sincerely,

William N. Priesmeyer

Chairman of the Board

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DIGI INTERNATIONAL INC.

Notice of Annual Meeting of Stockholders

to be held on

February 1, 2016

The Annual Meeting of Stockholders of Digi International Inc. will be held at our corporate world headquarters, 11001 Bren Road East, Minnetonka, Minnesota, at 3:30 p.m., Central Standard Time, on Monday, February 1, 2016, for the following purposes:

1. To elect two directors for a three-year term.

2. To approve the Digi International Inc. 2016 Omnibus Incentive Plan.

3. To cast a non-binding advisory vote on executive compensation (Say-on-Pay).

4. To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm of the Company for the fiscal year ending September 30, 2016.

5. To transact such other business as may properly be brought before the meeting.

The Board of Directors has fixed December 4, 2015 as the record date for the meeting, and only stockholders of record at the close of business on that date are entitled to receive notice of and vote at the meeting.

Your proxy is important to ensure a quorum at the meeting. Even if you own only a few shares, and whether or not you expect to be present at the meeting, please vote your shares by proxy as quickly as possible. You may revoke your proxy at any time prior to its exercise, and voting by proxy will not affect your right to vote in person if you attend the meeting and revoke the proxy.

By Order of the Board of Directors,

David H. Sampsell

Vice President, Corporate Development, General Counsel & Corporate Secretary

Minnetonka, Minnesota

December 11, 2015

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PROXY STATEMENT

GENERAL INFORMATION

Proxies are being solicited by the Board of Directors of Digi International Inc., a Delaware corporation (the Company, we, us or our), for use in connection with the Annual Meeting of Stockholders to be held on Monday, February 1, 2016, at our corporate world headquarters, 11001 Bren Road East, Minnetonka, Minnesota, commencing at 3:30 p.m., Central Standard Time, and at any adjournments thereof. Only stockholders of record at the close of business on December 4, 2015 will be entitled to vote at such meeting or adjournments.

The address of our principal executive office is 11001 Bren Road East, Minnetonka, Minnesota 55343 and our telephone number is (952) 912-3444. The mailing of this Proxy Statement and a proxy card, or a Notice Regarding the Availability of Proxy Materials, to stockholders will commence on or about December 14, 2015.

Shares of Common Stock Outstanding on Record Date. Our Common Stock, par value $.01 per share, is our only authorized and issued voting security. At the close of business on December 4, 2015, there were 25,565,850 shares of Common Stock outstanding, each of which is entitled to one vote.

Vote Required on Proposals

Election of Directors A plurality of the votes of our outstanding shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the election of directors is required for the election of directors. Holders of Common Stock are not entitled to cumulate their votes for the election of directors.

2016 Omnibus Incentive Plan The affirmative vote of the holders of a majority of the outstanding shares of Common Stock present in person or by proxy at the meeting and entitled to vote is required for the approval of the Digi International Inc. 2016 Omnibus Incentive Plan.

Say-on-Pay Proposal The Say-on-Pay proposal is advisory and not binding. We will consider stockholders to have approved, on an advisory basis, our executive compensation if the number of votes for the proposal exceeds the number of votes against the proposal.

Ratification of Auditors The affirmative vote of the holders of a majority of the outstanding shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote is required for approval of the proposal to ratify the appointment of auditors.

Abstentions and Broker Non-Votes. Abstentions and broker non-votes will be counted as present for purposes of determining the existence of a quorum at the meeting. However, shares of a stockholder who abstains, withholds authority to vote for the election of directors or does not otherwise vote in person or by proxy (including broker non-votes) will not be counted for the election of directors or approval of the Say-on-Pay proposal. An abstention will have the effect of a vote against the 2016 Omnibus Incentive Plan and the ratification of auditors.

Expenses of Soliciting. We will pay the cost of soliciting proxies. In addition to solicitation by the use of the mails, certain of our directors, officers and employees may solicit proxies by telephone, email or personal contact, and have requested brokerage firms and custodians, nominees and other record holders to forward soliciting materials to the beneficial owners of our stock and will reimburse them for their reasonable out-of-pocket expenses in so forwarding such materials. To assist the Company in soliciting proxies for the 2015 Annual Meeting of Stockholders, the Company has retained Proxy Advisory LLC for a total fee not expected to exceed $10,000 plus out-of-pocket expenses.

Stockholder Proposals. Stockholder proposals (other than director nominations) that are submitted for inclusion in our proxy statement for our 2016 Annual Meeting of Stockholders must follow the procedures set forth in Rule 14a-8 promulgated under the Securities Exchange Act of 1934 and our By-Laws. To be timely, such proposals must be received by us at our principal executive office no later than August 16, 2016.

If a stockholder does not submit a proposal for inclusion in our proxy statement but desires to propose an item of business to be considered at an annual meeting of stockholders or to nominate persons for election as director at an annual meeting, then the stockholder must give timely written notice of such proposal or nominations to our Secretary at our principal executive office. To be timely under our By-Laws, we must receive notice of the stockholder s intention to propose an item of business or to nominate

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persons for election as director not less than 120 days before the first anniversary of the date of the preceding year s annual meeting (unless the date of the annual meeting is more than 30 days before or 60 days after such anniversary date, in which case such notice will be timely only if delivered not less than 120 days before the annual meeting or, if later, within 10 days after the first public announcement of the date of such annual meeting), and the notice must otherwise comply with certain other requirements contained in our By-Laws as well as all applicable statutes and regulations.

Assuming that our next annual meeting of stockholders is held not more than 30 days before nor more than 60 days after the one-year anniversary of this year s Annual Meeting, we must receive notice of a stockholder s intention to propose an item of business or nominate persons for election as a director on or before October 4, 2016. A stockholder s notice will not be deemed to be submitted until we have received all of the required information.

HOW TO VOTE

***Your vote is important*.** We encourage you to vote promptly. Internet and telephone voting is available through 10:59 p.m. Central Standard Time on Sunday, January 31, 2016. If you received a Notice Regarding the Availability of Proxy Materials, you may vote as instructed in the notice. If you received paper copies of this Proxy Statement, you may vote in one of the following ways:

***By Telephone*.** If you are located in the United States or Canada, you can vote your shares by calling the toll-free telephone number on your proxy card or in the instructions that accompany your proxy materials. You may vote by telephone 24 hours a day. The telephone voting system has easy-to-follow instructions and allows you to confirm that the system has properly recorded your votes. If you vote by telephone, you do not need to return your proxy card or your voting instruction form.

***By Internet*.** You can also vote your shares by the Internet. Your proxy card indicates the Web site you may access for Internet voting. You may vote by the Internet 24 hours a day. As with telephone voting, you will be able to confirm that the system has properly recorded your votes. If you hold your shares in street name, please follow the Internet voting instructions that accompany your proxy materials. You may incur telephone and Internet access charges if you vote by the Internet. If you vote by the Internet, you do not need to return your proxy card or your voting instruction form.

***By Mail*.** If you are a holder of record and received a paper copy of the proxy card by mail, you can vote by marking, dating, and signing your proxy card and returning it by mail in the envelope provided. If you hold your shares in street name, you can vote by completing and mailing the voting instruction form.

***At the Meeting*.** The way you vote your shares now will not limit your right to change your vote at the meeting if you attend in person. If you hold your shares in street name, you must obtain a proxy, executed in your favor, from the holder of record if you wish to vote these shares at the meeting.

All shares that have been properly voted and not revoked will be voted as you have directed at the meeting. If you sign and return your proxy card without any voting instructions, your shares will be voted as the Board of Directors recommends.

***Revocation of Proxies*.** You can revoke your proxy at any time before your shares are voted if you (1) submit a written revocation to our corporate secretary at our executive offices before the meeting, or at the meeting, (2) submit a timely later-dated proxy (or voting instruction form if you hold shares in street name), (3) provide timely subsequent telephone or Internet voting instructions, or (4) vote in person at the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on February 1, 2016:

The Proxy Statement and Annual Report to Stockholders are available at:

https://materials.proxyvote.com/253798

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our Common Stock, as of December 4, 2015, by each of our directors or nominees for director, by each of our executive officers named in the Summary Compensation Table herein, by all directors, nominees and executive officers as a group, and by each stockholder who is known by us to own beneficially more than 5% of our outstanding Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage Outstanding Shares
Directors, nominees and executive officers:		
Ronald E. Konezny	127,442(2)	*
Michael C. Goergen		
Jon A. Nyland	174,002(3)	*
Kevin C. Riley	158,664(4)	*
Joel K. Young	406,891(5)	1.6%
Joseph T. Dunsmore	14,509	*
Steven E. Snyder	142,730(6)	*
Guy C. Jackson	150,388(7)	*
Satbir Khanuja, Ph.D.	24,122(8)	*
Spiro C. Lazarakis		
Ahmed Nawaz	234,222(9)	*
William N. Priesmeyer	129,423(10)	*
Girish Rishi	24,122(8)	*
All directors, nominees and executive officers as a group (14 persons)	1,781,149(11)	6.6%
Other beneficial owners:		
EdgePoint Investment Group Inc. 150 Bloor Street West, Suite 500 Toronto, Ontario M5S 2X0, Canada	2,689,963(12)	10.5%
Riverbridge Partners LLC 80 South Eighth Street, Suite 1200 Minneapolis, MN 55402	2,278,090(13)	9.5%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	2,274,718(14)	8.9%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	2,099,868(15)	8.7%
Boston Partners LLC One Beacon Street, 30th Floor Boston, MA 02108	1,426,770(16)	5.9%

* Less than one percent.

(1) Unless otherwise indicated in a footnote below, (i) the listed beneficial owner has sole voting power and investment power with respect to such shares, and (ii) no director or executive officer has pledged as security any shares shown as beneficially owned. Includes shares subject to options that are currently exercisable and shares subject to options and restricted stock units that are scheduled to become exercisable or vest and settle, as applicable, within 60 days of December 4, 2015. Excludes fractional shares held by any listed beneficial owner.

(2) Includes 81,250 shares subject to options and 43,750 shares subject to restricted stock units.

(3) Includes 161,980 shares subject to options and 4,167 shares subject to restricted stock units.

(4) Includes 133,021 shares subject to options and 7,500 shares subject to restricted stock units.

(5) Includes 396,355 shares subject to options and 4,167 shares subject to restricted stock units.

(6) Includes 126,432 shares subject to options.

(7) Includes 105,681 shares subject to options and 7,400 shares subject to restricted stock units.

(8) Includes 7,400 shares subject to restricted stock units.

(9) Includes 112,515 shares subject to options and 7,400 shares subject to restricted stock units.

(10) Includes 100,681 shares subject to options and 7,400 shares subject to restricted stock units.

(11) Includes 1,411,172 shares subject to options and 109,085 shares subject to restricted stock units.

(12) Based on Amendment No. 3 to Schedule 13G filed on February 4, 2015, reflecting beneficial ownership as of December 31, 2014. EdgePoint Investment Group Inc. (EIG) is an advisor/portfolio manager (investment fund manager) registered with the Ontario Securities Commission and is the advisor/portfolio

manager to each of (ii) Cymbria Corporation (Cymbria), a closed end fund corporation; (iii) EdgePoint Global Growth & Income Portfolio (EPG G&I), a mutual fund trust; (iv) EdgePoint Global Portfolio (EPG), a mutual fund trust; and (v) St. James s Place Global Equity Unit Trust (SJPGEUT and together with Cymbria, EPG G&I, and EPG, the Funds), a unit trust collective investment scheme. EIG and each of the EIG Funds are party to an investment management agreement pursuant to which all voting and dispositive power over securities held by each Fund is delegated to EIG. The investment management agreement can be terminated by any party on 60 days prior notice with the exception of SJPGEUT where 90 days prior notice is required by EIG and no notice by is required by SJPGEUT. EIG reported possessing shared voting and dispositive power over all of the shares reported. EPG reported individually possessing shared voting and dispositive power over 1,361,100 of the reported shares, representing approximately 5.3% of the outstanding shares.

(13) Based on Amendment No. 8 to Schedule 13G filed by Riverbridge Partners LLC on January 29, 2015, reflecting beneficial ownership as of December 31, 2014. Riverbridge Partners LLC reported possessing sole voting power over 1,789,691 shares and sole dispositive power over all of the shares.

(14) Based on Amendment No. 6 to Schedule 13G filed by BlackRock, Inc. on January 12, 2015, reflecting beneficial ownership as of December 31, 2014. BlackRock, Inc. reported possessing sole voting power over 2,234,216 shares and sole dispositive power over all of the shares.

(15) Based on Amendment No. 7 to Schedule 13G filed by Dimensional Fund Advisors LP on February 5, 2015, reflecting beneficial ownership as of December 31, 2014. Dimensional Fund Advisors LP reported possessing sole voting power over 2,043,480 shares and sole dispositive power over all of the shares. Dimensional Fund Advisors LP or its subsidiaries (collectively, Dimensional) may possess voting and/or investment power over securities that are owned by four investment companies to which Dimensional Fund Advisors LP furnishes investment advice and certain other commingled group trusts and separate accounts to which Dimensional Fund Advisors LP may act as adviser or sub-adviser (collectively, the Dimensional Funds), and may be deemed to be the beneficial owner of the shares held by the Dimensional Funds. However, all such securities are owned by the Dimensional Funds. Dimensional disclaims beneficial ownership of such securities.

(16) Based on Schedule 13G filed by Boston Partners on February 11, 2015, reflecting beneficial ownership as of December 31, 2014. Boston Partners reported possessing sole voting power over 881,070 shares and sole dispositive power over all of the shares.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our business is overseen by our Board of Directors with the number of directors, not less than three, fixed from time to time by the Board. The Board is divided into three classes as nearly equal in number as possible, and directors typically are elected to a designated class for a term of three years. The Board has fixed at two the number of directors to be elected to the Board at the 2016 Annual Meeting of Stockholders. The Nominating and Governance Committee has nominated Messrs. Lazarakis and Nawaz to stand for election for three-year terms. Guy C. Jackson, whose present term as a director is set to expire at the 2016 Annual Meeting of Stockholders, is retiring from the Board and is not standing for re-election. Proxies solicited by the Board will, unless otherwise directed, be voted to elect the nominees named below.

Each of the nominees named below is currently a director of our Company, and each has indicated a willingness to serve as a director. The Nominating and Governance Committee of the Board of Directors selected each of the below named nominees. In case any nominee is not a candidate for any reason, the proxies named in the enclosed proxy card may vote for a substitute nominee selected by the Nominating and Governance Committee.

Following is certain information regarding the nominees for the office of director and the current directors whose terms expire after the 2016 Annual Meeting:

Nominees for Terms Expiring in 2019

Spiro C. Lazarakis, age 60

Mr. Lazarakis joined our Board of Directors in July, 2015. Before his retirement in July, 2015, he served in various roles at Ernst & Young LLP since 1989, including most recently as lead partner in charge of audit services for a number of technology companies. Mr. Lazarakis was one of the most experienced assurance partners in Ernst & Young s Northern California Technology practice. He had over 35 years of experience serving technology companies, ranging from large multinationals to smaller, pre-public growth companies and venture-backed start-up entities. He focused on serving companies in the Internet, software, networking, Software-as-a-Service and semiconductor sectors. He served Blue Coat Systems, Juniper Networks and Infoblox among others during his career. Mr. Lazarakis also serves as a director of Western Technology Investment Venture Lending & Leasing VIII, LLC, a provider of debt financing to startup and emerging growth companies.

As a former assurance partner with Ernst & Young, Mr. Lazarakis has extensive high technology industry knowledge, leadership experience in management of audit and financial matters and provides expertise to our Board of Directors in such areas as finance, mergers and acquisitions, internal controls, risk management and auditing. Mr. Lazarakis experience qualifies him as an Audit Committee financial expert.

Ahmed Nawaz, age 65

Mr. Nawaz has been a member of our Board of Directors since October 2006. From May 2013 until October, 2015, Mr. Nawaz served as Executive Vice President of Worldwide Sales of Conexant Systems, Inc., a global manufacturer of semiconductors. Prior to joining Conexant, Mr. Nawaz was Executive Vice President, Wireless Solutions Group at Spansion Inc. from October 2010 until November 2011 when he retired from his employment with that company. From July 2009 to October 2010, Mr. Nawaz was Executive Vice President of Worldwide Sales, Marketing and Corporate Development at Spansion Inc. and from November 2006 to June 2009, he was Executive Vice President for the Wireless Solutions Division at Spansion Inc. In March 2009, Spansion Inc. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. Mr. Nawaz was a management consultant during 2006. Prior to that, Mr. Nawaz was Executive Vice President, Worldwide Sales of Agere Systems Inc., a provider of integrated circuit solutions, from 2001 to 2005. Mr. Nawaz was President of Worldwide Sales, Strategy and Business Development, from 2000 to 2001 and President, Integrated Circuits Division, from 1998 to 2000 of Lucent s Microelectronics and Communications Technologies Group. He joined AT&T in 1992 and moved to Lucent following its spin-off from AT&T in 1996. Mr. Nawaz was Vice President of Lucent s Network Communications business unit from 1996 to 1998. While at AT&T, he was Vice President of the Applications business unit from 1994 to 1995. Prior to joining AT&T, Mr. Nawaz was at Texas Instruments where he was responsible for the personal computer business unit from 1990 to 1992 and also held various marketing and product management positions.

As a highly accomplished world-wide executive in the semiconductor and telecommunications industries, Mr. Nawaz has extensive leadership expertise in sales, marketing, distribution, industry strategy and international management. His valuable

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experiences leading and managing large global operations with semiconductor and wireless technologies give Mr. Nawaz particular insights and perspectives important to the Board of Directors for future direction of our Company. In addition, Mr. Nawaz s executive multinational management experiences in sales and product management, particularly in Asia Pacific, lend global technology insights to the Board s view of future strategic direction.

Directors Whose Terms Expire in 2018

William N. Priesmeyer, age 70

Mr. Priesmeyer has been a member of our Board of Directors since November 2005 and began serving as our non-executive Chairman on December 17, 2014. He was the Chief Executive Officer of Cymbet Corporation, a manufacturer of solid state storage devices for the semiconductor industry, from 2001 until his retirement in 2014. Mr. Priesmeyer served as Senior Vice President and Chief Financial Officer of Jostens Inc., a producer of educational products, from 1997 to 2001. Prior to that, he held Chief Financial Officer positions at Waldorf Corporation, DataCard Corporation and Onan Corporation and was a Vice President at The Pillsbury Company. Mr. Priesmeyer began his career at Xerox Corporation.

As a former chief executive officer and board member of a technology company in the semiconductor industry, Mr. Priesmeyer brings to our Board extensive leadership experience in corporate strategy, manufacturing, operations, technology and finance. In addition, Mr. Priesmeyer has held chief financial officer positions in both publicly held and private companies where he employed his expertise overseeing all global financial, mergers and acquisitions, and risk management functions on a daily basis. Mr. Priesmeyer provides a continuous improvement perspective towards Company financial performance and operations for the Board. Mr. Priesmeyer s experience qualifies him as an Audit Committee financial expert.

Girish Rishi, age 46

Mr. Rishi has been a member of our Board since June 2013. Since May, 2015 he has been Executive Vice President, Tyco International, a fire protection and security company, responsible for Tyco s North America business unit and its global retail business. From October, 2014 until May, 2015, he served as Senior Vice President, Enterprise at Zebra Technologies. Prior to joining Zebra, he was Senior Vice President, Enterprise Solutions for Motorola Solutions, Inc., a leading provider of communications solutions that help businesses operate more efficiently, since January 2013. Prior to that, he served in a variety of roles for Motorola Solutions from 2005 to 2013, including Corporate Vice President, Enterprise Mobile Computing. From 2003 to 2004, Mr. Rishi was Senior Vice President, Marketing and Strategy at Matrics, Inc., a radio frequency identification company. From 1995 to 2003, he held positions of increasing responsibility at Symbol Technologies, where he eventually led the Europe, Middle East and Africa region.

Mr. Rishi brings to the Board a breadth of leadership experience in strategy, operations and marketing. His role in building category-leading, solutions-focused, global businesses is especially valuable as the Company evolves its strategy to provide broad-based M2M solutions.

Directors Whose Terms Expire in 2017

Satbir Khanuja, Ph.D., age 48

Dr. Khanuja has been a member of our Board of Directors since June 2013. He has been the President and Chief Executive Officer of DataSphere Technologies, Inc., an online marketing company, since 2008. Dr. Khanuja served as Senior Vice President of Marketing and Business Development of Second Space, Inc., an online services company operating a network of immersive lifestyle-oriented web sites, from 2006 to 2008. Prior to that, he held a variety of roles at Amazon.com from 1999 to 2006, including Vice President IMDb.com and Amazon In-Theater and Vice President, Worldwide Traffic. Before joining Amazon.com, Dr. Khanuja was an Engagement Manager with McKinsey & Company from 1998 to 1999.

Dr. Khanuja provides the Board with extensive leadership experience in marketing, operations and strategy. His role in the development of internet based businesses is very valuable as the Company develops cloud-based application solutions such as Digi Cold Chain solutions and operates the Digi Device Cloud™.

Ronald E. Konezny, age 47

Mr. Konezny was elected as a member of our Board of Directors effective upon the commencement of his employment as our Chief Executive Officer and President in December, 2014. From September, 2013 until his employment with us, he served as

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Vice President, Global Transportation and Logistics division of Trimble Navigation Limited, a global provider of navigation and range-finding equipment and related solutions. Prior to joining Trimble, Mr. Konezny was a founder of PeopleNet, Inc. where he held a variety of executive positions since 1996, including Chief Technology Officer, Chief Financial Officer, Chief Operating Officer and, from September 1997 through PeopleNet s acquisition by Trimble, Chief Executive Officer. PeopleNet is a leading provider of telematics solutions for the transportation industry. Mr. Konezny also serves on the board of directors of I.D. Systems, Inc.

Mr. Konezny has extensive experience in the wireless M2M industry working with solutions comprised of hardware and cloud-based applications. He brings extensive leadership experience in corporate strategy, manufacturing, operations, technology, finance and business development to the Board.

Director Independence

None of the directors or director nominees are related to any other director, director nominee or executive officer of our Company. Our Board of Directors has determined that Messrs. Jackson, Lazarakis Nawaz, Priesmeyer and Rishi and Dr. Khanuja, who constitute more than a majority of the Board, are independent directors as defined in the applicable listing standards of the Nasdaq Stock Market (Nasdaq).

In determining director independence, the Board evaluated Mr. Rishi s employment with Tyco International (Tyco) because Tyco (together with its affiliated entities) has been a customer of the Company. Due primarily to the facts that the transactions between the Company and Tyco involved less than $120,000 in the last fiscal year. Mr. Rishi had no involvement in arranging the transactions and the transactions were on arms-length terms, the Committee concluded the transactions with Tyco were both beneficial and fair to the Company and do not interfere with the Mr. Rishi s ability to exercise independent judgment in carrying out his responsibilities as a member of the Board.

Board Leadership Structure

Our Company does not have a written policy with respect to separation of the roles of Chief Executive Officer and Chairman because our Board of Directors believes it is in the best interests of our stockholders to make that determination based on the applicable circumstances. However, our Board has a policy that whenever the roles of Chief Executive Officer and Chairman are combined, the Board will appoint an independent Lead Director.

Effective December 17, 2014, our Board of Directors appointed Mr. Priesmeyer to serve as non-executive Chairman at the same time as it appointed Mr. Konezny to serve as a director and as our Chief Executive Officer. The Board believes Mr. Priesmeyer s tenure as a member of the Board and his familiarity with our business qualifies him to serve as our non-executive Chairman. The fact that Mr. Priesmeyer is a retired executive means he will be able to devote appropriate attention to serve as our non-executive Chairman. The Board has determined that, based on the current characteristics and circumstances of the Company at this time, separating the roles of Chairman and Chief Executive Officer is appropriate and in the best interests of our stockholders.

As our non-executive Chairman, Mr. Priesmeyer: (i) presides as chair of meetings of our Board of Directors; (ii) organizes, convenes and presides over executive sessions of the independent directors, (iii) serves as a liaison between the Chief Executive Officer and the independent directors, (iv) consults with the Chief Executive Officer and other members of management in establishing schedules and agendas for meetings of the Board, and (v) serves in such other capacities with such other duties as the independent directors may determine from time to time. The Board has determined that this leadership structure is appropriate given the specific characteristics and circumstances of the Company at present.

The Board s Role in Risk Oversight

The Board of Directors is involved actively in the oversight of risks facing our Company and endeavors to provide management with guidance on the mitigation of identified risks. While the Board generally is responsible for risk management, certain committees of the Board are responsible for specific areas of risk relating to their respective focuses:

Our Audit Committee is responsible for the oversight of financial risk relating to our consolidated financial statements, financial reporting processes and internal controls over financial reporting.

Our Compensation Committee is responsible for the oversight of company-wide compensation risk and reviews on an annual basis whether the risks arising from our compensation policies and practices with respect to our employees generally are reasonably likely to have a material adverse effect on the Company.

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Our Nominating and Governance Committee monitors the risks related to our governance structure, policies and procedures. The chair of each committee is responsible for reporting to the full Board of Directors the activities of the committee, the significant issues that have been presented to or otherwise discussed by the committee, and the committee s final determination with respect to such issues, as appropriate. By leveraging the particular competencies of its committees, the Board actively utilizes its leadership structure to administer its role in the risk oversight of the Company.

Risks Arising from Compensation Policies and Practices

Our management recently conducted an evaluation of the risks arising from our company-wide compensation policies and practices with respect to employees. Management prepared a report and analysis of our compensation policies and practices and concluded that they do not create risks that are reasonably likely to have a material adverse effect on our Company. In connection with its risk oversight role, our Compensation Committee reviewed management s analysis and conclusions.

Committees of the Board of Directors and Meeting Attendance

The Board of Directors met ten times during fiscal 2015. All directors attended at least 75% of the meetings of the Board and of the Committees on which they served during fiscal 2015. We have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. The following is a description of the functions performed by each of these committees.

Audit Committee

Our Audit Committee presently consists of Messrs. Jackson (Chairman), Lazarakis, Priesmeyer and Rishi and Dr. Khanuja**.** Our Board of Directors has determined that all members of the Audit Committee are independent as that term is defined in the applicable Nasdaq listing standards and regulations of the SEC. The Board has determined that all members are financially literate as required by the applicable Nasdaq listing standards. The Board has determined that Messrs. Jackson, Lazarakis and Priesmeyer are each an audit committee financial expert as defined by applicable regulations of the SEC. The Audit Committee oversees our accounting, internal controls and financial reporting process by, among other things, taking action to oversee the independence of and annual audit by the independent registered public accounting firm and selecting and appointing the independent registered public accounting firm. The Audit Committee also provides oversight of the company s internal audit processes and, as discussed below under Related Person Transaction Approval Policy , is responsible for the review and approval or ratifications of transactions under our Related Person Transaction Approval Policy. The Audit Committee met nine times during fiscal 2015. The responsibilities of the Audit Committee are set forth in the Audit Committee Charter, a copy of which is available on the Investor Relations section of our website, *www.digi.com.* The Audit Committee reviews the Audit Committee Charter annually and may make recommendations to the Board for revision of the Audit Committee Charter to reflect changing circumstances and requirements.

Compensation Committee

We have a Compensation Committee presently consisting of Messrs. Nawaz (Chairman), Jackson, Lazarakis and Rishi. Our Board of Directors has determined that all members of the Compensation Committee are independent as that term is defined in the applicable Nasdaq listing standards. The Compensation Committee determines the compensation of the Chief Executive Officer and all other executive officers. With respect to employees other than executive officers, the Compensation Committee oversees general compensation policies and reviews the annual incentive compensation structure. The Compensation Committee also oversees our benefit plans and the Digi International Inc. Stock Option Plan, the Digi International Inc. Non-Officer Stock Option Plan, the Digi International Inc. Employee Stock Purchase Plan, the Digi International Inc. 2000 Omnibus Stock Plan, the Digi International Inc. 2013 Omnibus Incentive Plan and the Digi International Inc. 2014 Omnibus Incentive Plan. The Compensation Committee met nine times during fiscal 2015. The responsibilities of the Compensation Committee are set forth in the Compensation Committee Charter, a copy of which is available on the Investor Relations Section of our website, *www.digi.com.* The Compensation Committee reviews the Compensation Committee Charter annually and may recommend to the Board revisions to the Compensation Committee Charter to reflect changing circumstances and requirements. The processes and procedures used by the Compensation Committee for considering and determining executive and director compensation are described below under Executive Compensation Compensation Discussion and Analysis starting on page 11.

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Nominating and Governance Committee

We have a Nominating and Governance Committee, presently consisting of Dr. Khanuja (Chairman) and Messrs. Priesmeyer and Nawaz. Our Board of Directors has determined that all members of the Nominating and Governance Committee are independent as that term is defined in the applicable Nasdaq listing standards. The Nominating and Governance Committee selects candidates as nominees for election as directors, advises the Board about the appropriate composition of the Board and its committees and oversees corporate governance matters. The Nominating and Governance Committee met six times during fiscal 2015. The responsibilities of the Nominating and Governance Committee are set forth in the Nominating and Governance Committee Charter, a copy of which is available on the Investor Relations Section of our website, *www.digi.com.* The Nominating and Governance Committee reviews the Nominating and Governance Committee Charter annually and may recommend to the Board revisions to the Nominating and Governance Committee Charter to reflect changing circumstances and requirements.

Director Nominee Selection Process and Criteria

The Nominating and Governance Committee generally identifies director candidates based upon suggestions from current directors and senior management, recommendations by stockholders and/or use of a director search firm. Stockholders who wish to suggest qualified candidates should write to: Digi International Inc., 11001 Bren Road East, Minnetonka, MN 55343, Attention: Chairman, Nominating and Governance Committee. All recommendations should state in detail the qualification of such persons for consideration by the Committee and should be accompanied by an indication of the person s willingness to serve. The Nominating and Governance Committee will consider candidates recommended by stockholders in the same manner that it considers all director candidates.

Candidates for director nominees are reviewed in the context of the current composition of our Board of Directors, our operating requirements and the long-term interests of our stockholders. We do not have a formal policy regarding the consideration of diversity in identifying director nominees. The Nominating and Governance Committee will consider, at a minimum, the following factors in nominating existing and potential new members of the Board, in addition to other factors it deems appropriate based on the current needs and desires of the Board:

- demonstrated character and integrity, an inquiring mind, experience at a strategy/policy setting level, sufficient time to devote to our affairs, and high-level managerial experience;
- whether the member/potential member is subject to a potentially disqualifying factor, such as, relationships with competitors, customers, suppliers, contractors, counselors or consultants, or recent previous employment with us;
- the member s/potential member s independence;
- whether the member/potential member assists in achieving a mix of members on the Board that represents a diversity of background and experience, including with respect to age, gender, international background, race and specialized experience;
- whether the member/potential member has general and strategic business management experience and financial experience with companies of a similar size that operate in the same general industry as us;
- whether the member/potential member, by virtue of particular experience, technical expertise, or specialized skills, will add specific value as a member of the Board; and
- any factors related to the ability and willingness of a new member to serve, or an existing member to continue his/her service.

Stockholder Communications with the Board of Directors

Stockholders may communicate with our Board of Directors by addressing correspondence to Digi International Inc., 11001 Bren Road East, Minnetonka, MN 55343, Attention: Chairman. Mr. Priesmeyer currently serves as our non-executive Chairman. The non-executive Chairman will forward communications directed at particular members of the Board directly to the particular members. Communications directed to the Board in general will be handled by the non-executive Chairman.

We do not have a policy regarding attendance of members of our Board of Directors at annual meetings of our stockholders. Mr. Konezny was the only director who attended the January 2015 Annual Meeting of Stockholders.

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Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of independent, outside directors. No member of this committee was at any time during fiscal 2015 or at any other time an officer or employee of the Company or any of our subsidiaries or affiliates, or has had any relationship with our Company requiring disclosure in our Proxy Statement other than service as a director. None of our executive officers has served on the board of directors or on the compensation committee of any other entity, any officers of which served either on our Board of Directors or its Compensation Committee.

Report of the Audit Committee

The role of our Audit Committee, which is composed of five independent non-employee directors, is one of oversight of our management and our independent registered public accounting firm in regard to our financial reporting and our internal controls respecting accounting and financial reporting. The Audit Committee also considers and pre-approves any non-audit services provided by our independent registered public accounting firm to ensure that no prohibited non-audit services are provided by the independent registered public accounting firm and that the independent registered public accounting firm s independence is not compromised. In performing its oversight function, the Audit Committee relies upon advice and information received in its discussions with our management and independent registered public accounting firm.

The Audit Committee has (i) reviewed and discussed our audited consolidated financial statements for the fiscal year ended September 30, 2015 with our management and with PricewaterhouseCoopers LLP, our independent registered public accounting firm; (ii) discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the applicable Public Company Accounting Oversight Board standards regarding communication with audit committees; and (iii) received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP their independence.

Based on the review and discussions with management and our independent registered public accounting firm referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015 for filing with the SEC.

Guy C. Jackson (Chairman)

Satbir Khanuja, Ph.D.

Spiro C. Lazarakis

William N. Priesmeyer

Girish Rishi

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis (sometimes referred to in this Proxy Statement as the CD&A):

Describes compensation philosophy, objectives and programs and contains details of actual and targeted compensation of our named executive officers (referred to elsewhere in this CD&A as Named Executives). For fiscal 2015 these individuals included:

- Ronald E. Konezny, our Chief Executive Officer and President, who was appointed to these positions on December 17, 2014;
- Michael C. Goergen, our Senior Vice President, Chief Financial Officer and Treasurer who was appointed to these positions on April 20, 2015;
- Jon A. Nyland, our Vice President of Manufacturing Operations and Quality;
- Kevin C. Riley, our Senior Vice President, Global Sales;
- Joel K. Young, our Senior Vice President, Research and Development and Chief Technology Officer;
- Joseph T. Dunsmore, our former Chairman, Chief Executive Officer and President who resigned from these positions on December 17, 2014 and retired his employment with us on December 31, 2014; and
- Steven E. Snyder, our former Senior Vice President, Chief Financial Officer and Treasurer who resigned from these positions on April 20, 2015, and retired his employment with us on October 31, 2015;

Describes the process used to determine our compensation program elements and targets; and

Provides details of each element of our Named Executive compensation program, including targeted compensation for fiscal 2016 and targeted and actual compensation for fiscal 2015.

Executive Summary

Our compensation philosophy is built on a foundation of pay-for-performance and rewards Named Executives for positive developments in the results of our Company and the price of our Common Stock over time. Below is a comparison of our total stockholder returns for the past one, three and five most recently completed fiscal years as compared to the median total stockholder returns for the same periods of our fiscal 2016 peer group listed on page 14 and modified as noted below in footnote 1.

Data Source: Yahoo Finance

(1) Total stockholder return was calculated using the average stock price of the ten trading days up to and including September 30, 2015 for all periods presented. Aerohive Networks and Ruckus Wireless were excluded from the 3 and 5 Year TSR calculation as they did not begin trading as a public company until March 2014 and November 2012 respectively.

Decisions regarding fiscal 2015 compensation for our Named Executives, as discussed in more detail in this CD&A, were made in accordance with our pay-for-performance philosophy and evaluated in light of available information regarding the compensation practices of our relevant peer group.

- Base pay was consistent with general market practices and pay levels of our comparable peer group. Base salary increases were provided to Named Executives based on competitive market pay levels and individual performance.

- Total annual cash incentives were paid at 115% of target, consistent with our higher than expected performance against annual financial metrics;

- Stock option and restricted stock unit grants were awarded based on market practices, our fiscal 2014 performance against our goals, our relative performance against our peer group, executive performance, retention goals, individual potential and our desire to incent Named Executives for the long-term with equity awards that require our share price to increase to create value and align the interests of Named Executives with our stockholders.

As discussed in further detail in this CD&A, we believe we exercise sound executive compensation management practices, including:

- Independent oversight of compensation programs by our Compensation Committee and their use of external consultants as needed;

- Balanced compensation programs that emphasize pay-for-performance, alignment with stockholder value creation, and attraction and retention of key talent without creating undue risk, including the adoption of a clawback policy in October, 2014 and stock ownership guidelines in November 2014;

- Competitive compensation levels that are supported by our peer group compensation practices; and

- Multiple compensation program elements that emphasize short and long term business strategies and performance.

Fiscal 2015 Say on Pay Advisory Vote on Executive Compensation

At our annual stockholders meeting held on January 26, 2015, greater than 85% of the votes cast approved, on an advisory basis, the compensation of our named executive officers as disclosed in the proxy statement for that annual meeting. Our Compensation Committee has considered the results of that vote in its subsequent deliberations, and no changes have been made in compensation policies or practices as a result of the vote because of the stockholder support for our executive compensation evidenced by the voting results.

Compensation Philosophy

The philosophies that drive our compensation program design and objectives are:

Incent Named Executives to advance the Company s business and financial objectives through a pay-for-performance culture that ties the compensation of our Named Executives to the performance of the individual, the Company, and the price of our Common Stock.

Attract and retain qualified executive talent by providing competitive compensation packages.

Align Named Executive focus on Company financial performance and stockholder value creation by providing balanced compensation programs. Balance is achieved through plans that reward for the advancement of long-term strategic business objectives and annual financial objectives.

Ensure that the design of our compensation program does not encourage Named Executives to take unnecessary or undesirable risks.

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Responsibility for Determining Executive Compensation

Our Compensation Committee (referred to in this CD&A as the Committee) reviews and approves all executive compensation programs and the specific compensation arrangements with each of our Named Executives. The Committee also provides general oversight of our compensation plans. The Committee is composed of four independent, non-employee directors as defined by the SEC, Nasdaq and the Internal Revenue Code. The Committee maintains responsibility for overseeing the independence of any compensation consultant that it retains. A brief summary of the role of the Committee is found in Committees of the Board of Directors and Meeting Attendance in this Proxy Statement.

The Committee periodically retains the services of a third party consultant to provide guidance and recommendations on compensation strategy, program design, peer group selection, and market compensation trends. The Committee also has utilized a third party consultant to recommend peer group companies and to determine peer group and/or larger market compensation levels. Members of management participate in Committee meetings at the Committee s request. Our Vice President of Human Resources contributes analysis on market trends, peer group compensation levels and compensation levels of companies in our broad technology industry category to the Committee. Our Chief Executive Officer provides recommendations on the compensation of other Named Executives. Our Vice President, Corporate Development, General Counsel and Corporate Secretary generally serves as Secretary of Committee meetings. In fiscal 2015, the Committee retained Radford Consulting, a business unit of AON Hewitt, to provide recommendations on peer group selection, competitive benchmark data for our executive positions, peer group and industry trends on compensation plan design, and advice on compensation program design.

Compensation Determination Process

Compensation targets are set for each Named Executive based on a number of factors, including:

- Compensation levels of comparable positions at companies in our peer group and our broad technology industry with comparable annual revenues and market caps;
- Each Named Executive s performance against annual objectives;
- The qualifications of the Named Executive and the potential for positive performance in the future;
- The achievement of strategic goals to which the Named Executives are held accountable;
- The recommendations of the Chief Executive Officer (except with respect to his own compensation); and
- Current financial conditions, goals and performance of the Company.

Compensation Benchmarking

To determine a range of competitive compensation for comparable jobs, the Committee reviews compensation data for a group of peer companies. The Committee also considers third party survey data of companies in our broad technology industry category with comparable annual revenues to supplement peer group data.

Cash Compensation

The Committee generally sets base salaries for Named Executives to fall between the 25th and 50th percentile of comparable positions at peer group companies. Determination of the base salary level is based on the compensation determination factors listed above, with specific focus on the nature of the position, the Named Executives skills and potential, as well as past performance results. Currently, the base salaries of our Named Executives comprise 50% to 60% of their total annual cash compensation target, which places significant emphasis on annual incentive compensation. This supports our pay-for-performance philosophy as the Company will need to meet or exceed Company financial targets for

Named Executives to realize their full annual cash compensation potential.

Total cash compensation, when earned, typically will result in Named Executive total cash compensation falling on average between the 40th and 70th percentile of the comparable peer group positions if all financial metrics associated with annual incentive compensation are achieved or exceeded. By design, actual total cash compensation for Named Executives will fall below this range if we do not achieve all of our financial metrics in the fiscal year, and could fall above this range when we exceed our financial metrics in the fiscal year.

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Equity Compensation

The Committee awards stock options and restricted stock units to Named Executives based on the following factors:

- The value of equity awards within our peer group for comparable positions. The Committee considers ranges of equity between the 25^{th} and 75^{th} percentile;
- Each Named Executive s past performance and potential for Executive to contribute to Company success in the future; and
- The strategic impact of the Named Executive s position and necessity to retain the Named Executive.

Excluding new hire equity awards, actual equity compensation awards for Named Executives in fiscal 2015 and fiscal 2016 were within the 25^{th} and 50^{th} percentile of peer group long-term incentive amounts.

During fiscal 2015, we hired Mr. Konezny as President and Chief Executive Officer and Mr. Goergen as Senior Vice President, Chief Financial Officer and Treasurer. Mr. Konezny and Mr. Goergen were provided with equity awards commensurate with new hire equity grant practices in our industry. Equity grants for newly hired officers in our industry suggest an initial grant in the range of 2.0 to 4.0 times that of an annual equity award, depending on the position.

Fiscal 2015 Compensation Benchmarking

For fiscal 2015, the Committee considered a competitive analysis report prepared by our Vice President of Human Resources that reviewed the base salary, annual cash incentives and long-term equity incentive elements and levels for our Named Executives against comparable positions in our peer group and companies in our broad technology industry category. Our fiscal 2015 peer group was assessed to determine whether modifications were appropriate based on acquisitions or significant changes in the financial metrics of the companies in our peer group. As a result of this assessment, Aruba Networks was removed from the peer group. The fiscal 2015 peer group was composed of: Anaren, Calamp, Echelon, Emulex, EnerNOC, Extreme Networks, Globecomm Systems, Ixia, LogMeIn, NetScout Systems, Novatel Wireless, Oplink Communications, Radisys, Shoretel, Sierra Wireless, Symmetrico, and TeleNav. The Committee considered this competitive analysis report, in addition to the compensation determination factors described above, to determine the appropriate base salary, annual cash incentive targets and equity incentive awards for fiscal 2015.

Fiscal 2016 Compensation Benchmarking

For fiscal 2016, the Committee retained Radford Consulting to provide a competitive analysis of the base salary, annual cash incentives and equity incentive elements and levels for our Named Executives. This analysis consisted of the following:

- A review of our fiscal 2015 peer group and industry to assess whether modifications were appropriate based on our current business model, financial metrics, and appropriate competitors within our general market. The Committee approved Radford Consulting s recommendation to remove nine companies from the fiscal year 2015 peer group, retain eight historical peers, and add thirteen new companies. This peer group modification was driven by changes in the rapidly evolving M2M/Internet of Things (IOT) industry within which we compete, significant changes in the financial performance of companies within our historic peer group, and acquisitions. The approved fiscal year 2016 peer group includes:

Aerohive Networks	MRV Communications
Calamp	Novatel Wireless
Calix	Numerex
Comtech Technologies	PCTEL
EMCORE	Radisys

Extreme Networks	Ruckus Wireless
Ixia	Shoretel
KVH Industries	Sierra Wireless
Maxwell Technologies	Sonus Networks
Mercury Systems	Telenav

A comparison of our compensation elements and levels against the fiscal 2016 peer group to determine our overall market percentile position on each element as well as our total cash compensation and total equity compensation.

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A comparison of our compensation elements and levels against companies in our broad technology industry category based on data obtained from Radford s publicly available independent third party compensation survey. This survey data contained competitive information for high technology companies in our broader industry and revenue categories. This broader survey data was used in conjunction with the peer group data.

Compensation Program Elements

Total Cash Compensation

To determine the allocation of compensation among each of our cash compensation program elements, we consider the practices of companies within our peer group as well as our compensation philosophy of maintaining a strong pay-for-performance environment. The portion of the Named Executive s total cash compensation dependent on annual incentive differs by position. For instance, while we want our Chief Financial Officer to be concerned with our financial performance, an important part of his job is to oversee our financial controls and reporting. As such, his targeted level of annual incentive is lower than that of other Named Executives, and a higher emphasis is placed on base salary.

The target total cash compensation for Named Executives in fiscal 2015 was set at:

Name	Annual Base Salary ($)	Target Annual Cash Compensation ($)	Target Annual Cash Incentive as % of Base Salary (%)	Target Total Cash Compensation ($)
Ronald E. Konezny	450,000	450,000	100	900,000
Michael C. Goergen	290,000	174,000	60	464,000
Jon A. Nyland	225,000	157,500	70	382,500
Kevin C. Riley	275,000	225,500	82	500,500
Joel K. Young	268,000	179,000	67	447,000
Joseph T. Dunsmore	436,000	436,000	100	872,000
Steven E. Snyder	290,000	156,600	54	446,600

After a review of our compensation targets against our peer group and broader survey group practices, cash compensation targets for fiscal 2016 were set at the following for the Named Executives who remain in their executive officer roles, and no changes were made to the cash compensation targets for Mr. Dunsmore or Mr. Snyder, both of whom have ceased to be executive officers.

Name	Annual Base Salary ($)	Target Annual Cash Compensation ($)	Target Annual Cash Incentive as % of Base Salary (%)	Target Total Cash Compensation ($)	% Increase[(1)] (%)
Ronald E. Konezny	465,000	465,000	100	930,000	3.3
Michael C. Goergen	290,000	174,000	60	464,000	N/A
Jon A. Nyland	232,000	162,500	70	394,500	3.1
Kevin C. Riley	285,000	246,500	85	527,300	5.4
Joel K. Young	275,000	187,000	70	462,000	3.4

(1) Mr. Goergen commenced employment in April 2015 and his compensation was not increased for fiscal year 2016.

Base Salaries

Base salary levels reflect the Committee s compensation philosophy of favoring compensation, as appropriate, that is contingent on the achievement of performance objectives while providing a market competitive level of salary that will allow us to attract and retain talent. This translates to base salary levels for our Named Executives that fall between the 25th and 50th percentile of our peer group. Base salaries are reviewed annually but are not automatically increased. Adjustments are approved by the Committee based upon changes in competitive market data and the compensation determination factors listed earlier in this CD&A.

For fiscal 2016 base salaries for Named Executives, excluding Mr. Goergen, were increased from 3.1% to 5.4%. The increases were determined based on our competitive market analysis for each position and the individual s performance for the fiscal year.

Annual Cash Incentives

Our annual cash incentive program provides Named Executives the opportunity to receive cash incentive payments depending on the degree to which we achieve or exceed quarterly and annual financial goals. This incentive typically has been

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tied to achievement of revenue and EBITDA. The Plan has historically required a minimum threshold of performance against goal to earn any payment, and a maximum payment opportunity. Annual cash incentives are paid following the release of our audited consolidated financial statements. Quarterly cash incentive payments are paid upon the release of our quarterly unaudited consolidated financial statements.

Cash incentive plan metrics and potential cash incentive amounts are determined by the Committee near the start of each fiscal year based upon elements of our board-approved operating plan for that year. In some years, the metrics have included other objective measurements of quarterly or annual financial success as approved by the Committee. The Committee approves plan elements and targets that they believe will support continued growth and creation of stockholder value.

The annual cash incentive component pays out based on performance if the Named Executive remains employed with us for the full year. A pro-rated cash incentive is paid based on the number of months of service during the year and our actual financial performance against our operating plan, in the event the employment of a Named Executive is terminated without cause during the year.

The Committee also reserves the right to award discretionary cash bonuses based upon its assessment of a Named Executive s performance and contributions.

Fiscal 2015 Cash Incentive Compensation

For fiscal 2015, the Committee established an annual cash incentive plan for Named Executives based on achievement of quarterly and annual revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) goals. For fiscal 2015, 40% of the annual cash incentive was dependent on achievement of quarterly financial goals, 30% dependent on achievement of the annual revenue goal and 30% dependent on achievement of the annual EBITDA goal. The 40% tied to quarterly financial performance was divided equally between quarterly revenue and EBITDA goals, resulting in 5% of target incentive tied to each quarter s revenue and EBITDA goals. There was a minimum achievement of 90% of goal required to earn any payment for a financial component on both the quarterly and annual components. The plan also contained an opportunity to earn up to 200% of the target incentive amount tied to each quarterly component for over-achievement of the goal and up to 200% of the target incentive amount tied to each annual component for over-achievement of the goals.

The cash incentive plan metrics and achievement percentages for the 2015 plan for Named Executives tied to total company performance are set forth in the below tables (dollar amounts in thousands):

Quarter Ended	Revenue Goal ($)	Actual Revenue ($)	Percent of Revenue Target Achieved (%)	Percent of Incentive Target tied to this Component Earned (%)	EBITDA[(1)] Goal ($)	Actual EBITDA[(1)] ($)	Percent of EBITDA Target Achieved (%)	Percent of Incentive Target tied to this Component Earned (%)
12/31/2014	48,500	48,723	100.5	101.0	2,021	290	14	0
3/31/2015	51,000	53,151	104.2	108.6	2,935	3,726	127	154.0
6/30/2015	51,700	54,538	105.5	111.0	3,200	4,723	148	195.2
9/30/2015	53,500	56,446	105.5	111.2	4,700	5,551	118	136.4

Fiscal Year Ended	Revenue Goal ($)	Actual Revenue ($)	Percent of Revenue Target Achieved (%)	Percent of Incentive Target tied to this Component Earned (%)	EBITDA[(1)] Goal ($)	Actual EBITDA[(1)] ($)	Percent of EBITDA Target Achieved (%)	Percent of Incentive Target tied to this Component Earned (%)
9/30/2015	204,500	212,858	104.1	108.2	12,800	14,290	111.6	123.4

(1) EBITDA is a non-GAAP financial measure that can be calculated from our audited financial statements by subtracting interest income net of interest expense located on our Consolidated Statements of Operations from income before income taxes and then adding depreciation of property, equipment and improvements and amortization of identifiable intangible assets and other assets, both of which are located on the Consolidated Statements of Cash Flows. EBITDA net of the impact of any acquisitions made during the current fiscal year is calculated by subtracting that portion of EBITDA pertaining to income before interest, taxes, depreciation and identifiable intangible assets amortization for any businesses acquired in the current fiscal year from the consolidated EBITDA. We use this metric because we believe it provides a clearer view of operations that were ongoing throughout the entire fiscal year as well as a better comparison of performance year over year.

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The actual incentives earned for fiscal 2015 were:

Name	Total Target Incentive Tied to Quarterly Performance ($)	Actual Incentive Earned for Quarterly Performance ($)	Total Target Incentive Tied to Annual Performance ($)	Actual Incentive Earned for Annual Performance ($)	Target Total Cash Incentive ($)	Actual Total Cash Incentive Earned ($)	Percent of Target Annual Cash Incentive Earned (%)
Ronald E. Konezny(1)	142,337	187,395	213,041	246,702	355,378	434,097	122.2
Michael C. Goergen(2)	31,167	42,618	46,908	54,320	78,075	96,938	124.2
Jon A. Nyland	63,000	72,246	94,500	109,431	157,500	181,677	115.4
Kevin C. Riley	90,200	103,437	135,300	156,677	225,500	260,114	115.4
Joel K. Young	71,600	82,108	107,400	124,369	179,000	206,477	115.4
Joseph T. Dunsmore(3)	109,000	55,045	0	0	109,000	55,045	50.5
Steven E. Snyder(4)	46,980	52,445	78,257	90,622	125,237	143,067	114.2

(1) Mr. Konezny began his employment with the Company on December 17, 2014. All amounts listed are pro-rated based on his service during fiscal year.

(2) Mr. Goergen began his employment with the Company on April 20, 2015. All amounts listed are pro-rated based on his service during fiscal year.

(3) Mr. Dunsmore retired from the Company effective December 31, 2014. His target total cash incentive reflects his target compensation for the period October 1, 2014 through December 31, 2014.

(4) Pursuant to Mr. Snyder s transition agreement with the Company entered into in connection with his retirement, his eligibility for the incentive plan ended July 31, 2015. His target total cash incentive, total target incentive tied to quarterly performance, and total target incentive tied to annual performance are pro-rated to reflect ten months of incentive plan eligibility during the fiscal year.

The cash incentive plan payments above target earned in fiscal 2015 reflect our performance as a company against our key financial measurements and are consistent with our pay-for-performance philosophy. A more detailed analysis of our financial and operational performance is contained in the Management s Discussion & Analysis section of our 2015 Annual Report on Form 10-K filed with the SEC.

In addition to the cash incentives shown above, Mr. Konezny received a one-time sign on bonus of $400,000 upon commencement of employment with the Company. If Mr. Konezny resigns his employment with the Company for any reason other than death or disability prior to the one year anniversary of his employment on December 17, 2015, this amount will be repaid to the Company in full.

Fiscal 2016 Cash Incentives

For fiscal 2016, the Committee established an annual cash incentive plan for Named Executives designed to incent and reward profitable growth of the Company. Performance will be measured based on achievement of annual revenue and EBITDA goals. Mr. Dunsmore retired as our Chairman and Chief Executive Officer effective December 17, 2014. Mr. Snyder announced his retirement and resigned as our Senior Vice President, Chief Financial Officer and Treasurer effective April 20, 2015. They are no longer employed by the Company and are not eligible to receive any cash incentive payments for fiscal 2016.

For the remainder of the Named Executives, the annual cash incentive for fiscal 2016 is dependent on achievement of annual financial goals. The plan has a provision for payment between 80% and 200% of target. Upon achievement of threshold revenue and EBITDA goals, 80% will be earned; 100% of incentive will be earned upon full achievement of revenue and EBITDA targets. Additional incentives up to 200% of annual target will be earned upon achievement of incremental EBITDA beyond plan target. The Compensation Committee has discretion to determine additional payments due for incremental EBITDA performance above the 200% payment level target.

The plan provides for a payment of 15% of the Named Executives annual incentive target after each of the first three quarters of the fiscal year that the Company achieves threshold revenue and EBITDA. The final annual incentive due will be calculated based on annual results and performance against revenue and EBITDA goals. Full incentive will be earned upon meeting target revenue and EBITDA. Incremental incentive can be earned for achieving EBITDA above target for the year. This final payment is determined by multiplying the Named Executives annual incentive target by the annual achievement of revenue and EBITDA and subtracting the quarterly payments already received. The revenue and EBITDA component of the annual cash incentive plan are set and will be measured exclusive of the impact of any acquisitions we may complete during the fiscal year.

Equity Incentive Compensation

Equity incentive compensation is designed to reward demonstrated performance and leadership, motivate future superior performance that drives overall Company growth, aligns the interests of the Named Executive with our stockholders, and allows

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us to attract and retain talent through the long-term reward potential of this program. Prior to fiscal 2014, we historically provided non-statutory stock options as our only equity vehicle. During fiscal 2014, restricted stock units were added as a second equity vehicle. The introduction of restricted stock units as a type of equity award was done to align our equity incentive compensation with pre-dominate market practices and provide another vehicle to support our compensation philosophy as above defined. Equity awards are made to Named Executives annually and on other dates that generally correspond to the Named Executive s start date with us, promotions or, in rare cases, an extraordinary performance award. Equity award amounts historically have been based upon competitive equity compensation within our peer group and/or survey group along with the above listed individual factors. Existing ownership levels generally are not a factor in award determinations as we do not want to discourage Named Executives from accumulating Digi stock; however, the Committee may take into consideration a Named Executive s previous equity awards and may approve larger awards to newer Named Executives with less equity by reason of their shorter tenure.

Stock options have an exercise price equal to the closing price of a share of Digi Common Stock on the grant date. As a result, stock options only have value to the extent the price of Digi stock on the date of exercise exceeds the exercise price on the date of the grant. For this reason the Committee believes that stock options are a motivational and performance tool to drive stockholder value.

Generally, stock options become exercisable as to one-fourth of the shares beginning one year after the grant date and in 36 monthly installments as to the remainder, and have a maximum eight-year term, whereas restricted stock unit awards generally vest as to one-fourth of the shares on each annual anniversary of the grant date. These vesting schedules aid us in retaining our Named Executives and motivating long-term performance. Under our current practice, equity awarded to our Named Executives includes a provision for accelerated vesting upon the permanent disability or death of the executive. In addition, equity awarded to our Named Executives include a provision for accelerated vesting either upon a change in control or upon termination of employment either without cause by the Company or for good reason by the Named Executive following a change in control. From time to time, at the discretion of the Committee, an equity award may contain different vesting or expiration terms if the Committee deems, that by doing so, we will better achieve our compensation objectives.

The exercise price of each stock option awarded to the Named Executives and other employees under our equity incentive plans is the closing price of Digi stock on the date of grant. Stock option and restricted stock unit awards generally are made annually after we announce earnings for our fiscal fourth quarter and full fiscal year. Awards for new hires or for promotions and other performance-related awards are also made during the course of the year on a date after we have announced quarterly earnings. In all instances, the grant date for awards is on a date when the Company s trading window is open.

Fiscal 2015 Equity Awards

In November of 2014, the following stock option and restricted stock unit awards were made to our Named Executives. To determine the size of the awards, the Committee reviewed equity and long term incentive practices of equivalent positions within our peer group positions. The value of the awards was deemed to fall between the 25th and 50th percentile of peer group reported equity and long-term incentive actual awards for the most recent fiscal year. The selection of the value of each award between the 25th and 75th percentile was based on compensation determination factors listed above, most notably, Company performance, individual performance, long-term potential and retention goals. The Company delivers the equity award value 50% in stock options and 50% in restricted stock units. The Company utilizes Black Scholes valuations to calculate stock option shares and the market close price of the stock on the day of the award to calculate restricted stock unit shares.

Fiscal 2015 equity awards also include one time, new hire awards to Mr. Konezny and Mr. Goergen. The value of these awards was deemed to be commensurate with new hire equity award values in our industry and supportive of our goals to attract talented executives to the Company.

Name	Option Award (# Shares)	Restriected Stock Units (# Shares)
Ronald E. Konezny	325,000	175,000
Michael C. Goergen	100,000	50,000
Jon A. Nyland	12,500	6,250
Kevin C. Riley	32,500	16,250
Joel K. Young	27,500	13,750
Steven E. Snyder	27,500	13,750

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Fiscal 2016 Equity Awards

For fiscal 2016, the Committee reviewed equity and long term incentive practices of equivalent positions within our peer group positions, and for certain positions, the practices within the broader survey group. The Committee approved equity awards that were deemed as falling between the 25^{th} and 50^{th} percentile of reported equity and long-term incentive awards for the most recent fiscal year of companies in our peer group and our broad technology industry category. The selection of award size between the 25^{th} and 75^{th} percentile was based on the Company s fiscal 2015 performance and the individual factors listed above, most notably, individual performance, long-term potential and retention goals. The Company delivers the equity award value 50% in stock options and 50% in restricted stock units. The Company utilizes Black Scholes valuations to calculate stock option shares and the market close price of the stock on the day of the award to calculate restricted stock unit shares. This resulted in the following option and restricted stock unit awards on November 19, 2015:

Name	Option Award (# Shares)	Restricted Stock Units (# Shares)
Ronald E. Konezny	131,250	41,568
Michael C. Goergen	31,250	9,897
Jon A. Nyland	18,750	5,938
Kevin C. Riley	37,500	11,876
Joel K. Young	31,250	9,897

Other Compensation

We provide our Named Executives with perquisites and benefits that we believe are reasonable and aligned with our overall Executive compensation program objectives. Named Executives receive the same benefits that are available to all regular full-time employees with the sole addition of a $500,000 supplemental life insurance policy. The Company purchases season tickets for certain sporting events for marketing purposes. Named Executives, along with other regular full-time employees, may be entitled to the use of these tickets when they remain unused for business related purposes.

As described below in the section entitled Employment Contracts; Severance; Termination of Employment and Change-in-Control Arrangements, we have entered into severance arrangements with Named Executives to align their interests with stockholders and attract and retain executives by providing contractual arrangements that address the consequences of significant organizational changes.

Employment Agreements and Change-in-Control Provisions

As described below in the section entitled Employment Contracts; Severance; Termination of Employment and Change-in-Control Arrangements, we have entered into employment agreements with our Named Executives to align their interests with stockholders and attract and retain executives by providing contractual arrangements that address the consequences of significant organization changes. Similarly, in certain circumstances, we may enter into separate transition or severance agreements with Named Executives to facilitate the orderly transition of their responsibilities upon their departure from the Company in a manner that is least disruptive to our organization. When entering into these agreements, the Committee considers market terms for these benefits, although the actual agreements are individually negotiated based on the circumstances of the executive being employed or retained.

Assessing Risk in our Executive Compensation Program

The Committee reviews an annual compensation plan risk assessment provided by management. This assessment includes a review of each cash and equity incentive compensation plan within the Company, a discussion on potential risks, and a review of any process controls for effective plan administration. The Committee believes it has implemented an executive compensation program that provides our Named Executives with incentives to drive business and financial results, but not in a manner that encourages excessive or unnecessary risk taking behaviors. This is demonstrated by the following design features:

Having base salaries that are competitive;

Utilizing a rigorous process to establish annual and quarterly financial performance metrics for our cash incentive plan that are challenging but achievable;

For our annual and quarterly cash incentives, utilizing more than one financial metric to determine payment under the plan. This assures Named Executives are not focused on limited aspects of business performance; and

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Providing Named Executives with an opportunity for an annual equity award that vests over a period of four years. This equity accumulation opportunity incents Named Executives to take actions that promote longer term sustainability of our business.

Compensation Governance Policies

Clawback Policy

In October 2014, our Board of Directors adopted an Executive Officer Incentive Compensation Clawback Policy that governs cash incentive awards to our executive officers. If, after such an award is paid but prior to a change in control, we materially restate our consolidated financial statement because of our company s material noncompliance with applicable financial reporting requirements, then each executive officer who is determined by our Compensation Committee to have engaged in misconduct or negligence contributing to the need for such restatement must repay the net proceeds of such cash incentive award(s). Net proceeds means the portion of the payment made with respect to the cash incentive award that the executive officer would not have been entitled to receive if the financial results had been as reported in the restatement, net of taxes paid or payable by the executive officer with respect to the forfeited payment. In addition, if it is determined that any executive officer engaged in intentional misconduct or gross negligence that caused or contributed to the need for the restatement, then such executive officer must repay the entire amount of any cash incentive payment net of taxes paid or payable with respect to the forfeited payment. Our Compensation Committee, in its sole discretion as it deems appropriate, may reduce the forfeiture, return and payment obligations under the Executive Officer Incentive Compensation Clawback Policy. The policy is not intended to limit any other rights our company may have by law for misconduct of an executive officer that caused or contributed to the need for a restatement.

Stock Ownership Guidelines

In November 2014, our Board of Directors adopted stock ownership guidelines because it believes that it is in the best interest of the Company and our stock holders for non-employee directors and executive officers to have an equity interest in the Company in order to align their financial interests with those of our stockholders. Our Compensation Committee is responsible for monitoring the application of these guidelines.

The guidelines specify that each non-employee director and executive officer is expected to own shares of our common stock with a value at least equal to the amount shown in the following schedule:

Leadership Position	Value of Shares
Non-employee Director	1.5 × annual Board retainer (excluding any Board committee retainer)
Chief Executive Officer	1.5 × annual base salary
Senior Vice Presidents and Vice Presidents appointed by the Board	0.5 × annual base salary

Covered individuals have five years from the date he or she becomes subject to these guidelines (or any heightened ownership level under these guidelines) to achieve compliance with the applicable target value. Shares are counted toward the target value by including fully-vested outstanding shares of which the covered person is deemed to be the beneficial owner (pursuant to Section 16 under the Securities and Exchange Act of 1934, as amended) and by including shares subject to a stock option or stock appreciation right to the extent that the award is vested as to those shares and the award is in-the-money (i.e., the closing price of a share of the Company s stock on the determination date exceeds the exercise price). Shares subject to a performance based compensatory equity-based award of any kind that has not yet vested and shares subject to a restricted stock unit that has not yet vested are not counted.

The value of the shareholdings of a covered individual is based on the greater of (i) the closing price of a share of the Company s common stock as of the most recent fiscal year end, or (i) the acquisition value of the shares (the purchase price, if acquired in a market or other arms-length transaction, or its fair market value at the time the receipt of the share was taxable or the share was received in a gift transaction).

All non-employee directors and executive officers are either in compliance with the stock ownership guidelines or are making progress toward achieving the stock ownership guidelines within the five year period before the guidelines become effective.

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Accounting and Tax Impacts of Executive Compensation

Section 162(m) of the Internal Revenue Code generally precludes a public corporation from taking a federal income tax deduction for compensation paid in excess of one million dollars per year to certain covered officers. Under this section, compensation that qualifies as performance-based is excludable in determining what compensation amount shall qualify for tax deductibility.

Our Committee considers our ability to fully deduct compensation in accordance with the one million dollar limitations of Section 162(m) in structuring our compensation programs. However, the Committee retains the authority to authorize the payment of compensation that may not be deductible if it believes such payments would be in the best interests of the Company and our stockholders. In fiscal 2015, Mr. Konezny s compensation exceeded the one million dollar limitation for Section 162(m) and approximately $0.1 million of his compensation was nondeductible.

Other than described above for Mr. Konezny, we believe none of our Named Executives have been compensated in a manner that would be non-deductible under Section 162(m), although for fiscal 2015 the Committee established performance-based goals for our Chief Executive Officer which, if fully achieved, would result in compensation exceeding the one million dollar maximum deductible amount.

Report of the Compensation Committee

The Compensation Committee has reviewed the above Compensation Discussion and Analysis and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Digi s Annual Report on Form 10-K for the year ended September 30, 2015 and this Proxy Statement. This report is provided by the following independent directors, who comprise the Compensation Committee:

Ahmed Nawaz (Chairman)

Guy C. Jackson

Spiro C. Lazarakis

Girish Rishi

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Summary Compensation Table

The following Summary Compensation Table contains information concerning all compensation provided to the individuals who served at any time during our fiscal 2015 as Chief Executive Officer or Chief Financial Officer as well as our other three most highly compensated officers (whom we have referred to in the CD&A and here as the Named Executives). Information is provided for each of the last three fiscal years when each individual was a Named Executive.

Name and Principal Position	Year	Salary[(1)] ($)	Stock Awards[(2)] ($)	Option Awards[(3)] ($)	Non-Equity Incentive Plan Compensation[(4)] ($)	All Other Compensation[(5)] ($)	Total ($)
Ronald E. Konezny[(6)]							
President and Chief Executive Officer	2015	351,346	1,452,500	985,985	434,097	11,375	3,235,303
Michael C. Goergen[(7)]							
Senior Vice President, Chief Financial Officer and Treasurer	2015	128,269	509,000	344,030	96,938	5,422	1,083,659
Jon A. Nyland							
Vice President, Manufacturing Operations and Quality	2015	225,000	46,250	34,956	181,677	8,611	496,494
	2014	211,860	114,125	111,068	67,897	9,859	514,809
	2013	211,860		94,073	70,194	10,105	386,232
Kevin C. Riley							
Senior Vice President, Global Sales	2015	275,000	120,250	90,886	260,114	14,047	760,297
	2014	243,466	205,425	244,349	98,880	12,957	805,077
Joel K. Young							
Senior Vice President of Research and Development, and Chief Technical Officer	2015	268,000	101,750	76,904	206,477	11,499	664,630
	2014	268,000	114,125	244,349	76,486	10,130	713,090
	2013	268,000		206,960	79,076	10,498	564,534
Joseph T. Dunsmore[(8)]							
Former Chairman of the Board, President and Chief Executive Officer	2015	114,031			55,045	907,073	1,076,149
	2014	436,000		733,046	186,303	14,770	1,370,119
	2013	436,000		620,879	192,611	10,698	1,260,188
Steven E. Snyder[(9)]							
Former Senior Vice President, Chief Financial Officer and Treasurer	2015	290,000	101,750	76,904	143,067	16,161	627,882
	2014	281,000	114,125	244,349	65,377	14,417	719,268
	2013	281,000		206,960	67,591	11,600	567,151

(1) The Salary column presents the pre-tax base salary earned during the fiscal year.

(2) The Stock Awards column presents the grant date fair value of restricted stock units granted in the respective fiscal year as computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Compensation Stock Compensation (ASC 718). Accordingly, the grant date fair value was determined by multiplying the number of restricted stock units by the closing stock price on the date of grant. For a description of the vesting terms of the stock awards, see the narrative disclosure under Grants of Plan-Based Awards on page 24.

(3) The Option Awards column presents the aggregate grant date fair value of stock option awards granted in the respective fiscal year as computed in accordance with ASC 718. The fair value of each stock option award is estimated on the date of grant using a Black-Scholes option valuation model. We calculated these amounts based on the grant date fair value of the awards using the valuation assumptions set forth in Note 11 to our fiscal 2015 audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

(4) The Non-Equity Incentive Plan Compensation column presents cash bonuses earned under our annual cash incentive plan during the fiscal periods presented.

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(5) Amounts shown in the All Other Compensation column include the following*:

Name	Year	Digi Contribution to 401(k) Plan ($)	Value of Supplemental Life Insurance Premiums ($)	Severance Payments ($)	Total ($)
Ronald E. Konezny	2015	10,600	775		11,375
Michael C. Goergen	2015	4,792	630		5,422
Jon A. Nyland	2015	7,701	910		8,611
	2014	9,564	295		9,859
	2013	9,810	295		10,105
Kevin C. Riley	2015	12,847	1,200		14,047
	2014	11,757	1,200		12,957
Joel K. Young	2015	10,654	845		11,499
	2014	9,840	290		10,130
	2013	10,208	290		10,498
Joseph T. Dunsmore	2015	1,878	485	904,710(8)	907,073
	2014	14,285	485		14,770
	2013	10,213	485		10,698
Steven E. Snyder	2015	14,673	1,488		16,161
	2014	12,929	1,488		14,417
	2013	10,112	1,488		11,600

* In addition to the amounts set forth above, our Named Executives received perquisites for which there was no incremental cost to our Company. These perquisites include use of season tickets at certain venues that Digi subscribes for or leases for business-related entertainment. Tickets for individual events that remain unused by Digi for business-related entertainment are periodically made available to Named Executives and other employees for personal use. However, as such subscriptions and leases are made for entire seasons or annual periods rather than individually by event, there is no incremental cost to Digi associated with periodically providing such tickets for personal use. Amounts included in severance payments relate to severance payments to Mr. Dunsmore under his transition agreement in an amount equal to his annual base salary.

(6) Mr. Konezny s employment commenced on December 17, 2014.

(7) Mr. Goergen s employment commenced on April 20, 2015.

(8) Mr. Dunsmore resigned from his position as Chairman, Chief Executive Officer and President effective December 17, 2014 and retired his employment with the Company effective December 31, 2014. This severance payment was made pursuant to the terms of his transition agreement.

(9) Mr. Snyder resigned from his position as Senior Vice President, Chief Financial Officer and Treasurer effective April 20, 2015 and retired his employment with the Company effective October 31, 2015.

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Grants of Plan-Based Awards for Fiscal 2015

For services during fiscal 2015, the Named Executives received three types of plan-based awards: (1) cash awards under the annual incentive plan, (2) non-qualified stock option awards granted on November 20, 2014 for Messrs. Snyder, Nyland, Riley and Young and (3) restricted stock unit awards granted on November 20, 2014 for Messrs. Snyder, Nyland, Riley and Young. Each stock option vests as to 25% of the shares subject to the option one year after the date of grant and in 36 monthly installments thereafter as to the rest of the shares, has an eight year term, and has an exercise price equal to the closing price of a share of our Common Stock on the date of grant. Each restricted stock unit vests in four substantially equal increments of twenty-five percent per year on the anniversary date of the grant. In addition, Messrs. Konezny and Goergen each received new hire equity awards on December 17, 2014 and April 28, 2015, respectively, with the same term and vesting provisions described above. The annual incentive plan is described on page 15 and throughout the Compensation Discussion and Analysis.

Name	Award Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold($)	Target($)	Maximum($)	All Other Stock Awards: Number of Shares of Stock or Units(2) (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards(3) ($/Sh)	Grant Date Fair Value of Option and Stock Awards(4) ($)
Ronald E. Konezny(4)	AIP		284,302	355,378	710,756				
	NQSO	12/17/2014					325,000(5)	8.30	985,985
	RSU	12/17/2014				175,000(5)			1,452,500
Michael C. Goergen	AIP		62,400	78,075	156,150				
	NQSO	4/28/2015					100,000(6)	10.18	344,030
	RSU	4/28/2015				50,000(5)			509,000
Jon A. Nyland	AIP		126,000	157,500	315,000				
	NQSO	11/20/2014					12,500(6)	7.40	34,956
	RSU	11/20/2014				6,250(5)			46,250
Kevin C. Riley	AIP		180,400	225,500	451,000				
	NQSO	11/20/2014					32,500(6)	7.40	90,886
	RSU	11/20/2014				16,250(5)			120,250
Joel K. Young	AIP		143,000	179,000	358,000				
	NQSO	11/20/2014					27,500(6)	7.40	76,904
	RSU	11/20/2014				13,750(5)			101,750
Joseph T. Dunsmore	AIP		87,200	109,000	218,000				
Steven E. Snyder	AIP		100,190	125,237	250,474				
	NQSO	11/20/2014					27,500(6)	7.40	76,904
	RSU	11/20/2014				13,750(5)			101,750

AIP Annual incentive plan

NQSO Non-qualified stock option awards

RSU Restricted stock unit awards

(1) These columns present possible payments under the annual incentive plan for fiscal 2015. See the Summary Compensation Table for fiscal 2015 (under the column Non-Equity Incentive Plan Compensation) for the actual amount paid to each Named Executive under the fiscal 2015 annual incentive plan. Threshold refers to the minimum amount payable if all three of the annual incentive plan components performed at the minimum threshold level required to earn any incentive. Target refers to the amount payable under all components if specified targets are reached. Maximum refers to the maximum payout possible under the plan. Threshold Target and Maximum Amounts are pro-rated for Named Executives with less than a full year of service.

(2) The restricted stock units are subject to accelerated vesting if the award is not assumed or replaced in connection with a change in control, or if the award is so assumed or replaced, if the Named Executive s employment is terminated without cause by the successor or for good reason by the Named Executive within 12 months following a change in control.

(3) The exercise price for the options granted to is the closing price of our Common Stock on the Nasdaq Global Select Market on the date of grant, which was November 20, 2014 for Messrs. Nyland, Riley, Young and Snyder, December 17, 2014 for Mr. Konezny and April 28, 2015 for Mr. Goergen.

(4) This column shows the full grant date fair value under authoritative guidance issued by ASC 718 of the stock options and restricted stock units on the date of grant**.** The fiscal 2015 compensation of Mr. Konezny and Mr. Goergen include the value of their initial equity grants. As described earlier, the size of this initial grant is not indicative of future practices.

(5) Scheduled to vest as to 25% of the shares on the first anniversary of the date of grant and each anniversary thereafter unless earlier accelerated or terminated pursuant to their terms.

(6) Scheduled to vest as to 25% of the shares on the first anniversary of the date of grant and thereafter in 36 monthly installments unless earlier accelerated or terminated pursuant to their terms.

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Outstanding Equity Awards at Fiscal 2015 Year-End

The table below provides information on each Named Executive s outstanding equity awards as of September 30, 2015. The equity awards consist of stock options and restricted stock units. The market value of restricted stock units that have not vested equals $11.79, which was the closing price of our Common Stock on September 30, 2015. Mr. Dunsmore had no equity awards outstanding at September 30, 2015.

		Option Awards				Restricted Stock Awards	
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable[(1)]**	**Option Exercise Price ($)**	**Option Expiration Date**	**Units of Stock That Have Not Vested[(2)] (#)**	**Market Value ($)**
Ronald E. Konezny	12/17/14		325,000[(3)]	8.30	12/17/22		
	12/17/14					175,000	2,063,250
Michael C. Goergen	4/28/15		100,000	10.18	4/28/23		
	4/28/15					50,000	589,500
Jon A. Nyland	11/20/14		12,500	7.40	11/20/22		
	11/20/14					6,250	73,688
	5/27/14					8,333[(4)]	98,246
	11/20/13	11,458	13,542	10.81	11/20/21		
	11/20/12	17,708	7,292	9.35	11/20/22		
	11/22/11	28,750	1,250	10.63	11/22/21		
	11/23/10	20,000		9.68	11/23/20		
	11/24/09	35,000		8.03	11/24/19		
	11/25/08	10,000		8.49	11/25/18		
	11/27/07	12,500		15.23	11/27/17		
	11/27/06	17,500		13.41	11/27/16		
	11/28/05	15,000		12.73	11/28/15		
Kevin C. Riley	11/20/14		32,500	7.40	11/20/22		
	11/20/14					16,250	191,588
	5/27/14					15,000[(4)]	176,850
	11/20/13	25,208	29,792	10.81	11/20/21		
	1/30/13	83,333	41,667	9.59	1/30/21		
Joel K. Young	11/20/14		27,500	7.40	11/20/22		
	11/20/14					13,750	162,113
	5/27/14					8,333[(4)]	98,246
	11/20/13	25,208	29,792	10.81	11/20/21		
	11/20/12	38,958	16,042	9.35	11/20/22		
	11/22/11	57,500	2,500	10.63	11/22/21		
	11/23/10	70,000		9.68	11/23/20		
	11/24/09	65,000		8.03	11/24/19		
	11/25/08	50,000		8.49	11/25/18		
	11/27/07	35,000		15.23	11/27/17		
	11/27/06	35,000		13.41	11/27/16		
	11/28/05	25,000		12.73	11/28/15		
Steven E. Snyder[(5)]	11/20/14		27,500	7.40	11/20/22		
	11/20/14					13,750	162,113
	5/27/14					8,333[(4)]	98,246
	11/20/13	25,208	29,792	10.81	11/20/21		
	11/20/12	38,958	16,042	9.35	11/20/22		

11/22/11	57,500	2,500	10.63	11/22/21
11/30/10	150,000		9.60	11/30/20

(1) Unless otherwise noted, all options are scheduled to vest as of 25% of the shares on the first anniversary of the date of grant and thereafter in 36 monthly installments unless earlier accelerated or terminated pursuant to their terms.

(2) Unless otherwise noted, all restricted stock units are scheduled to vest as to 25% of the shares on the first anniversary of the date of grant and each anniversary thereafter unless earlier accelerated or terminated pursuant to their terms.

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(3) Scheduled to vest as to 25% of the shares on the first anniversary of the date of grant and each anniversary thereafter unless earlier accelerated or terminated pursuant to their terms.
(4) Scheduled to vest in two substantially equal increments on each of January 16, 2016 and 2017.
(5) Mr. Snyder retired his employment from the Company effective October 31, 2015.

Options Exercised and Stock Vested During Fiscal 2015

The table below provides information regarding stock option exercises and restricted stock units vested by the Named Executives during the fiscal year ended September 30, 2015. None of the Named Executives had any other form of stock award that vested.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise[1] ($)	Number of Shares Acquired on Vest (#)	Value of Vested Shares[2] (#)
Ronald E. Konezny				
Michael C. Goergen				
Jon A. Nyland			4,167	35,378
Kevin C. Riley			7,500	63,675
Joel K. Young			4,167	35,378
Joseph T. Dunsmore	567,719	643,180		
Steven E. Snyder			4,167	35,378

(1) Represents the difference between the market value of the shares acquired upon exercise and the aggregate exercise price of the shares acquired.
(2) Represents the number of shares vested multiplied by the market value of the shares on the date they were vested.

Employment Contracts; Severance; Termination of Employment and Change-in-Control Arrangements

Ronald E. Konezny. In connection with his appointment as our President and Chief Executive Officer effective December 17, 2014, we entered into an employment agreement with Mr. Konezny dated December 3, 2014. Pursuant to the agreement, we agreed to pay Mr. Konezny an initial annual base salary of $450,000. The agreement also provides that if we terminate his employment without cause after the first year of his employment he will receive: (1) severance pay at a rate equal to his base salary for a period of twelve months following termination, paid in installments on regular payroll dates during that period, (2) if Mr. Konezny is eligible for, and takes all steps necessary to continue his group health insurance coverage, we shall pay for the portion of the premium costs for such coverage that the Company pays for then active employees of the Company, at the same level of coverage that was in effect as of the termination date of his employment, for a period of 12 months thereafter, and (3) a pro rata portion of any bonus that would have been payable to him for the fiscal year during which his employment terminated, based on actual results against the annual objectives set by the Committee. If his employment is terminated by us without cause during the first year of his employment, he shall receive the same benefits as described above, except the severance pay shall be equal to 18 months of base salary, the group health insurance premium payment shall extend for 18 months, and the amount of the bonus paid to him shall be $400,000. The employment agreement also provides that the Committee will review Mr. Konezny s base salary annually and may adjust it, provided his base salary can only be decreased as part of an across-the-board reduction affecting all senior executives. Under the employment agreement, Mr. Konezny is entitled to an annual incentive cash bonus equal to 100% of his base salary, provided that the objectives set by the Committee are met. If some or all of the objectives are not met for a fiscal year, then the Committee shall determine the actual bonus earned based on actual performance against plan as determined through Mr. Konezny s annual cash incentive plan. If the objectives set by the Committee for a cash performance bonus are exceeded for a fiscal year, the Committee may, in its discretion, award Mr. Konezny a bonus in addition to any other bonus to which he is otherwise entitled. The employment agreement also provides that Mr. Konezny is entitled to the benefits and perquisites which we generally provide to our other employees under our applicable plans and policies. In connection with the commencement of his employment, Mr. Konezny will receive an initial sign-on bonus in the amount of $400,000, which amount must be repaid to us if, during the first year of his employment, he resigns for any reason other than death, disability, or for good reason following a change in control.

The employment agreement provided for two equity awards in connection with the commencement of Mr. Konezny s employment. On December 17, 2014, he received an option to purchase 325,000 shares of our common stock, which is scheduled to vest as to 25% of the shares on each of the first four anniversaries of the grant date, and has a term of eight years. He also

received a restricted stock unit in the amount of 175,000 shares of our common stock, which will vest as to 25% of the shares on each of the first four anniversaries of the grant date. These equity awards granted to Mr. Konezny will vest in connection with a change in control, vest as to the tranche of shares scheduled to vest on the immediately following vest date. They will vest as to all shares if his employment is terminated without cause or terminates for good reason within one year of the change in control.

Joseph T. Dunsmore. We and Mr. Dunsmore are parties to an employment agreement dated September 27, 2006 which set the minimum level of Mr. Dunsmore s base salary at $375,000. In connection with his retirement announcement, we entered into the transition agreement with Mr. Dunsmore which amended certain provisions of his employment agreement with respect to severance and benefits payments associated with the termination of his employment or a change in control.

Under Mr. Dunsmore s transition agreement, we agreed to provide the following compensation and benefits to Mr. Dunsmore: (1) an amount equal to his annual base salary paid in a lump sum following termination of his employment, (2) an amount equal to his annual base salary paid on regular payroll dates over the year commencing on the first anniversary of termination of his employment, (3) a pro rata payout of his annual cash incentive for the period from October 1 to December 31, 2014, based on our actual performance against target for fiscal 2015, (4) continued coverage of medical and dental benefits for one year following termination of employment, and (5) reimbursement of Mr. Dunsmore s legal fees in reviewing the transition agreement, up to $10,000.

As a condition to receiving the above compensation and benefits, Mr. Dunsmore must comply with the covenants in his employment agreement regarding confidentiality, non-competition and non-solicitation, and he was required to sign and not rescind a release of claims in favor of us.

Steven E. Snyder. We and Mr. Snyder are parties to a letter agreement dated October 28, 2010. Under this agreement, if Mr. Snyder s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to twelve months base salary and a bonus that will be based on the number of months of service during the fiscal year in which his employment was terminated and our actual financial performance against plan as determined through his annual cash incentive compensation plan.

In connection with his retirement announcement in March, 2015, we also entered into a transition agreement with Mr. Snyder. Under the transition agreement, we agreed to provide the following compensation and benefits to Mr. Snyder: (1) an amount equal to nine months base salary paid in a lump sum following termination of his employment, (2) if Mr. Snyder elected to continue his group medical and dental insurance pursuant to the terms of the applicable plans and laws, we would pay up to 3 months of premiums for such coverage at the same level of coverage as in effect on the termination date of his employment, and (3) a pro rata payout of his annual cash incentive for fiscal 2015 based on the months of service through July 31, 2015 and our actual performance against target for fiscal 2015. Under the terms of this transition agreement, Mr. Snyder resigned his positions as Senior Vice President, Chief Financial Officer and Treasurer effective April 20, 2015 but agreed to continue as an active employee through July 31, 2015 and provide reasonable transition services to the Company for the period from August 1, 2015 through October 31, 2015.

Michael C. Goergen. We and Mr. Goergen are parties to a letter agreement dated March 6, 2015. Under this agreement, if Mr. Goergen s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to twelve months base salary and a bonus that will be based on the number of months of service during the fiscal year in which his employment was terminated and our actual financial performance against plan as determined through his annual cash incentive compensation plan.

Jon A. Nyland. We and Mr. Nyland are parties to a letter agreement dated September 17, 2013. The letter agreement provides that if Mr. Nyland s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to six month s base salary and a bonus that will be based on the number of months of service during the fiscal year in which his employment was terminated and actual financial performance against plan as determined through his annual cash incentive compensation plan.

Kevin C. Riley. We and Mr. Riley are parties to a letter agreement dated January 23, 2013. Under this agreement, if Mr. Riley s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to twelve months base salary and a bonus that will be based on the number of months of service during the fiscal year in which his employment was terminated and our actual financial performance against plan as determined through his annual cash incentive compensation plan.

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Joel K. Young. We and Mr. Young are parties to a letter agreement dated July 30, 2007. The letter agreement provides that if Mr. Young s employment is terminated by us without cause at any time, he will be entitled to receive severance equal to twelve months base salary and a bonus that will be based on the number of months of service during the fiscal year in which his employment was terminated and actual financial performance against plan as determined through his annual cash incentive compensation plan.

Potential Payments Upon Termination or Change in Control

The table that follows provides the estimated payments and benefits that would be provided to our Named Executives or their beneficiaries under the employment agreements and equity compensation plans described above under various scenarios involving a termination of employment and/or a change in control, and assuming that the event(s) occurred on September 30, 2015. For these purposes, cause generally refers to acts by an executive that result in a felony conviction, willful non-performance of material employment duties, or willfully engaging in fraud or gross misconduct that is materially detrimental to our financial interests.

Compensation Element	Involuntary Termination Without Cause ($)	Death or Disability (Single Trigger) ($)	Change in Control (Double Trigger)(1) ($)
Severance(2)			
Ronald E. Konezny	675,000		675,000
Michael C. Goergen	290,000		290,000
Jon A. Nyland	112,500		112,500
Kevin C. Riley	275,000		275,000
Joel K. Young	268,000		268,000
Joseph T. Dunsmore	872,000 (3)	N/A	N/A
Steven E. Snyder			
Pro Rata Bonus(4)			
Ronald E. Konezny	400,000		400,000
Michael C. Goergen	96,938		96,938
Jon A. Nyland	181,677		181,677
Kevin C. Riley	260,114		260,114
Joel K. Young	206,477		206,477
Joseph T. Dunsmore	55,045 (3)	N/A	N/A
Steven E. Snyder			
Accelerated Stock Options(5)		1,134,250	1,134,250
Ronald E. Konezny		161,000	161,000
Michael C. Goergen		87,389	87,389

Jon A. Nyland		263,539	263,539
Kevin C. Riley		191,964	191,964
Joel K. Young		191,964	191,964
Steven E. Snyder			
Restricted Stock Units[6]			
Ronald E. Konezny		2,063,250	2,063,250
Michael C. Goergen		589,500	589,500
Jon A. Nyland		171,934	171,934
Kevin C. Riley		368,438	368,438
Joel K. Young		260,359	260,359
Steven E. Snyder		260,359	260,359
Total			
Ronald E. Konezny	1,075,000	3,197,500	4,272,500
Michael C. Goergen	386,938	750,500	1,137,438
Jon A. Nyland	294,177	259,323	553,500
Kevin C. Riley	535,114	631,977	1,167,091
Joel K. Young	474,477	452,323	926,800
Joseph T. Dunsmore	927,045 [3]	N/A	N/A
Steven E. Snyder		452,323	452,323

(1) Represents payments upon termination without cause or for good reason within 12 months following a change in control.

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(2) Severance arrangements generally provide Mr. Konezny with eighteen months of base salary. Those agreements generally provide Messrs. Goergen, Snyder, Young, and Riley with one year of base salary and Mr. Nyland with six months of base salary.

(3) Represents amounts actually paid or payable under Mr. Dunsmore s transition agreement, which are composed of: (1) $436,000 paid in a lump sum following termination of his employment, (2) $436,000 payable on regular payroll dates over the year commencing on the first anniversary of termination of his employment, (3) $55,045 representing a pro rata payout of his annual cash incentive for the period from October 1 to December 31, 2014, based on our actual performance against target for fiscal 2015, (4) $22,710 for continued coverage of medical and dental benefits for one year following termination of employment, and (5) $10,000 as reimbursement for Mr. Dunsmore s legal fees in reviewing the transition agreement.

(4) Pro rata bonus is based on the number of months that the individual was employed during the year in which his employment was terminated and our actual performance against the annual objectives set by the Committee. For purposes of this presentation, since the assumed date of termination was September 30, 2015, the bonus amount shown for all executives except Mr. Konezny is the actual cash incentive earned for all of fiscal 2015. Mr. Konezny s bonus amount represents the amount due him per his employment agreement.